



February 19, 2020

## **Summary of HB 2594 and HB 2597**

HB 2594 includes adjusted funding for FY 2020 and FY 2021 for select state agencies. HB 2597 includes funding for FY 2021 for most agencies as well as capital improvement expenditures for a number of state agencies. An overview of the Governor's recommended budget expenditures for FY 2020 and FY 2021 are reflected below.

HB 2594 and HB 2597 do not include the Governor's recommendation to reamortize Kansas Public Employees Retirement System (KPERs) legacy unfunded actuarial liability over 25 years. This policy is included in HB 2503, which has been reported by the House Committee on Financial Institutions and Pensions without recommendation for consideration by the House Committee of the Whole. HB 2503 also includes the Governor's recommendation to transfer \$268.4 million from the State General Fund to the Kansas Public Employees Retirement Fund in FY 2020 for payment of the remaining balance on delayed State and School employer contributions from FY 2017 and FY 2019 while also eliminating the level-dollar employer contribution payments of \$6.4 million and \$19.4 million per year over 20 years placed in statute after such FY 2017 and FY 2019 employer contribution delays. These expenditures and revenues are included in the aggregated totals below.

If HB 2503 is not passed, the portions concerning payments of delayed contributions would increase State General Fund receipts by \$268.4 million in FY 2020 and increase expenditures by \$25.8 million in FY 2021. Additionally, if the bill is not passed, the portions concerning reamortization would increase expenditures by \$150.4 million, including \$131.0 million from the State General Fund, for FY 2021.

## **Summary of Changes to Estimated FY 2020 Expenditures**

The FY 2020 approved budget totals \$18.5 billion, including \$7.8 billion from the State General Fund. This approved amount includes \$108.7 million of expenditure authority carried forward from FY 2019. The approved budget includes FTE positions totaling 40,866.5.

In FY 2020, the Governor's recommendation totals \$18.7 billion, with \$7.8 billion financed from the State General Fund. The recommendation increases total all funds expenditures by \$118.2 million and decreases expenditures from the State General Fund by \$34.0 million from the FY 2020 approved amount. The approved budget includes \$108.7 million in State General Fund reappropriations from FY 2019 to FY 2020. The recommendation includes additional State General Fund expenditures of:

- \$58.9 million in the Department of Commerce to retire the IMPACT bonds early;
- \$14.9 million in the Office of Information Technology Services (OITS) for modernization projects;

- \$11.0 million in the Kansas Department for Aging and Disability Services (KDADS);
- \$2.0 million for state park flood repairs; and
- \$4.5 million for the Excel in Career Technical Education Program.

The increases were partially offset by decreases of:

- \$40.5 million from all funds including \$32.9 million from the State General Fund for school finance consensus estimates;
- \$15.3 million for human services consensus caseload estimates; and
- \$42.3 million from the Evidence-based Juvenile Programs Fund in the Department of Corrections.

In addition to the expenditure adjustments, the Governor recommends increasing transfers out of the State General Fund by \$399.6 million, including \$268.4 million to pay off the KPERS layering payments and \$132.2 million to accelerate payment of the Pooled Money Investment Board Bridge payment by one year.

It is expected the Governor's recommended revenue and expenditure adjustments will produce a current year ending balance of \$533.3 million, or 6.8 percent, of State General Fund expenditures.

### **FY 2021 Governor's Recommended State Expenditures**

The Governor's recommendation totals \$19.8 billion from all funds, with \$7.9 billion financed from the State General Fund. The recommendation increases total expenditures by \$1.1 billion, including \$34.2 million from the State General Fund, above the FY 2020 revised estimate. Those increases include:

- \$137.3 million, including \$117.5 million from the State General Fund for the State's new estimates of expenditures for state aid to K-12 schools, which is primarily due to the Base Aid for Student Excellence (BASE) increasing from \$4,436 to \$4,569 for FY 2021;
  - The increases in K-12 Education Aid in the school finance formula are partially offset by reductions as a result of eliminating KPERS layering payments in FY 2021.
- \$562.5 million, including \$17.5 million from the State General Fund, for Medicaid expansion in the Kansas Department of Health and Environment (KDHE)-Division of Health;
- \$427.7 million, including \$57.0 million from the State General Fund, for human services caseloads;
- \$26.1 million, including \$11.3 million from the State General Fund, to provide a 2.5 percent salary adjustment to Executive Branch employees;
- \$17.1 million, all from the State General Fund, in compliance with KSA 75-3721(f), to provide an 18.3 percent adjustment for judges and various salary adjustments for Judicial Branch personnel;
- \$28.6 million, all from the State General Fund, for enhancements to the Board of Regents and Post-Secondary Educational Institutions. The enhancements include \$11.9 million for distribution to State Universities, \$8.5 million for Excel in Career Technical Education, \$5.0 million for a new needs-based aid matching grant, and \$3.1 million in other adjustments,

- \$22.1 million, including \$12.2 million from the State General Fund, for enhancement initiatives in the Department for Children and Families. Enhancements include, adoptions assistance subsidies, increased Family First Prevention Staff, development of a new information systems for child welfare and State Hospitals, and funding for regional inpatient mental health beds;
- \$7.7 million, all from the State General Fund, to increase the number of correctional officers in Kansas correctional facilities and expand the Lansing and Winfield Correctional Facilities to provide substance abuse treatment and nursing care;
- \$80.8 million, all from special revenue funds, for the 11th year of the T-Works Program in the Kansas Department of Transportation; and
- \$14.5 million, all from the State Highway Fund, to purchase two helicopters, one single-engine airplane, and forward-looking infrared radar on an existing single-engine airplane for law enforcement operations.

The increases are partially offset by a decrease of \$100.7 million, all from special revenue funds, to the Department of Commerce, largely from the elimination of IMPACT bond payments and \$150.4 million, including \$131.0 million from the State General Fund, reduction after the reamortization of KPERS over 25 years.

The recommendation also includes adjustments to selected transfers. The recommendation reduces State General Fund receipts by \$54.0 million in FY 2021 to restart the transfer to the Local *Ad Valorem* Tax Reduction Fund and increases State General Fund receipts by \$132.2 million due to accelerated payment of the Pooled Money Investment Board Bridge Loan in FY 2020.

The ending balance at the close of FY 2021 is projected to be \$627.8 million, or 8.0 percent, of State General Fund expenditures with the Governor's recommendation.

### **Expenditures by Function of Government**

The following tables summarize expenditures from all funds and the State General Fund by function of government. Functions of government reflect the six classifications into which similar agencies are grouped that share similar basic purposes of state government. The functions include General Government, Human Services, Education, Public Safety, Agriculture and Natural Resources, and Transportation. The Education function has the largest all funds component with 46.7 percent of the total expenditures in FY 2020 and 44.6 percent of the total expenditures for FY 2021. The two largest functions of government—Education and Human Services—comprise 79.5 percent of the recommended expenditures in FY 2020 and 81.2 percent for FY 2021.

**ALL FUNDS EXPENDITURES BY FUNCTION OF GOVERNMENT**  
(Dollars in Millions)

Purpose	Actual	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2019	FY 2020	\$	%	FY 2021	\$	%
General Government	\$ 1,272.0	\$ 1,399.5	\$ 127.5	10.0 %	\$ 1,356.8	\$ (42.7)	(3.1)%
Human Services	5,570.5	6,140.1	569.6	10.2	7,245.0	1,104.9	18.0
Education	8,068.7	8,725.8	657.1	8.1	8,811.6	85.8	1.0
Public Safety	665.9	690.2	24.3	3.6	671.9	(18.3)	(2.7)
Agriculture & Nat. Res.	219.3	236.7	17.4	7.9	229.3	(7.4)	(3.1)
Transportation	1,142.4	1,503.6	361.2	31.6	1,584.4	80.8	5.4
Other	0.0	0.0	0.0	—	(124.3)	(124.3)	—
<b>TOTAL</b>	<b>\$ 16,938.9</b>	<b>\$ 18,696.0</b>	<b>\$ 1,757.1</b>	<b>10.4 %</b>	<b>\$ 19,774.8</b>	<b>\$ 1,078.7</b>	<b>5.8 %</b>

Note: Totals may not add due to rounding.

**STATE GENERAL FUND EXPENDITURES BY FUNCTION OF GOVERNMENT**  
(Dollars in Millions)

Function	Actual	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2019	FY 2020	\$	%	FY 2021	\$	%
General Government	\$ 341.5	\$ 426.5	\$ 85.0	24.9 %	\$ 378.3	\$ (48.2)	(11.3)%
Human Services	1,952.6	2,064.9	112.3	5.8	2,180.8	115.9	5.6
Education	4,311.6	4,855.8	544.2	12.6	4,963.6	107.8	2.2
Public Safety	411.2	458.3	47.1	11.5	439.0	(19.3)	(4.2)
Agriculture & Nat. Res.	15.9	18.8	2.9	18.2	16.5	(2.3)	(12.2)
Transportation	0.0	0.0	0.0	—	0.0	0.0	—
Other	0.0	0.0	0.0	—	(119.7)	(119.7)	—
<b>TOTAL</b>	<b>\$ 7,032.8</b>	<b>\$ 7,824.3</b>	<b>\$ 791.5</b>	<b>11.3 %</b>	<b>\$ 7,858.5</b>	<b>\$ 34.2</b>	<b>0.4 %</b>

Note: Totals may not add due to rounding.

**Authorized FTE Employees by Function of Government**

Expenditures for salaries and wages are affected by policy recommendations that change the size of the State's workforce. The FY 2020 Governor's recommendations include 40,784.3 FTE positions, which is a decrease of 81.2 positions below the approved number of 40,865.4. For FY 2021, the Governor recommends 40,727.4 FTE positions, which is a decrease of 56.9 FTE positions below the FY 2020 recommendation.

The decrease below the FY 2020 approved number is primarily attributable to decreased positions at the Department of Corrections and the correctional facilities (132.3 positions), Larned State Hospital (59.0 positions), the Kansas Highway Patrol (56.0 positions), and the Department of Agriculture (20.6 positions). These decreases are partially offset by increased FTE positions for the Department of Revenue (89.9 positions), the Board of Regents and the Regents universities (37.7 positions), and the Office of Information Technology Services (OITS) (20.4 positions).

The decrease in positions for the Department of Corrections and the correctional facilities is due to increased efficiencies at Lansing Correctional Facility that allowed for reduced staff. The decrease in positions for Larned State Hospital is due to the reallocation of some FTE positions for the Sexual Predator Treatment Program to the budget of Osawatomie State

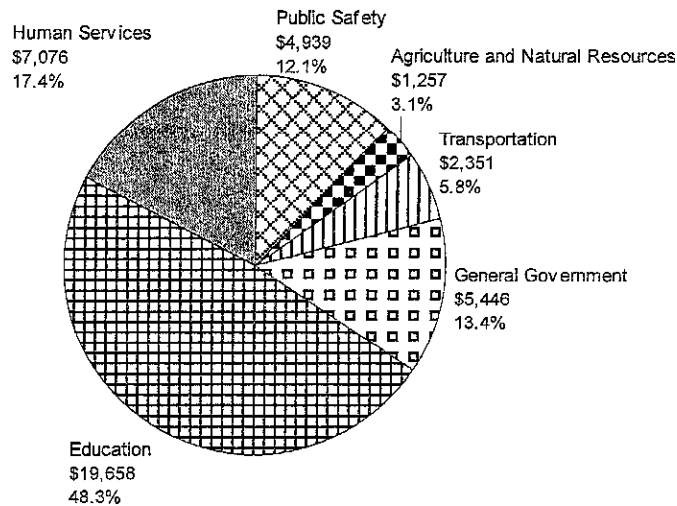
Hospital and to the elimination of some vacant positions. Finally, the decrease for the Kansas Highway Patrol is due to a technical error in the FY 2020 approved budget.

The increase in positions for the Department of Revenue is due to information technology positions and driver’s license office expansions. The increase in positions for the Board of Regents and Regents universities is attributable to normal fluctuations. The increase in positions for OITS is due to the transfer of ten Chief Information Officer positions from other state agencies to OITS, as well as to additional personnel in the Kansas Information Security Office to strengthen cybersecurity efforts.

The FY 2021 decrease below the FY 2020 recommendation is primarily attributable to decreased positions at the Department of Corrections and the correctional facilities (117.9 positions). This decrease is due to increased efficiencies at Lansing Correctional Facility. The decrease is partially offset by increased FTE positions in the Department for Children and Families (18.0 positions) and the Judicial Branch (13.0 positions). The DCF increase is due to additional positions for Family First Prevention Services and Protection and Prevention Services staff at service centers. The Judicial Branch increase is due additional positions for judges and support staff.

**FY 2021 Full-Time Equivalent (FTE) Positions  
by Function of Government  
Governor’s Recommendations**

**Total: 40,727.4**



**Status of the State General Fund**

The Governor’s recommendations for FY 2020 and FY 2021 would result in an ending balance of \$533.3 million at the end of FY 2020 and \$633.6 million at the end of FY 2021. The November consensus revenue estimates form the basis of the Governor’s revenue estimates for FY 2020 and FY 2021 with the exception of certain transfers, adjustments, and revenue proposals recommended by the Governor, which decrease projected State General Fund receipts by \$399.6 million in FY 2020 and increase projections by \$283.3 million for FY 2021. This profile excludes the impact of proposed tax adjustments.

Some of the Governor's proposed revenue adjustments include the following changes:

- Use additional State General Fund tax receipt revenue to repay the Pooled Money Investment Board loan in FY 2020, eliminating transfers in future fiscal years;
- Reduce the transfer from the State Highway Fund to the State General Fund in FY 2021 by \$73.1 million; and
- Restart the Local *Ad Valorem* Tax Reduction Fund transfer with a cap of \$54.0 million.

**STATE GENERAL FUND RECEIPTS, EXPENDITURES, AND BALANCES  
(Dollars in Millions)**

	Actual FY 2019	Gov. Rec. FY 2020	Change	Gov. Rec FY 2021	Change
Beginning Unencumbered Cash	\$ 761.7	\$ 1,105.1	\$ 343.4	\$ 533.3	\$ (571.8)
Receipts	7,376.2	7,652.1	275.9	7,675.5	23.4
Gov. Rec. Adjustments	0.0	(399.6)	(399.6)	283.3	682.9
Adjusted Receipts	7,376.2	7,252.5	(123.7)	7,958.8	706.3
<i>Total Resources</i>	<i>\$ 8,137.9</i>	<i>\$ 8,357.6</i>	<i>\$ 219.7</i>	<i>\$ 8,492.1</i>	<i>\$ 134.5</i>
Less: Expenditures	7,032.8	7,824.3	791.5	7,858.5	34.2
<b>Ending Unencumbered Cash Balance</b>	<b>\$ 1,105.1</b>	<b>\$ 533.3</b>	<b>\$ (571.8)</b>	<b>\$ 633.6</b>	<b>\$ 100.3</b>
Ending Balance as a Percentage of Expenditures	15.7 %	6.8 %		8.1 %	
Adj. Receipts in Excess of Expenditures	\$ 343.4	\$ (571.8)		\$ 100.3	

Note: Totals may not add due to rounding.

**RECEIPTS IN EXCESS OF EXPENDITURES  
GOVERNOR'S RECOMMENDATION – STATE GENERAL FUND  
(Dollars in Millions)**

