

April 19, 2010

The Honorable Jay Emler, Chairperson
Senate Committee on Ways and Means
Room 548-S, Statehouse

and

The Honorable Kevin Yoder, Chairperson
House Committee on Appropriations
Room 346-S, Statehouse

Dear Senator Emler and Representative Yoder:

The items contained in this memo, Governor's Budget Amendment No. 1, amend the revised FY 2010 and new FY 2011 budget that I submitted to you in January 2010. The items detailed here reflect new issues that have arisen, caseload adjustments, or changes that can be made based on new information. Two of these items change transfers to bring \$38.0 million to the State General Fund in FY 2010. Total adjustments to expenditures are shown below.

	<u>FY 2010</u>	<u>FY 2011</u>
State General Fund	(\$ 44,137,755)	\$ 1,012,295
All Other Funds	<u>(57,393,782)</u>	<u>(515,021)</u>
All Funds	(\$ 101,510,413)	\$ 497,274

Board of Indigents Defense Services

1. Assigned Counsel Caseload

I amend my budget to add \$686,456 from the State General Fund to increase expenditures in the Assigned Counsel Program which was arrived at through a consensus caseload process involving the Division of the Budget, the Kansas Legislative Research Department, and the agency. The revised estimate accounts for a steady caseload at the reduced rate of \$62 per hour. Although the majority of cases are now being paid at the reduced rate of

\$62 per hour, there are still some ongoing cases being paid at the \$80 per hour rate. Therefore, the estimated savings from the reduced hourly rate is materializing slower than anticipated.

	<u>FY 2010</u>	<u>FY 2011</u>
State General Fund	\$ 686,456	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 686,456	\$ --

**Department of Social & Rehabilitation Services,
Department on Aging, Kansas Health Policy Authority, and Juvenile Justice Authority**

2. Health and Human Service Caseload Adjustments

I amend my FY 2010 and FY 2011 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 Health Policy Authority, the Department of Social and Rehabilitation Services, the Legislative Research Department, the Department on Aging, the Juvenile Justice Authority, and the Division of the Budget. The consensus estimates included Regular Medical Assistance, Nursing Facilities, Temporary Assistance to Families (TAF), General Assistance, and Reintegration/Foster Care. My budget recommendation served as the starting point for the revisions.

For FY 2010, this amendment includes a decrease from all funding sources of \$3.1 million from all funding sources and a decrease of \$34.7 million from the State General Fund. The decrease in caseload expenditures is the result of lower expenditures in Nursing Facilities, JJA out-of-home services, General Assistance, and Temporary Assistance to Families (TAF). The expenditure reductions for Nursing Facilities and JJA out-of-home services result from greater savings than were anticipated when I initially announced the 10.0 percent rate reduction in November. The reduction in the General Assistance Program is the result of a greater impact from the new 12-month limit on benefits that was initiated in the last allotment. The reduction in the TAF Program reflects lower than anticipated recipients as was anticipated at the fall consensus caseload meeting. These reductions were partially offset by higher estimates for the number of individuals in Foster Care and mental health services.

The State General Fund savings in Medicaid programs resulting from the enhanced Federal Medical Assistance Percentage rate included in the American Recovery and Reinvestment Act of 2009 (ARRA) has been included in prior estimates. However, the federal government recently announced that for a limited period, the Medicaid Clawback that all states pay will be reduced by a corresponding percentage. This reduction in clawback payments of \$16.4 million from the State General Fund, which was included in my March plan to reduce the budget, is now incorporated into the caseload estimate for KHPA's Regular Medical Program. Also incorporated from my March plan is the use of an additional \$15.0 million from the federal Temporary Assistance to Needy Families Fund for the Foster Care Program. Actual spending for the Temporary Assistance to Families Program has been less than originally expected and the savings can be used to replace State General Fund expenditures in Foster Care. Additional State

General Fund savings are included in the Foster Care estimate to reflect that SRS has improved its practices to increase the amount of federal funding that can be drawn for the program.

For FY 2011, the estimate is a decrease of \$1.6 million from all funding sources, but an increase of \$1.0 million from the State General Fund. These adjustments include decreases from all funding sources of \$107,907 for the Department on Aging's Targeted Case Management (TCM) Program, \$7.8 million for Temporary Assistance to Families, and \$683,304 for General Assistance. TCM and TAF are still expected to increase over FY 2010 expenditures, but beneficiaries and program expenditures are not expected to increase as much as was originally estimated. The estimates for Psychiatric Residential Treatment Facility expenditures are increased in both JJA and SRS Mental Health reflecting both an increase in children served and system capacity. Estimates for Foster Care and JJA out-of-home placements are also increased. However, both agencies have additional federal funding that can be drawn for the programs, so less State General Fund is required.

The overall estimate for Nursing Facilities is unchanged from the fall, but the estimate now includes the addition of the Kansas Soldiers Home and the Kansas Veterans Home to the program. The estimate for Regular Medical is an increase of \$410,885, but the State General Fund portion is decreased by \$1.9 million. This State General Fund reduction is largely due to the FY 2011 clawback reduction of \$8.4 million. The Regular Medical estimate does not include the use of a Preferred Drug List for mental health drugs as I recommended, but it does include the use of a prior authorization system for prescription drugs and the professional rate leveling reductions. The estimates for Medicaid Programs that had a 10.0 percent provider rate reduction in FY 2010 include estimated savings of \$7.5 million, including \$2.6 million from the State General Fund, which will be realized in FY 2011 from the time lag in billing. The tables below the effects these changes have on each state agency over the two years.

Health Policy Authority:	<u>FY 2010</u>	<u>FY 2011</u>
State General Fund	\$ (16,400,000)	\$ (1,921,180)
All Other Funds	<u>16,400,000</u>	<u>2,332,065</u>
All Funds	\$ --	\$ 410,885
Dept. of SRS:	<u>FY 2010</u>	<u>FY 2011</u>
State General Fund	\$(16,573,487)	\$ 2,557,366
All Other Funds	<u>18,571,151</u>	<u>(6,135,351)</u>
All Funds	\$ 1,997,664	\$ (3,577,985)
Dept. on Aging:	<u>FY 2010</u>	<u>FY 2011</u>
State General Fund	\$ (861,550)	\$ (38,447)
All Other Funds	<u>(3,888,450)</u>	<u>(69,460)</u>
All Funds	\$ (4,750,000)	\$ (107,907)
Juvenile Justice Authority:	<u>FY 2010</u>	<u>FY 2011</u>
State General Fund	\$ (914,847)	\$ 414,556
All Other Funds	<u>541,010</u>	<u>1,236,869</u>
All Funds	\$ (373,837)	\$ 1,651,425

Department of Social & Rehabilitation Services

3. Osawatomie State Hospital Electrical Sub-Station

I amend my budget to include new amounts from the State Institutions Building Fund (SIBF) in both FY 2010 and FY 2011. For FY 2010, \$261,800 is needed, and \$1,287,000 will be needed in FY 2011 for critical repairs to the Osawatomie State Hospital electrical sub-station. This station provides power to the entire hospital grounds and consists of two transformers, one of which is out of service as a result of damage sustained in an electrical storm. To get the project started, SRS will free \$200,000 from within its capital budget, but additional appropriations will be necessary. Monies are available in the SIBF to finance these repairs.

	<u>FY 2010</u>	<u>FY 2011</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>261,800</u>	<u>1,287,000</u>
All Funds	\$ 261,800	\$ 1,287,000

Kansas Commission on Veterans Affairs

4. Replacement of Storm Damaged Roofs at the Kansas Soldiers Home

I amend my FY 2011 budget to add \$833,856 from the State Institutions Building Fund for replacement of roofs damaged by a hail storm at the Kansas Soldiers Home. This funding will allow the roofs on Halsey, Nimitz, Lincoln, and Grant Halls to be replaced, as well as the roofs on 61 of the cottages at the Home.

	<u>FY 2010</u>	<u>FY 2011</u>
State General Fund	\$ --	\$ --
All Other Funds	<u> </u>	<u>833,856</u>
All Funds	\$ --	\$ 833,856

Department of Transportation

5. State Highway Fund

The Kansas Department of Transportation has canceled nearly all maintenance projects that have not been started in FY 2010, worth \$86.5 million. I amend my budget to transfer \$28.0 million from the State Highway Fund freed up from canceling these projects to the State General Fund in FY 2010.

	<u>FY 2010</u>	<u>FY 2011</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>(86,478,876)</u>	<u>--</u>
All Funds	(\$86,478,876)	\$ --

6. Primary Safety Belt Bill

I recommend passage of HB 2130, which would institute a primary safety belt law in Kansas. Enacting this bill will produce \$10.0 million in flexible federal funds for the Department; therefore, I amend my budget to transfer \$10.0 million from the State Highway Fund to the State General Fund in FY 2010.

State Agencies

7. Suspension of Payments to KPERS Death and Disability Fund

As I stated in March, I recommend suspension of employer contributions to the KPERS Death and Disability Fund for a three-month period, beginning April 1, 2010, and ending on June 30, 2010. The suspension will have no effect on payments to beneficiaries, as the Fund has sufficient balances. This moratorium will also benefit local governments. In order to implement this recommendation the Legislature must enact 2010 SB 568.

	<u>FY 2010</u>	<u>FY 2011</u>
State General Fund	(\$10,074,327)	\$ --
All Other Funds	<u>(2,779,293)</u>	<u>--</u>
All Funds	(\$12,853,620)	\$ --

Sincerely,

Mark Parkinson
Governor of the State of Kansas