

FY 2011 and FY 2012 State Budget

Senate Sub. for HB 2014 contains current year adjustments for FY 2011 supplemental appropriations; FY 2012 operating expenditures; and multi-year capital improvements for state agencies.

The revised FY 2011 State General Fund expenditures total \$5.675 billion, and expenditures from all funding sources total \$14.738 billion. The revised current year budget reflects State General Fund allotments made by the Governor in March 2011. These allotments, through a series of recommended expenditure reductions, were intended to increase the FY 2011 State General Fund ending balance by \$7.2 million to zero dollars.

The revised State General Fund expenditures for FY 2011 increases the amounts approved by the 2010 Legislature by \$48.7 million, reflecting social services caseload increases. All funding sources increase by \$1.026 billion, which reflects increases in the Department of Labor (\$89.8 million) for unemployment benefits; the Kansas Department of Transportation; (\$375.1 million) mainly for capital improvement projects carried forward from FY 2010; the Department of Social and Rehabilitation Services (\$71.7 million) and the Department on Aging (\$76.9 million), for additional federal funds expenditures and caseload increases; and the Board of Regents and Regents institutions (\$212.9 million) for additional special revenue fund expenditures.

For FY 2012, the approved amount is \$6.055 billion from the State General Fund and \$13.913 billion from all funding sources. The FY 2012 amount is \$11.3 million, or 0.2 percent, below the amount recommended by the Governor from the State General Fund and \$19.4 million, or 0.1 percent, below the amount recommended by the Governor from all funding sources. The approved number of full-time equivalent (FTE) positions totals 39,177.9, which is a decrease of 1,969.4 FTE positions below the revised FY 2011 number of 41,147.3 FTE positions.

It is important to note that overall expenditures decrease in FY 2012, reflecting two changes from FY 2011 – the reduction in the Department of Labor (\$428.2 million) for estimated unemployment benefits in FY 2012 and the final year of the federal American Recovery and Reinvestment Act (ARRA) funding (\$453.6 million) in FY 2011. Conversely, State General Fund expenditures increase as part of the federal ARRA funding (\$345.9 million) is replaced by state dollars.

The following table reflects the dollar and percentage change from FY 2010 actual amount to the currently approved FY 2012 amount.

State General Fund and All Funds Expenditures
FY 2010-FY 2012 (Legislative Approved)
(Amounts in Thousands)

	State General Fund	Change from Prior Year		All Funds	Change from Prior Year	
		\$	%		\$	%
FY 2010	\$ 5,268,045	(796,315)	(13.1)	\$ 14,043,949	83,604	0.6
FY 2011	\$ 5,675,333	407,288	7.7	\$ 14,737,872	693,923	4.9
FY 2012	\$ 6,054,840	379,507	6.7	\$ 13,913,150	(824,722)	(5.6)

Major items reflected in the approved State General Fund FY 2012 budget include the following:

State General Fund expenditures for the **Department of Education** increase by \$85.6 million, or 2.9 percent, above the FY 2011 approved amount. The increase reflects the replacement of \$54.9 million in federal American Recovery and Reinvestment Act (ARRA) funds and KPERs-school payments. Base state aid per pupil is set at \$3,780, as compared to the FY 2011 amount of \$3,937. In addition, 2011 House Sub. for Sub. for SB 111 allows school districts to expend a portion of unencumbered balances in particular funds to increase this amount to \$4,012 in FY 2012.

State General Fund expenditures increase by a total of \$681.0 million for the **Department of Social and Rehabilitation Services** (\$62.1 million), the **Department of Health and Environment - Health** (\$570.1 million), and the **Department on Aging** (\$48.9 million). This includes some increases in consensus caseloads, but it does not include the April 2011 revised estimates. Other adjustments for these agencies include the following:

- The approved FY 2012 budget reflects an increase of \$577.6 million in the **Department of Health and Environment – Health** for the transfer of the Kansas Health Policy Authority into the Department of Health and Environment. The increase is partially offset by:
 - A reduction of \$6.0 million for reduced regular medical Medicaid expenditures associated with savings achieved in the Prepaid Ambulatory Health Plan managed care contract for mental health services; and
 - A reduction of \$800,000 to capture savings in the Medicaid prescription drug program reflecting medications becoming available in generic form.
- The approved FY 2012 budget for the **Department of Social and Rehabilitation Services** is an increase of \$62.1 million, mainly due to replacement of federal economic stimulus funding and increased caseloads. Additional adjustments include:

- An increase of \$2.8 million for Home and Community Based Services for the Developmentally Disabled; and
- An increase of \$10.2 million for mental health state aid distributed to Community Mental Health Centers for the **Department of Social and Rehabilitation Services**.
- The approved budget for the **Department on Aging** for FY 2012 reflects an increase of \$48.9 million, reflecting replacement of federal economic stimulus funding and increased caseloads.

The approved State General Fund FY 2012 budget reflects State General Fund reductions of \$15.1 million, or 2.0 percent, reflecting statewide reductions in the **Board of Regents and State Universities**.

The approved State General Fund FY 2012 budget includes \$15.0 million in the **Department of Commerce** for \$5.0 million grants to Kansas State University for animal health research, the Cancer Center at the University of Kansas Medical Center, and the National Institute for Aviation Research (NIAR) at Wichita State University.

Approximately \$1.0 million was added to restore agencies recommended for closure by the Governor – the Kansas Neurological Institute (\$277,039) and the Kansas Arts Commission (\$689,000 and 6.0 FTE positions).

The **Corrections** budget systemwide increases by \$42.6 million, or 19.6 percent, above the FY 2011 approved amount. The largest portion of the increases can be attributed to the replacement of federal American Recovery and Reinvestment Act (ARRA) funds at Hutchinson Correctional Facility (\$21.8 million), Winfield Correctional Facility (\$9.9 million), and Norton Correctional Facility (\$9.9 million). Other adjustments include:

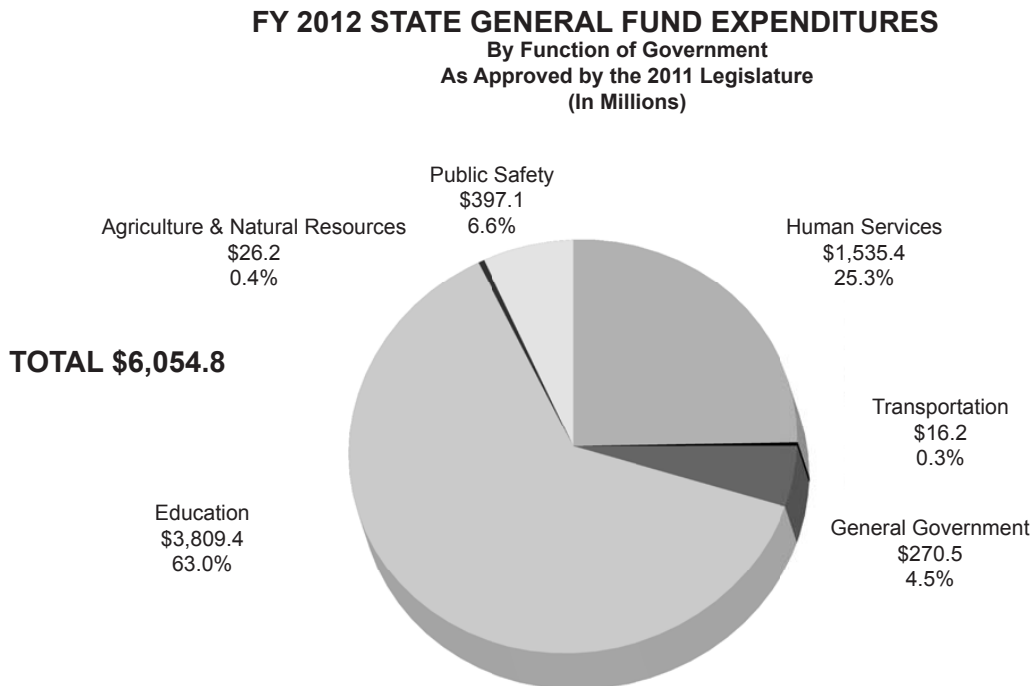
- An additional \$1.4 million to fund 40.0 existing parole officer positions; and
- An additional \$1.5 million to address increased need for community corrections officers related to the passage of House Sub. for SB 6.

Statewide adjustments totaling \$48.0 million are included in the approved budget for FY 2012 as follows:

- A reduction of \$23.0 million for a 1.193 percent **across the board reduction** excluding human services consensus caseload programs, debt service, and all K-12 state aid programs.
- A reduction of \$10.1 million to **Kansas Public Employees Retirement System** to suspend employer contributions to the KPERS death and disability program, for a three-month period beginning April 1, 2012, and ending June 30, 2012.

- A reduction of \$6.4 million reflecting savings from the requirement that state agencies **self-fund state employee longevity bonus payments**.
- A reduction of \$5.9 million for **savings to administrative activities** excluding programmatic services, human services caseloads, local school state aid programs, the Judicial Branch, Legislative Branch, Kansas Department of Transportation, and debt service.
- A reduction of \$2.1 million for a 5.0 percent reduction to **information technology** expenditures, allowing both the Legislative and the Judicial branches to retain their funds, but use them for other purposes.
- A reduction of \$277,039 for **bottled water** (\$100,000) and **office supplies** (\$177,309).
- A reduction of \$159,403 for a **20.0 percent reduction in cell phone expenditures** statewide.

State General Fund Expenditures by Function of Government. Of the approved FY 2012 State General Fund expenditures, 62.9 percent or \$3.809 billion, is for education (local schools, community colleges, Regents institutions), 25.4 percent or \$1.535 billion, is for the human services function of government (Department of Social and Rehabilitation Services and state hospitals, the Department of Health and Environment - Health, Department on Aging, Department of Labor, and others) and the remaining 11.7 percent or \$710.0 million, is for public safety agencies, general government agencies, agriculture and natural resources agencies, and the Kansas Department of Transportation. The following pie chart displays the FY 2012 State General Fund expenditures by function of government.



State General Fund Profile. The following State General Fund profile reflects legislative action on the state budget. Based on the approved budget, the projected ending balance in the State General Fund at the end of FY 2012 will equal 1.2 percent of expenditures. Provisions of KSA 75-6702 require the projected State General Fund ending balance to equal 7.5 percent of expenditure upon passage of the Omnibus reconciliation spending limit bill. Language in the appropriations bill has exempted the budget from these provisions for FY 2012.

**State General Fund Profile As Approved by the 2011 Legislature
(In Millions)**

	Actual FY 2010	Approved FY 2011	Approved FY 2012
Beginning Balance	\$ 49.6	\$ (27.1)	\$ 77.1
Receipts (April 15, 2011 Consensus)	5,191.2	5,775.4	5,805.0
Governor's Recommended Receipt Adjustments	0.0	4.7	234.1
Less Adjustments in Gov. Rec. Requiring Legislation	0.0	0.0	0.0
Legislative Receipt Adjustments	0.0	0.0	9.4
Adjusted Receipts	<u>5,191.2</u>	<u>5,780.1</u>	<u>6,048.5</u>
Total Available	\$ 5,240.8	\$ 5,753.0	\$ 6,126.2
Expenditures	<u>5,268.0</u>	<u>5,675.3</u>	<u>6,054.8</u>
Ending Balance	<u>\$ (27.1)</u>	<u>\$ 77.7</u>	<u>\$ 71.4</u>
Ending Balance as a % of Expenditures	(0.5%)	1.3%	1.2%
Adjusted Receipts in Excess of Expenditures	\$ (76.8)	\$ 104.8	\$ (6.3)
% Change from Prior Year:			
Adjusted Revenues	(7.1%)	11.3%	4.6%
Expenditures	(13.1%)	7.7%	6.7%

KAN-ED Study Commission

In addition, the bill creates the Legislative KAN-ED Study Commission which shall be appointed by the Legislative Coordinating Council and composed of equal members from the Senate and the House, including minority party representation. A study of KAN-ED is to be completed no later than December.