

April 25, 2024

The Honorable Rick Billinger, Chairperson  
Senate Committee on Ways and Means  
Statehouse, Room 545-S

and

The Honorable Troy Waymaster, Chairperson  
House Committee on Appropriations  
Statehouse, Room 111-N

Dear Senator Billinger and Representative Waymaster:

The items contained in this memo, Governor's Budget Amendment No. 2, amend the budget that I submitted to you in January. The items reflect current issues that have arisen or changes that can be made based on current information. Total adjustments to expenditures are shown below.

<b>Revenue</b>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
State General Fund	\$ --	\$ (31,500,000)	\$ --
All Other Funds	--	<u>31,500,000</u>	--
All Funds	\$ --	\$ --	\$ --

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
State General Fund	\$ 9,108,322	\$ 99,911,408	\$ (7,795,030)
All Other Funds	<u>25,133,000</u>	<u>87,703,576</u>	<u>21,593,455</u>
All Funds	\$ 34,241,322	\$ 187,614,984	\$ 13,798,425

## Board of Tax Appeals

### 1. Board Member Salaries and Wages Increase

I amended my budget to add \$118,837 from the State General Fund in FY 2025 to fund a salaries and wages increase for Members of the Board of Tax Appeals that is set to go into effect on January 1, 2025. The 2023 Legislature passed SB 229 that specifies that a District Court Judge will earn 75.0 percent of the annual salary of a U.S. District Court judge and a District Court Judge designated as a Chief Judge will earn 105.0 percent of a District Judge salary beginning on January 1, 2025. The current annual salary of a District Court Judge designated as a Chief Judge is \$150,422 and will increase to \$199,474 on January 1, 2025. Current law requires that the annual salary of the Chairperson of the Board be equal to the annual salary of a District Court Judge designated as Chief Judge, with the other Board Members and the Chief Hearing Officer receiving an annual salary of \$2,465 less than the Chairperson. To fund the additional salaries and wages for the Chairperson of the Board, two Board Members, and the Chief Hearing Officer, I recommend \$118,837 from the State General Fund in FY 2025.

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ 118,837
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 118,837

## Department of Corrections

### 2. Shrinkage Reduction

I amend my budget to add \$4.0 million from the State General Fund in FY 2024 and \$21.1 million from the State General Fund in FY 2025 to reduce the Department's shrinkage rate. In prior years, the agency has absorbed significant operating cost inflation with the salary and wage savings generated from high vacancy rates. With vacancy rates improving due to recently enacted pay plans and with resident populations returning to pre-pandemic levels, the Department no longer has the resources to cover its operating expenditures. The agency has implemented short-term cost cutting measures such as deferring maintenance and restricting travel to reduce this operating budget shortfall in FY 2024; however, these measures will not be sustainable moving forward.

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ 4,000,000	\$ 21,108,625
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 4,000,000	\$ 21,108,625

### 3. Cell Phone Detection System

I amend my budget to add \$792,000 from the State General Fund in FY 2025 for cell phone detection services for the Department of Corrections (DOC). Contraband cell phones in DOC prisons present a significant threat to the safe, secure, and orderly operation of the facilities, as they provide the means to coordinate the introduction of dangerous contraband such as illegal

substances. This coordination via cell phone is difficult to address given the agency's current capability to monitor and intercede. Through current interdiction methods, 127 contraband cell phones were found in DOC facilities between July 1, 2023, and February 29, 2024.

Newly introduced technology allows for the detection of contraband cell phones using cell site simulators, which pick up cell phone traffic within and near the correctional facility. Over time, data is collected and analyzed to establish use, time, location, and other data points to differentiate authorized cell phone traffic from traffic generated by contraband cell phones. As contraband cell phones are identified, requests to disable the phone can be submitted to the cell phone carrier. The \$792,000 will allow for the installation of cell site simulators at one facility along with hardware, software, warranties, and upgrades for the proposed 12-month contract.

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ 792,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 792,000

### **Kansas Water Office**

#### **4. HB 2302 Grant Programs Enhancement**

I amend my budget to transfer \$10.0 million from the State General Fund to the State Water Plan Fund (SWPF) in FY 2025 to enhance funding to the Water Projects Grant Fund and the Water Technical Assistance Fund that were established by the enactment of 2023 Senate Substitute for HB 2302. The bill authorized a SWPF transfer of \$12.0 million to the Water Projects Grant Fund and a SWPF transfer of \$5.0 million to the Water Technical Assistance Fund in FY 2024.

The Water Projects Grant Fund provides funding to municipalities and special districts related to water for construction, repair, maintenance, or replacement of water-related infrastructures and any related construction costs; matching moneys for grant or loan applications for water-related infrastructure projects; or application of the funds to an outstanding loan balance from the Public Water Supply or the Kansas Pollution Control Fund Loan Fund. The Water Technical Assistance Fund provides funding to municipalities and special districts related to water for planning, engineering, managing, and other technical assistance that may be necessary in the development of plans for water infrastructure projects, or processing grant and loan applications for such water infrastructure projects. For FY 2025, the I originally recommended a SWPF transfer of \$12.0 million to the Water Projects Grant Fund and a SWPF transfer of \$5.0 million to the Water Technical Assistance Fund.

The first application period for the two grant programs ended on December 29, 2023. The Kansas Water Office received 187 applications requesting a total of \$323.0 million from the Water Projects Grant Fund and 122 applications requesting a total of \$56.0 million from the Water Technical Assistance Fund. I now recommend increasing the State General Fund transfer to the SWPF from \$35.0 million to \$45.0 million in FY 2025; and increasing the SWPF transfer to the Water Projects Grant Fund from \$12.0 million to \$19.5 million in FY 2025 and increase the SWPF transfer to the Water Technical Assistance Fund from \$5.0 million to \$7.5 million in FY 2025.

<b>Revenue</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ (10,000,000)
All Other Funds	<u>--</u>	<u>10,000,000</u>
All Funds	\$ --	\$ --
<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>10,000,000</u>
All Funds	\$ --	\$ 10,000,000

**Department for Aging and Disability Services, Department for Children  
and Families, and Department of Health and Environment**

**5. Human Services Consensus Caseload**

I amend my FY 2024 and FY 2025 budget to reflect changes in caseloads and the cost of assistance programs. These adjustments are the result of consensus caseload estimates that involved the staff of the Kansas Department for Aging and Disability Services, the Department for Children and Families, the Kansas Department of Health and Environment, the Legislative Research Department, and the Division of the Budget. The caseload estimates include expenditures for Temporary Assistance to Families, the Reintegration/Foster Care Contracts, KanCare Regular Medical Assistance and KDADS Non-KanCare Services. The FY 2024 estimate for all human service caseloads is \$5.0 billion from all funding sources, including \$1.5 billion from the State General Fund. The FY 2024 estimate is a change from the amount approved by the 2024 Legislature, reflecting an all funds increase of \$30.2 million, and a State General Fund increase of \$19.6 million. The FY 2025 estimate is \$5.4 billion from all funding sources, including \$1.6 billion from the State General Fund. The estimate is a change from the amount approved by the 2024 Legislature, reflecting an all funds increase of \$121.7 million, and a State General Fund increase of \$79.0 million. For additional details on the new consensus estimate, please refer to the Spring 2024 Human Services Consensus Caseload memo.

**Kansas Department for Aging and Disability Services**

<b>Expenditures</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ 4,190,000	\$ 15,812,000
All Other Funds	<u>5,623,000</u>	<u>34,066,000</u>
All Funds	\$ 9,813,000	\$ 49,878,000

**Department for Children and Families**

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ 4,928,600	\$ 35,733,600
All Other Funds	<u>(3,550,000)</u>	<u>3,600,000</u>
All Funds	\$ 1,378,600	\$ 39,333,600

### Kansas Department of Health and Environment

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ 10,500,000	\$ 27,444,514
All Other Funds	<u>8,500,000</u>	<u>5,061,770</u>
All Funds	\$ 19,000,000	\$ 32,506,284

### Department of Education

#### 6. K-12 Education Consensus Caseload

I amend my budget to include amounts agreed by the Division of the Budget, Kansas Legislative Research Department, and the Department of Education during the 2024 Spring Education Consensus on April 15, 2024. These consensus adjustments account for revised student counts, revenues from property taxes, as well as a revised Base Aid for Student Excellence estimated according to current law with the latest inflation estimates.

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
State General Fund	\$ (9,122,778)	\$ (11,212,768)	\$ (7,795,030)
All Other Funds	<u>7,400,000</u>	<u>12,810,882</u>	<u>21,593,455</u>
All Funds	\$ (1,722,778)	\$ 1,598,114	\$ 13,798,425

### Kansas Lottery

#### 7. Message on Lottery, Gaming, and Sports Wagering Revenues

Estimates of lottery ticket sales provided by the Kansas Lottery indicate that the State Gaming Revenues Fund transfer amounts to the State General Fund that were used in my original budget must now be increased by \$3.0 million in FY 2024 to reflect to reflect higher estimated lottery ticket sales. The transfer adjustments from the State Gaming Revenues Fund are already accounted for in the April Consensus Revenue Estimate.

<b>Revenue</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ 3,000,000	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 3,000,000	\$ --

The Consensus Revenue Estimating Group on Gaming Revenues met in April 2024 to revise revenue estimates from state-owned casinos. The amount of net gaming revenue that will be generated from state-owned casinos was increased in FY 2024 by \$3.5 million and in FY 2025 by \$1.9 million. Expenditures through the statutory formula to make payments to local cities and counties where the casinos are located and to the casino managers must now be increased as a result of the new gaming revenue estimate, and I amend the budget to account for this change. Payments to cities and counties were increased by \$105,000 in FY 2024 and by \$57,000 in FY

2025, while payments to casino managers were increased by \$2,555,000 in FY 2024 and by \$1,387,000 in FY 2025.

<b>Expenditures</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>2,660,000</u>	<u>1,444,000</u>
All Funds	\$ 2,660,000	\$ 1,444,000

The revised estimates for the ELARF will also affect planned transfers to the State General Fund. Appropriation language already exists for FY 2024 that allows that any additional revenues in the ELARF to be transferred to the State General Fund at the end of the fiscal year. Appropriation language also allows the State General Fund to transfer to the ELARF if revenues at the end of the fiscal year are not sufficient to make all approved expenditures and transfers. The State General Fund transfer to the ELARF of \$2,574,000 in FY 2024 that was used in my original budget is now reduced to \$1,804,000, saving \$770,000 from the State General Fund in FY 2024 due to higher estimated ELARF revenue. This transfer will backfill approved ELARF expenditures and transfers for FY 2024. This transfer adjustment is already accounted for in the April Consensus Revenue Estimate.

<b>Revenue</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ 770,000	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 770,000	\$ --

Sports wagering revenue estimates were also revised by the Consensus Revenue Estimating Group. The amount of sports wagering revenue that will be generated from state-owned casinos was increased by \$5.0 million in FY 2024, from \$100.0 million to \$105.0 million. Expenditures through the statutory formula to make payments to the casino managers must now be increased by \$4.5 million in FY 2024. Because the state's share of sports wagering revenue is not distributed until the next fiscal year, it is estimated that an additional \$90,000 will ultimately be transferred to the State General Fund in FY 2025 through the Lottery Operating Fund and State Gaming Revenues Fund end of the year transfer. This State General Fund transfer adjustment is already accounted for in the April 2024 Consensus Revenue Estimate. Under this revised sports wagering revenue estimates, the Attracting Professional Sports to Kansas Fund would receive an additional \$400,000 in FY 2025 and the Problem Gambling and Addictions Grant Fund would receive an additional \$10,000 in FY 2025.

<b>Revenue</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ 90,000
All Other Funds	<u>--</u>	<u>410,000</u>
All Funds	\$ --	\$ 500,000

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>4,500,000</u>	<u>--</u>
All Funds	\$ 4,500,000	\$ --

## Kansas Health and Environment—Health

### 8. HIV Testing and Supplies

I amend my budget to include \$121,500 in FY 2024 and \$48,600 in FY 2025, all from the State General Fund, for HIV testing and supplies. Due to a nationwide shortage of HIV-specific supplies, the agency's lab is unable to obtain necessary supplies from the current supplier and must temporarily contract with an outside entity for this service. This additional funding will allow the agency to continue to provide related services in the Bureau of Disease Control and Prevention.

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ 121,500	\$ 48,600
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 121,500	\$ 48,600

### 9. Bureau of Facilities and Licensing

I amend my budget to include \$741,000, all from the State General Fund, in both FY 2024 and FY 2025, for the KDHE-Health Bureau of Facilities and Licensing. This Bureau ensures compliance with State licensing laws and Federal certification regulations for the Centers for Medicare and Medicaid Services for all acute and continuing healthcare provider and supplier types. These additional funds will assist the agency with continuing to work to recover from the effects of COVID and staffing shortages and to clear a substantial backlog in surveys, while continuing to meet State and Federal requirements.

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ 741,000	\$ 741,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 741,000	\$ 741,000

## Kansas Health and Environment—Environment

### 10. Small Town Infrastructure—Wastewater

I amend my budget to include \$1.2 million from the State General Fund in FY 2025 for the Small Town Infrastructure Assistance Grant Program. This additional funding will assist small communities with populations under 1,000 to make improvements to their wastewater treatment systems to maintain compliance with water regulations.

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ 1,233,100
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 1,233,100

### 11. Small Town Infrastructure—Drinking Water

I amend my budget to include \$4.8 million from the State General Fund in FY 2025 for the Small Town Infrastructure Assistance Grant Program. This additional funding will assist small communities with populations under 1,000 to make improvements to their drinking water systems to maintain compliance with water regulations and ensure safe drinking water for Kansas citizens.

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ 4,766,900
All Other Funds	--	--
All Funds	\$ --	\$ 4,766,900

### Emergency Medical Services Board

#### 12. Personnel Reorganization

I amend my budget to increase the Emergency Medical Service Board's expenditure authority by \$220,924 in FY 2025 to support the agency's personnel reorganization efforts. The agency is currently facing a vacancy rate of 36.0 percent and does not have the expenditure authority to advertise its job openings at competitive rates. While recent statewide pay plans have increased salaries for filled positions, vacant positions have been left unadjusted, making it even more difficult for the Board to find qualified applicants. With this expenditure authority, the agency also plans to flatten its organizational structure so that each employee takes on additional responsibilities. Broadening the scope of employees' duties will make it easier for the Board to survive key personnel retirements and vacancies in the future. The Board has a sufficient balance in its fee fund to make these expenditures without raising fees.

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ --
All Other Funds	--	220,924
All Funds	\$ --	\$ 220,924

### Board of Regents

#### 13. Kansas Adult Learner Grant Program

I amend my budget to include a transfer of \$1.0 million from the State General Fund to the Kansas Adult Learner Grant Program Fund in FY 2025, which was established in 2023 SB 123. Although my original budget accounted for the grant expenditures in FY 2025, the State General Fund transfer was inadvertently left out of the appropriations bill. The transfer will provide the necessary funding for grants to Kansas resident students. The Kansas Adult Learner Grant Program was established in SB 123.

<b>Revenue</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ (1,000,000)
All Other Funds	--	1,000,000
All Funds	\$ --	\$ --



## Office of Information Technology Services

### 14. IT Restructuring and Cybersecurity Initiatives

I amend my budget to add \$750,000 from the State General Fund to the Office of Information Technology Services (OITS) for 6.00 FTE positions beginning in FY 2025. The additional funding will support three project managers, one change manager, one architect, and one cloud message administrator to support and manage multiple new enterprise projects while developing larger strategic initiatives along with cloud transition efforts. The additional positions will ensure OITS has sufficient staff to handle the increased workload resulting from IT restructuring and cybersecurity initiatives.

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ 750,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 750,000

### State Treasurer

### 15. STAR Bond Food Sales Tax Revenue Replacement Fund

I amend my budget to add \$7.3 million in expenditures from the STAR Bonds Food Sales Tax Revenue Replacement Fund in FY 2025 and \$7.4 million in FY 2026. The STAR Bonds Food Sales Tax Revenue Replacement Fund will be funded with transfers from the State General Fund. This recommendation will hold STAR bond districts harmless from pulling forward the elimination of the state sales tax rate on food and food ingredients to July 1, 2024. Currently, there are 18 STAR Bond Districts that would receive less state sales tax revenue beginning in FY 2025. For FY 2024, the Legislature held STAR Bond Districts harmless from the reduction of state sales tax rate on food and food ingredients by providing nearly \$2.9 million to these districts to help pay off these STAR bonds. The five most impacted districts would be projects in Derby, Goddard, Manhattan, Wichita, and Overland Park. Although the Department of Commerce coordinated this request, the actual expenditures and associated transfers will occur in the State Treasurer's budget.

<b>Revenue</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ (7,300,000)
All Other Funds	<u>--</u>	<u>7,300,000</u>
All Funds	\$ --	\$ --

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>7,300,000</u>
All Funds	\$ --	\$ 7,300,000

## Board of Regents

### 16. Need-Based Aid for Public Universities

I amend my FY 2025 budget to include funding for Kansas public universities to be held harmless following changes to the Kansas Comprehensive Grant Program contained in 2024 SB 28. I also recommend the same funding amount to continue the need-based state aid for FY 2026. The appropriations contained in 2024 SB 28 altered the allocation of funding for the Kansas Comprehensive Grant at a cost to our public universities and students. Without this budget amendment, the legislative changes to this program would effectively revoke scholarships for approximately 800 Kansas students attending our public universities. If additional funding is not provided to continue these scholarships, these affected Kansans with financial need will either be forced to end their pursuit of a degree at our universities or be forced to transfer, likely out of state. We need to focus on encouraging Kansas students to stay in Kansas and develop the skills needed to join our workforce. Providing \$2.5 million for need-based financial aid to our public universities will ensure that these students do not lose their scholarships and can continue pursuing their academic interests in Kansas.

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ 2,500,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 2,500,000

## Department of Commerce

### 17. Attracting Powerful Economic Expansion Act (APEX) Funds

2022 SB 347 enacted the Attracting Powerful Economic Expansion (APEX) Act. The Act provided for tax and other incentives for projects in specified industries with specified capital investment requirements. The bill also created three special revenue funds to be administered by the Department of Commerce for reimbursement to qualified firms for payroll taxes, training and education eligible expenses, and relocation expenses. However, the bill did not provide for transfers to the three new funds, which would allow the Department to make the required reimbursements.

During the 2023 Legislative Session, the Department of Commerce was appropriated \$6,250,000 from the State General Fund in FY 2024 for these reimbursements. The Department will not make any reimbursements in FY 2024. The Department estimates it will expend \$13.2 million for the reimbursements beginning in FY 2025.

I amend my budget to lapse \$6,250,000 State General Fund from the Department's FY 2024 approved budget since no reimbursements will be made in this fiscal year. I further amend my budget to transfer \$13.2 million from the State General Fund in FY 2025 to the three new funds as follows: \$5.0 million to the Attracting Powerful Economic Expansion Payroll Incentive Fund, \$7.0 million to the Attracting Powerful Economic Expansion New Employee Training and Education Fund, and \$1.2 million to the Attracting Powerful Economic Expansion Kansas

Residency Incentive Fund. The transfers will allow the Department to expend the estimated \$13.2 million in reimbursements from the three new funds as provided for in 2022 SB 347.

<b>Revenue</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ (13,200,000)
All Other Funds	<u>--</u>	<u>13,200,000</u>
All Funds	\$ --	\$ --
<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ (6,250,000)	\$ --
All Other Funds	<u>--</u>	<u>13,200,000</u>
All Funds	\$ (6,250,000)	\$ 13,200,000

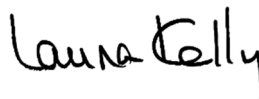
### Department of Administration

#### 18. Breast Cancer Diagnostic Mammography

I amend my budget to add \$75,000 from the State General Fund in FY 2025 to the Department of Administration to prohibit cost-sharing requirements for diagnostic and supplementary breast examinations to qualified individuals through the State Employee Health Benefits Plan. The enhanced coverage will include medically necessary and appropriate examinations such as contrast-enhanced mammography, diagnostic mammography, magnetic resonance imaging, and ultrasound to evaluate abnormalities and screen for breast cancer. The additional funding will ensure the provision of such healthcare services to qualified individuals without increasing out-of-pocket costs or raising employee contributions.

<b>Expenditure</b>	<u>FY 2024</u>	<u>FY 2025</u>
State General Fund	\$ --	\$ 75,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 75,000

Sincerely,



Laura Kelly  
Governor