

Overview Presentation

FY 2010 Governor's Budget Report

January 2009

Page 1	Narrative Overview
Page 2	State General Fund Revenue/Expenditure History Chart
Page 3	State General Fund Outlook Before and After Solutions
Page 4	Steps to Resolve Budget Gap
Page 5	Detail of State General Fund Reductions
Page 6	Detail of School Finance Recommendations
Page 7	State General Fund Charts
Page 8	All Funds Charts
Page 9	Economic Development Initiatives Fund
Page 10	Children's Initiatives Fund
Page 11	Water Plan Fund

To view the full FY 2010 Governor's Budget Report or to receive further information, please go to <http://budget.ks.gov> or contact the Division of the Budget at 785-296-2436.

Kansas, like many other states, faces a very challenging financial situation. State costs for public education and Medicaid have increased substantially, but revenue expectations have diminished due to slower economic growth in Kansas and a national recession. The most recent revenue estimates no longer support approved FY 2009 expenditures, and building a new FY 2010 budget following previous standards would lead to a gap between expenditures and available resources of over \$900 million.

Within this difficult financial context, Governor Kathleen Sebelius presents a revised budget for FY 2009 and a new balanced budget for FY 2010. Five basic principles guide the Governor’s budget recommendations:

Resolve the State General Fund budget gap in a realistic way without raising taxes ;

Protect the state’s investment in public education;

Fund human service caseload costs;

Ensure the public safety of Kansans, and the continuation of basic state services; and

Include all state agencies in the budget solution.

moratorium proposed on payments into the KPERS Death and Disability Fund, as well as a 7-pay period moratorium on payments to the state employees’ health fund.

Total expenditures to fund public education in 2010 remain flat from the approved FY 2009 amount. The budget includes human service caseload costs. The Governor proposes that state employees receive a 1.0 percent general salary increase, but expects agencies to absorb the cost of the increase.

Changes to Revenue

The Governor does not recommend any tax increases as part of her budget, but does propose changes to transfers in and out of the State General Fund. Expenditures in special revenue fund agencies are reduced and the resulting savings plus any other balances transferred to the State General Fund. Available revenue from new gaming operations is proposed to be transferred. Transfers out of the State General Fund are suspended or limited.

The budget also recommends improving revenue through several tax policy changes to suspend the phase-out of the estate and corporate franchise taxes, eliminate the community service credit, accelerate severance tax collections and attribute a larger portion of liquor taxes to the State General Fund.

The next revenue projection will be made in mid-April. While this proposed budget uses updated November estimates, the state’s financial situation is still fluid. Further action may be required once the spring estimates are made.

Ending Balance

Together, all of the steps proposed to resolve the budget gap yield an ending State General Fund balance of \$58.3 million in FY 2009 and \$0.6 million in FY 2010. Under the current extraordinary circumstances, building a realistic budget without tax increases that projects a 7.5 percent ending balance is not possible. A brief budget that meets statutorily required balances has been included in Volume 1 of *The Governor’s Budget Report*.

	Budget Totals			
	<i>(Dollars in Millions)</i>			
	SGF	Percent Change	All Funds	Percent Change
FY 2008 Actual	\$ 6,101.8	--	\$ 12,688.7	--
FY 2009 Apprv. (May 2008)	6,404.4	5.0%	13,487.1	6.3%
FY 2009 Apprv. with Shifts	6,440.7	5.6%	13,523.4	6.6%
FY 2009 Gov. Est.	6,348.6	4.0%	13,600.1	7.2%
FY 2010 Gov. Rec.	6,153.5	(3.1%)	12,881.4	(5.3%)

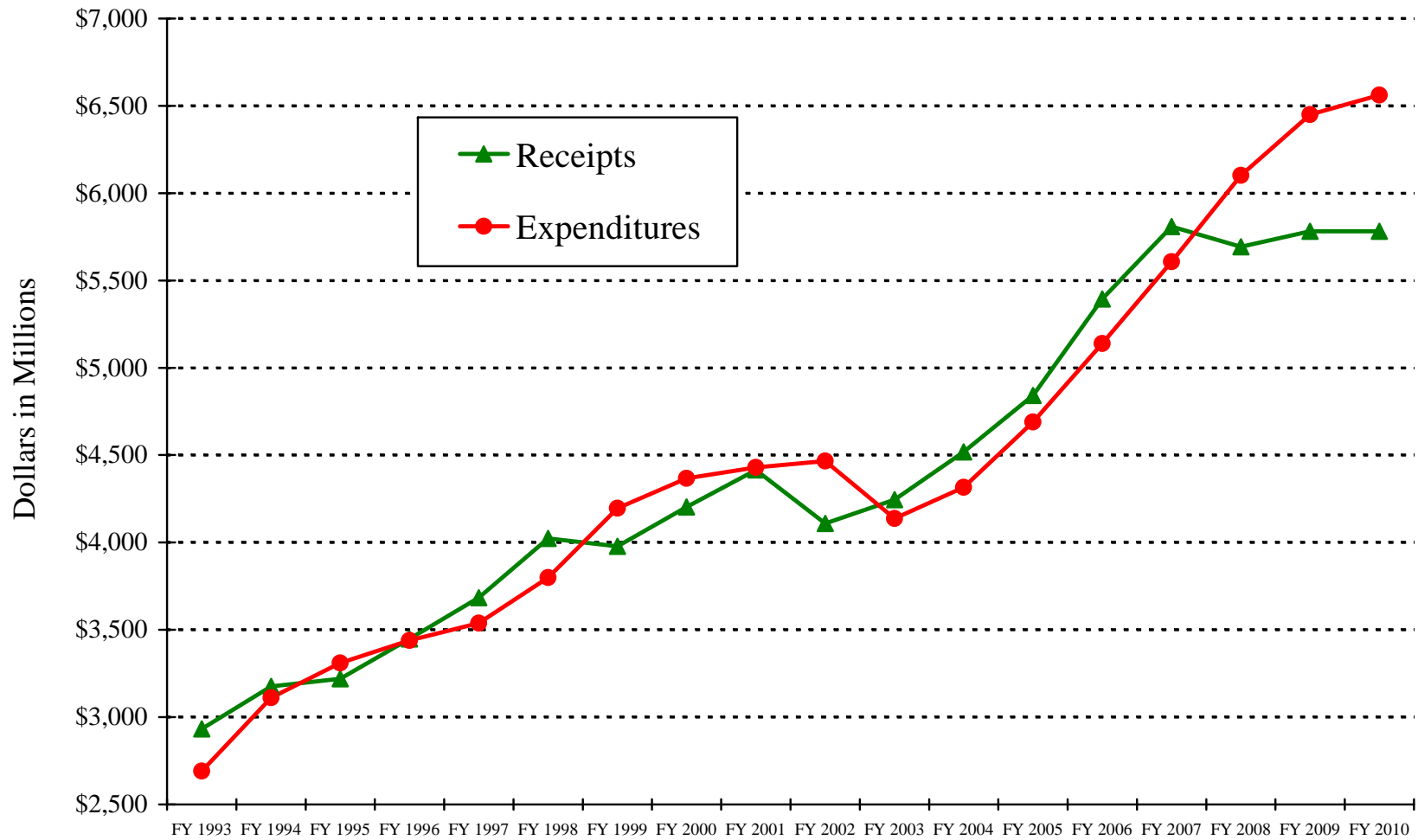
Expenditures

Expenditures in almost every State General Fund agency have been reduced in FY 2009, and then reduced further in FY 2010. In addition, State General Fund debt has been restructured, a 9-month

State General Fund Receipts and Expenditures

FY 1993 - FY 2010

(Before Governor's Budget)



State General Fund Outlook--Without Solutions

Approved FY 2009 Budget Plus Consensus Amounts for Caseloads and School Finance

(Dollars in Millions)

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Beginning Balance	\$ 935.0	\$ 526.6	\$ (142.0)
November 4, 2008 Updated Revenues	<u>5,693.4</u>	<u>5,781.2</u>	<u>5,782.4</u>
Total Available	\$ 6,628.4	\$ 6,307.8	\$ 5,640.4
Expenditures			
Aid to K-12 Schools	\$ 3,065.1	\$ 3,222.4	\$ 3,357.9
School Finance Consensus Adjustments	--	3.7	--
Higher Education	829.1	852.6	852.6
Health/Human Services Caseloads	831.7	886.9	923.2
Consensus Caseload Adjustments	--	5.4	--
Undermarket Salary Adjustments	--	--	8.5
All Other Expenditures	1,370.1	1,442.5	1,442.5
Reappropriations from FY 2008	<u>--</u>	<u>36.3</u>	<u>--</u>
Total Expenditures	\$ 6,096.0	\$ 6,449.8	\$ 6,584.8
Ending Balance	\$ 532.4	\$ (142.0)	\$ (944.4)
<i>As Percent of Expenditures</i>	8.7 %	(2.2%)	(14.3%)

State General Fund Outlook--With Solutions

Governor's Proposed Balanced Budget

(Dollars in Millions)

	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
	Actual	Gov. Rec.	Gov. Est.
Beginning Balance	\$ 935.0	\$ 526.6	\$ 58.3
November 4, 2008 Updated Revenues	5,693.4	5,781.2	5,782.4
Governor's Revenue Adjustments	<u>--</u>	<u>99.2</u>	<u>313.4</u>
Total Available	\$ 6,628.4	\$ 6,407.0	\$ 6,154.1
Expenditures			
Aid to K-12 Schools	\$ 3,065.1	\$ 3,223.5	\$ 3,181.9
Higher Education	829.1	830.0	773.0
Health/Human Services Caseloads	836.1	883.8	870.6
All Other Expenditures	<u>1,371.5</u>	<u>1,411.3</u>	<u>1,328.0</u>
Total Expenditures	\$ 6,101.8	\$ 6,348.6	\$ 6,153.5
Ending Balance	\$ 526.6	\$ 58.3	\$ 0.6
<i>As Percent of Expenditures</i>	8.6 %	0.9%	--

Steps to Resolve Budget Gap

(Dollars in Millions)

	FY 2009	FY 2010
Changes to State General Fund Expenditures		
Reduce Current Year Approved Budgets	101.2	--
Reduce FY 2010 Budgets	--	431.3
Require Agencies to Absorb FY 2010 1% Salary Increase	--	--
Changes to State General Fund Revenues		
Transfers In:		
Reduce CIF Expenditures and Transfer Balance	--	9.2
Reduce EDIF Expenditures and Transfer Balance	--	3.5
Reduce non-SGF Agencies and Transfer Balances	2.2	2.9
Transfer Other Special Revenue Balances	29.0	2.2
End KSIP and Transfer Balances	4.2	--
Transfer Unallocated Gaming Revenue	(1.6)	56.7
KPERS D&D Moratorium Spec. Rev. Fund Savings	--	5.1
Health Insurance Moratorium	--	23.7
Limit Transfers Out:		
Stop Highway Fund Loan Repayment	30.9	30.9
Stop Other Fund Loan Repayments	3.8	3.8
Limit Bioscience Authority Transfer (\$35M FY '09 \$40M FY '10)	12.0	20.0
Suspend Transfers to SCCHF, SWPF, Health Care Stab.	19.1	19.1
Suspend Deferred Maintenance Transfer to Regents	--	15.0
Reduce Regents Research Corp. for Debt Restructuring	--	5.0
Limit Housing Trust Fund Transfer	--	2.0
Suspend Restoration of LAVTR Transfer	--	13.5
Suspend Property Tax Slider	--	45.3
Net of All Other Changes	(0.4)	(5.0)
Tax Policy Changes:		
Suspend Phase-Out of Corporate Franchise Tax	--	14.0
Suspend Phase-Out of Estate Tax	--	5.0
Eliminate Community Service Credit	--	4.4
Accelerate Severance Tax Due Date	--	10.0
Attribute all Liquor Taxes to State General Fund	--	27.2
Total of All Changes	\$ 200.4	\$ 744.7

**State General Fund
Expenditure Reductions**

FY 2009

Operating Budget Reductions	\$ (38.8)
Debt Restructuring	(14.0)
School Finance Held Flat	(17.7)
Regents System Reductions	(24.6)
KHPA--Switch to Fees Fund	(8.5)
SRS--HCBS PD Waiver	8.4
Close DOC Facilities	(1.6)
Close Atchison Juv. Correc. Fac.	(2.0)
Delay Osawatomie 30-Bed Unit	(1.8)
Net of Other Adjustments	(0.6)
Total	\$ (101.2)

FY 2010

School Finance CPI Increase	(108.4)
Special Education Increase	(37.9)
Other School Finance Increases	(18.7)
Regents System Reductions	(56.3)
Kan-Ed Shift to KUSF	(2.0)
KUMC--WCGME	(2.5)
Caseload Policy Changes:	
Freeze Nursing Home Rates	(6.0)
KHPA Switch SGF to Fee Funds	(5.7)
KHPA--Administrative Initiatives	(9.6)
SRS--New Foster Care Contract	(14.1)
MedKan/GA 18-month Limit	(12.3)
CINC Policy	(3.8)
CMHC Grants	(7.0)
CDDO Grants	(2.0)
DOC Facility Closures	(7.8)
Atchison Juv. Correc. Facility Closure	(3.7)
KHP--Suspend New Trooper Class	(1.0)
KPERS D&D 3-Quarter Moratorium	(30.4)
Health Ins. 7-Payroll Cycle Moratorium	(32.0)
Debt Restructuring	(34.1)
Net of Other Adjustments	(36.1)
Total	\$ (431.3)

Expenditure reductions have also been recommended for agencies that are not financed from the State General Fund. In most cases, the savings from these reductions are proposed for transfer to the State General Fund. In addition, the budget includes

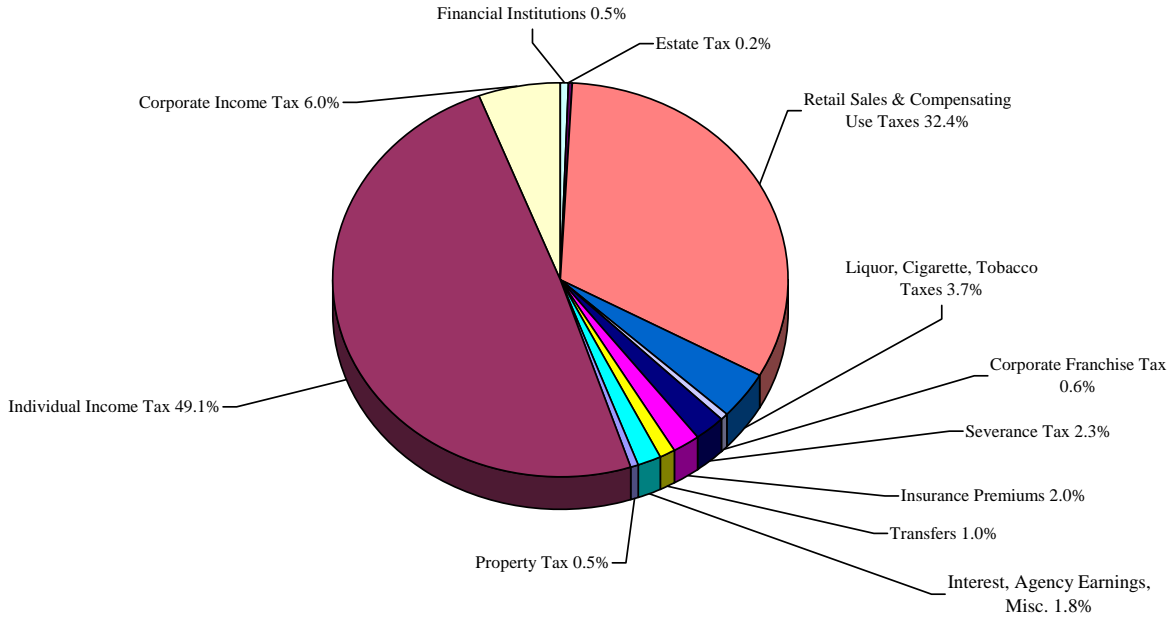
Economic Initiatives Fund reductions resulting from the merger of KTEC and Kansas, Inc. operations into the Department of Commerce, and reductions in Children's Initiatives Fund and Water Plan Fund spending.

Key Expenditures for Aid to Schools

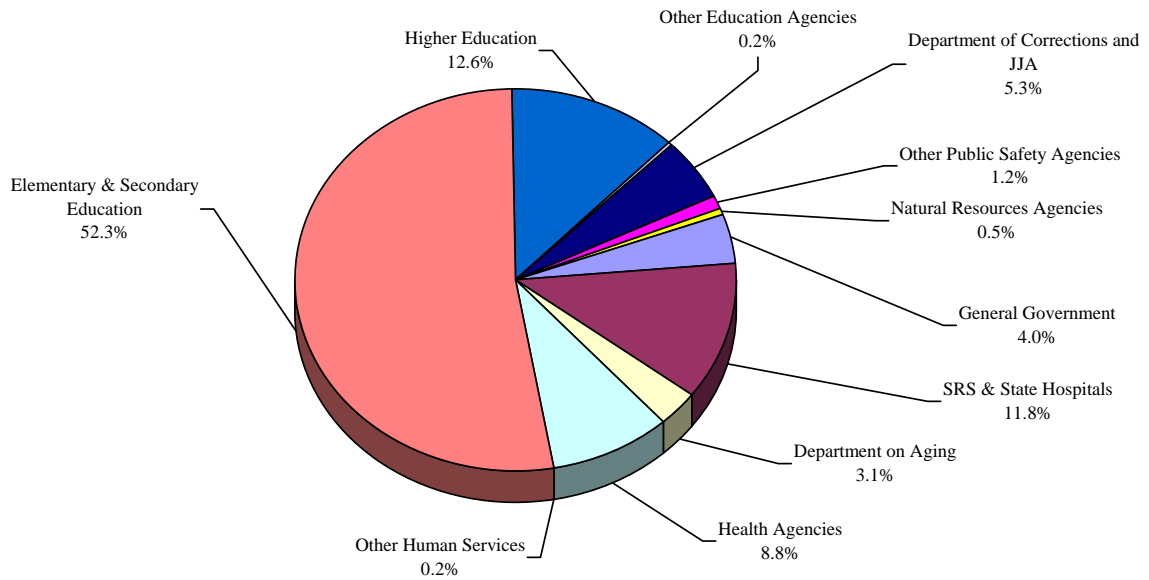
	<u>Approved</u> <u>FY 2009</u>	<u>Consensus</u> <u>FY 2009</u>	<u>Gov. Rec.</u> <u>FY 2009</u>	<u>Consensus</u> <u>FY 2010</u>	<u>Gov. Rec.</u> <u>FY 2010</u>
General State Aid	\$ 2,183,419,242	\$ 2,197,321,000	\$ 2,183,920,915	\$ 2,245,217,000	\$ 2,126,235,466
Special Education Aid	427,753,137	432,035,493	427,753,137	465,718,765	427,753,137
Local Option Budget	332,676,369	324,146,000	324,146,000	339,212,000	339,212,000
KPERS Empliyer Contributions*	249,998,012	249,989,121	249,989,121	282,188,282	274,111,409
Capital Outlay Aid	<u>25,439,522</u>	<u>22,600,000</u>	<u>22,600,000</u>	<u>25,600,000</u>	<u>25,600,000</u>
Subtotal--SGF	\$ 3,219,286,282	\$ 3,226,091,614	\$ 3,208,409,173	\$ 3,357,936,047	\$ 3,192,912,012
20 Mill Property Tax Levy	560,060,359	\$570,937,468	\$570,937,468	\$586,434,629	\$586,434,629
Total School Funding	\$ 3,779,346,641	\$ 3,797,029,082	\$ 3,779,346,641	\$ 3,944,370,676	\$ 3,779,346,641

**KPERS--School expenditures are before the proposed FY 2010 KPERS Death & Disability Moratorium.*

Where State Dollars Come From
State General Fund
FY 2010

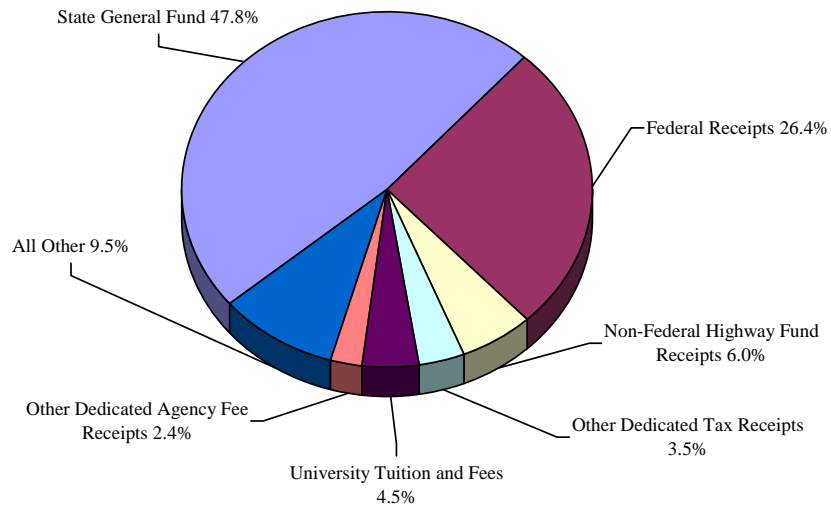


Where State Dollars Go
State General Fund
FY 2010



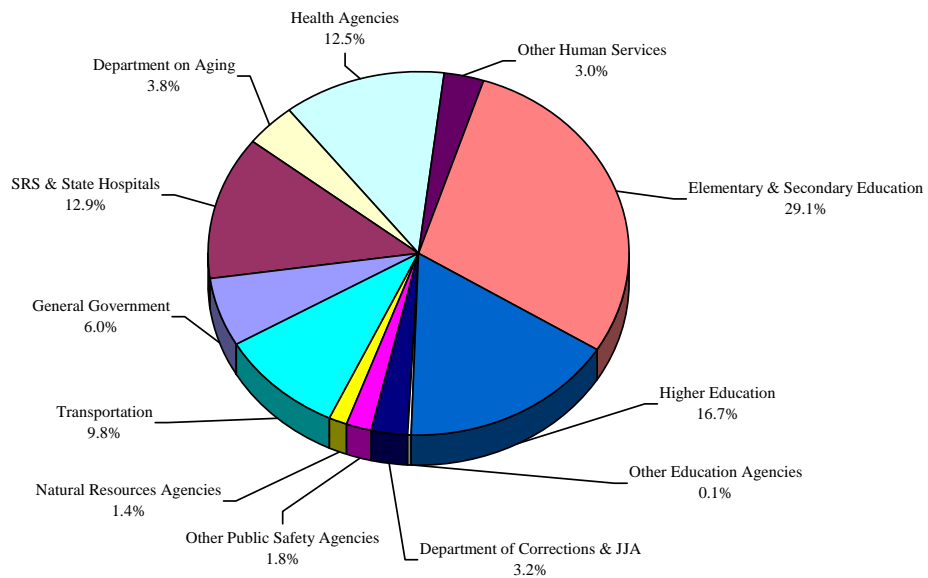
How the All Funds Budget Is Financed

All Sources of Funding
FY 2010



Where All Funds Go

All Sources of Funding*
FY 2010



* Excludes non-reportable expenditures.

Economic Development Initiatives Fund Summary

	FY 2008 Actual	FY 2009 Approved	FY 2009 Revised	FY 2010 Gov. Rec.
Beginning Balance	\$ 4,034,032	\$ 1,127,110	\$ 4,980,302	\$ 3,204,654
Revenues:				
Released Encumbrances	1,253,077	--	--	--
Lottery Revenues	42,432,000	42,432,000	42,432,000	42,432,000
Interest & Other Revenues	1,724,149	1,400,000	1,400,000	1,000,000
Transfer to KEOIF	(3,000,000)	(1,250,000)	(1,250,000)	(3,250,000)
Transfer to SECPDPF	(150,000)	--	--	--
Transfer to KQBFPIF	(400,000)	(400,000)	(400,000)	(200,000)
Transfer to SWPF	(2,000,000)	(3,043,985)	(3,043,985)	(2,000,000)
Transfer to PUGAADF	--	--	--	(1,000,000)
Parsons Road Transfer	--	750,000	750,000	--
KPERS Death & Dis. Transfer	--	--	--	(46,665)
Health Insurance Transfer	--	--	--	(194,411)
Transfer to SGF	--	--	--	(3,533,611)
Total Available	\$ 43,893,258	\$ 41,015,125	\$ 44,868,317	\$ 36,411,967
Expenditures:				
Department of Commerce	18,410,072	18,543,972	19,574,729	25,923,979
KTEC	12,162,460	12,032,258	11,083,876	--
Kansas, Inc.	504,743	415,363	321,139	--
Board of Regents	2,677,723	2,745,500	2,813,277	2,745,500
KSU-ESARP	300,000	300,000	300,000	293,911
WSU-Aviation Research	4,747,958	7,500,000	7,502,042	7,448,577
State Fair	110,000	70,000	68,600	--
EDIF Pay Plan Savings	--	8,789	--	--
Total Expenditures	38,912,956	41,615,882	41,663,663	36,411,967
Ending Balance	\$ 4,980,302	\$ (600,757)	\$ 3,204,654	\$ --

Children's Initiatives Fund

	FY 2008 Actual	FY 2009 Approved	FY 2009 Revised	FY 2010 Gov. Rec.
Beginning Balance	\$ 743,550	\$ 12,276,628	\$ 12,747,981	\$ 600,515
Revenues:				
Released Encumbrances	300,233	--	--	--
Transfer From KEY Fund	62,922,205	64,458,892	64,458,892	66,867,010
Transfer from CIRF	825,952	825,952	825,952	825,952
Total Available	\$ 64,791,940	\$ 77,561,472	\$ 78,032,825	\$ 68,293,477
Expenditures				
Social & Rehabilitation Services				
Early Childhood Block Grant	--	11,100,000	11,100,000	11,098,462
Children's Mental Health Initiative	3,800,000	3,800,000	3,800,000	3,800,000
Family Centered System of Care	5,000,000	5,000,000	5,000,000	5,000,000
Therapeutic Preschool	1,000,000	--	--	--
Child Care Services	1,400,000	1,400,000	1,400,000	1,400,000
Community Svcs. For Child Welfare	3,298,500	3,208,938	3,136,934	--
Smart Start Kansas	8,986,263	8,443,279	8,443,279	8,442,190
Pre-K Pilot	5,000,000	--	--	--
Early Head Start	1,600,000	3,452,779	3,452,779	3,452,779
Child Care Quality Initiatives	500,000	500,000	500,000	500,000
Children's Cabinet Account. Fund	541,802	541,802	541,802	541,802
Family Preservation	3,151,403	3,241,062	3,313,066	3,241,062
Attendant Care for Independ. Living	50,000	--	--	--
School Violence Prevention	227,392	--	--	--
Total--SRS	34,555,360	40,687,860	40,687,860	37,476,295
Kansas Health Policy Authority				
Immunization Outreach	277,876	500,000	500,000	--
Healthwave	2,000,000	2,000,000	2,000,000	--
Medical Assistance	3,000,000	3,000,000	3,000,000	--
Total--KHPA	5,277,876	5,500,000	5,500,000	--
Health & Environment--Health				
Healthy Start/Home Visitor	250,000	250,000	250,000	250,000
Special Health Services	208,000	208,000	208,000	--
Newborn Hearing Aid Loaner Program	--	50,000	50,000	50,000
SIDS Network Grant	--	75,000	75,000	75,000
Newborn Screening	--	2,216,888	2,221,556	2,202,682
Infants & Toddlers Program	1,200,000	5,700,000	5,700,000	5,700,000
Smoking Prevention Grants	1,000,000	1,000,000	1,000,000	1,000,000
Total--KDHE	2,658,000	9,499,888	9,504,556	9,277,682
Department of Education				
Reading, Vision, General Aid	300,000	300,000	200,000	--
Parent Education	--	7,539,500	7,539,500	7,539,500
Pre-K Pilot	--	5,000,000	5,000,000	5,000,000
Total--KSDE	300,000	12,839,500	12,739,500	12,539,500
University of Kansas Medical Center	252,723	--	394	--
Juvenile Justice Authority	9,000,000	9,000,000	9,000,000	9,000,000
Total Expenditures	52,043,959	77,527,248	77,432,310	68,293,477
Ending Balance	\$ 12,747,981	\$ 34,224	\$ 600,515	\$ --

State Water Plan Fund

	FY 2008 <u>Actual</u>	FY 2009 <u>Approved</u>	FY 2009 <u>Revised</u>	FY 2010 <u>Gov. Rec.</u>
Beginning Balance	9,052,462	2,846,479	2,846,479	--
Revenues				
Released Encumbrances	981,099	1,107,136	1,087,010	421,709
Transfer to GMD #3	(739,964)	--	--	--
Transfers to the SGF	--	--	--	(16,152)
Transfer to KCC	(400,000)	(400,000)	(320,000)	(288,000)
SGF Transfer	6,000,000	6,000,000	--	--
EDIF Transfer	2,000,000	3,043,985	3,043,985	2,000,000
<i>Kansas v. Colorado</i> Damage Award	584,217	525,729	525,729	--
Clean Drinking Water Fee Revenue	--	6,480,609	6,480,609	3,469,486
Fee Receipts	<u>9,605,356</u>	<u>9,591,669</u>	<u>9,591,669</u>	<u>9,429,270</u>
Total Available	27,083,170	29,195,607	23,255,481	15,016,313
Expenditures				
Dept. of Health & Environment	4,087,999	3,929,512	3,143,610	2,617,221
Univ. of Kansas--Geological Survey	40,000	40,000	32,000	28,800
Department of Agriculture	1,130,152	1,403,501	1,245,979	1,124,615
State Conservation Commission	15,173,035	19,118,350	15,210,497	9,065,321
Kansas Water Office	2,765,505	4,664,244	3,591,395	2,151,556
Department of Wildlife and Parks	<u>1,040,000</u>	<u>40,000</u>	<u>32,000</u>	<u>28,800</u>
Total Expenditures	24,236,691	29,195,607	23,255,481	15,016,313
Ending Balance	2,846,479	--	--	--