

**The Governor's**  
**Budget**  
**Report**

**Overview**

**Fiscal Year 2011**

Readers of *The FY 2011 Governor's Budget Report* can access this information on the Kansas Division of the Budget's website at <http://budget.ks.gov>.

Kansas, like almost all states, faces an extremely difficult financial challenge for the coming budget year. As a result of the national recession, State General Fund revenue collections are forecast to drop for a fourth year in a row. Even after dramatic spending reductions over the last year, the FY 2011 budget cannot be balanced without even deeper cuts or increases to revenue.

In this context, Governor Parkinson presents a revised budget for FY 2010 and a balanced FY 2011 budget.

	<b>Budget Totals</b>			
	<i>(Dollars in Millions)</i>			
	SGF	Percent Change	All Funds	Percent Change
FY 2009 Actual	\$ 6,064.4	--	\$ 13,960.3	--
FY 2010 Apprv. (May 2009)	5,613.6	(7.4%)	13,050.6	(6.5%)
FY 2010 Apprv. with Shifts	5,707.9	(5.9%)	13,086.9	(6.3%)
FY 2010 Gov. Est.	5,451.1	(10.1%)	14,497.2	3.8%
FY 2011 Gov. Rec.	5,831.1	7.0%	13,726.1	(5.3%)

## State General Fund

**FY 2009.** The original budget adopted for FY 2009 totaled \$6,404.4 million. However, during the first part of the fiscal year, the Kansas economy went into recession, and revenue collections began dropping, causing the FY 2009 budget to be revised and reduced during the 2009 Legislative Session. Actual spending for the fiscal year totaled \$6,064.4 million, \$340.0 million below the original budget.

**FY 2010.** The first budget passed for FY 2010 totaled \$5,613.6 million. However, revenue collections continued to decline, and by the start of the fiscal year the approved budget was out of balance even though it had been reduced \$462.1 million from the year before. On July 2, the Governor announced a plan that rebalanced the budget with \$160.0 million spending cuts and some transfers. In early November, a new Consensus Revenue Estimate revised revenue expectations downward even further, and the Governor

rebalanced the budget with \$231.6 million spending cuts and some transfers from other funds. The Governor's revised FY 2010 budget totals \$5,451.1 million, almost \$1 billion less than the original FY 2009 budget. Most of the revised FY 2010 budget has been put in place through allotment authority, but a few items must be authorized by the 2010 Legislature. The Governor requests the Legislature complete work on these remaining items early in the session.

**FY 2011.** Continued revenue drops plus increased expenditure requirements make the FY 2011 budget even more difficult. The Consensus Revenue Estimate for FY 2011 declines \$122.2 million from FY 2010. Further, human service caseload estimates, the required KPERS rate increase, the resumption of debt service payments and payments to the KPERS Death and Disability Fund, and the replacement of American Recovery and Reinvestment Act (ARRA) funds, require \$381.5 million more than FY 2010 just to maintain services and programs at the present level.

In order to meet these challenges, the Governor recommends additional spending reductions, an increase to revenue by raising the cigarette and tobacco tax rates, temporarily raising the sales tax and stopping some transfers from the State General Fund and increasing other transfers in. While most of the budget reductions currently in place must remain, the Governor's revenue proposals make it possible to avoid even further budget reductions. It also will allow for some prior cuts to be partially restored, such as Medicaid provider rates, a \$50 Base State Aid per Pupil increase in school finance, and \$10.0 million for higher education. Without the revenue increases, crippling cuts will be applied to all areas of the budget.

## All Funding Sources

From all funding sources, actual spending in FY 2009 totaled \$13,960.3 million, then rises to \$14,497.2 million in the Governor's revised FY 2010 budget, and then drops to \$13,726.1 million for FY 2011. Two factors, a substantial increase in unemployment benefits and federal ARRA funds cycling through the budget, explain the expenditure rise in FY 2010 and the drop in FY 2011.

**State General Fund  
FY 2009  
July 1, 2008 - June 30, 2009**  
*(Dollars in Millions)*

Beginning Balance	\$ 526.6
Revenue:	
Actual Receipts	5,587.4
Total Available	\$ 6,114.0
Expenditures:	
Original Approved Budget	6,404.4
Spending Reductions	(340.0)
Total Expenditures	\$ 6,064.4
Ending Balance	\$ 49.7

**State General Fund  
FY 2010  
July 1, 2009 - June 30, 2010**  
*(Dollars in Millions)*

Beginning Balance	\$ 49.7
Revenue:	
November Consensus Revenue Est.	5,300.7
Transfer from Highway Fund *	80.0
Transfer from EDIF *	5.8
Transfer from Housing Trust Fund	2.0
Cap Bioscience Authority Transfer	5.0
Transfer from Investor Education Fund *	5.0
Powerball Income Tax Windfall	3.1
Other Transfer Adjustments *	0.2
Total Available	\$ 5,451.5
Expenditures:	
Approved Budget (May 2009)	5,613.6
Expenditure Authority Shifting from FY 09	94.3
Governor's July Allotment	(90.1)
Human Services Consensus Estimate	24.3
Governor's November Allotment	(193.2)
Legislative Agencies *	(2.8)
Judiciary *	5.0
Total Expenditures	\$ 5,451.1
Ending Balance	\$ 0.4

All of these items were part of the Governor's July and November financial plans.

\$74.0 million of this total was due to school finance bills which were not paid when due in FY 2009, but paid early in FY 2010.

The Governor's November allotment was the net of these two items.

\* Requires legislative action

## Key Issues Affecting the FY 2011 Budget

*(Dollars in Millions)*

### State General Fund Revenue is Dropping

FY 2010 Consensus Revenue Estimate	5,300.7
FY 2011 Consensus Revenue Estimate	5,178.5
Revenue Drop	\$ 122.2

### New Expenditures are Required

Human Services Caseload Estimate (includes replacement of ARRA funds)	118.4
Resume SGF Debt Service Principal Payments	36.4
KPERS Rate Increase	37.9
Resume KPERS Death & Disability Fund Payments	16.9
Replace K-12 ARRA Funds (see tables below)	171.9
New SGF Required	\$ 381.5

### ARRA State Fiscal Stabilization Fund (SFSF)

	FY 2010	FY 2011
K-12 School Finance	224.6	52.8
Higher Education	49.6	40.0
Dept. of Corrections (flexible portion of SFSF)	40.5	41.2

### New SGF Required for School Finance

	FY 2010	FY 2011
General State Aid	1,875.4	1,875.4
SFSF	138.7	52.8
New SGF Required to Keep Funding Flat	--	85.9
Total	\$ 2,014.1	\$ 2,014.1
Supplemental General State Aid (LOB)	253.3	253.3
SFSF	85.9	--
New SGF Required to Keep Funding Flat	--	85.9
Total	\$ 339.2	\$ 339.2

**State General Fund  
FY 2011  
July 1, 2010 - June 30, 2011**  
*(Dollars in Millions)*

Beginning Balance	\$ 0.4
Revenue:	
November Consensus Revenue Est.	5,178.5
Increase Sales/Comp. Use Tax Rate	308.2
Increase Cigarette/Tobacco Tax Rate	69.5
Transfer from Highway Fund	107.4
Transfer from EDIF	3.0
Transfer Expanded Lottery Act Revenues	8.0
Transfer Other Funds	13.7
Suspend SCCH Transfer	10.1
Suspend M&E Slider Payment	44.0
Cap Bioscience Authority Transfer	35.0
Stop Repayment of Loans to State Funds	34.6
Suspend Deferred Maintenance Transfer	15.0
Reduce Water Plan Fund Transfer	4.7
All Other Transfer Adjustments	(0.9)
Total Available	\$ 5,831.1
Expenditures:	
FY 2010 Budget	5,451.1
Reduce Education Shift	(74.0)
Human Services Consensus Estimate	118.4
Resume SGF Debt Payments	36.4
KPERS Rate Increase	37.9
Resume Death & Disability Payments	16.9
Replace K-12 ARRA Funds	171.9
Restore Medicaid Provider Rates	22.7
\$50 Increase to BSAPP (K-12)	32.8
Regents Institutions Restoration	10.0
Corrections System	4.7
Judiciary	2.5
KBI DNA Lab Services	1.1
Undermarket Salary Adjustments	8.5
Net of Other Adjustments	(9.8)
Total Expenditures	\$ 5,831.1
Ending Balance	\$ --

Temporary rate increase from 5.3% to 6.3%.

Increase rate to national average – \$.79 to \$1.34 on cigarettes and 10% to 40% on tobacco products.

Same amount transferred as in FY 2010.

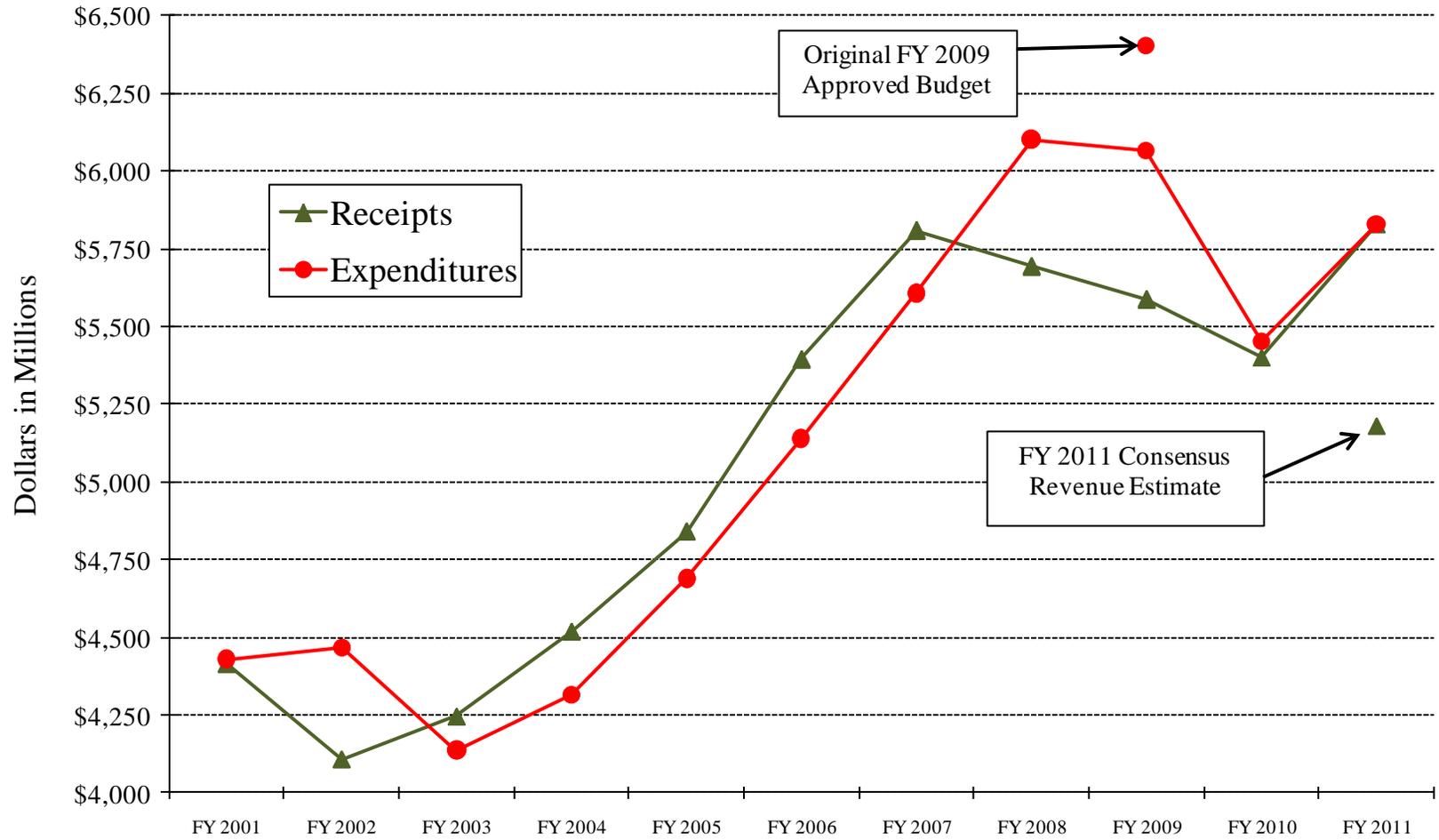
State Safety Fund ..... 2.2  
Admin. Hearings Fund..... 0.2  
Insurance Regulation Fund..... 5.0  
Utility Regulation Fund..... 1.5  
Emergency Fund ..... 1.0  
Investor Education Fund ..... 1.3  
Workers Comp. Fund ..... 0.8  
Correctional Ind. Fund ..... 0.5  
Comm. on Peace Officers Fund .. 0.2

The FY 2010 budget includes one-time expenditures of \$74.0 million to cover unpaid school finance bills carrying forward from FY 2009.

New costs that must be paid just to keep services and programs even with FY 2010.

The FY 2010 budget included provider cuts that took effect in the last part of the fiscal year and saved \$22.7 million.

# Governor's Recommendations State General Fund Receipts and Expenditures



## Consequences to State Budget if No Revenue Package is Enacted

### Expenditures

Education	Reduce General State Aid to Schools	187,498,000
Education	Eliminate Mentor Teacher Program	1,450,000
Regents	Additional 2% Cut to Regents Block Grant	25,000,000
Medicaid Agencies	Leave Provider Rate Cut at 10%	77,231,000
SRS	Reduce Mental Health Grants	3,900,000
SRS	Reduce Community Develop. Disab. Org. Grants	1,300,000
Aging	Reduce SGF for Nutrition Programs	675,000
KDHE	Reduce Primary Health Care Clinics	566,663
KDHE	Reduce Local Health Departments	267,727
KDHE	Eliminate Cerebral Palsy Posture Seating	105,637
Legislative Agencies	Return to FY 2006 Expenditure Level	3,384,925
Judiciary	Reduce Court Operations	3,000,000
Corrections	Release Inmates Early and Close Cellblocks	7,366,000
Corrections	Reduce Inmate Re-Entry Programs	1,223,000
Corrections	Close Johnson & Sedgwick Co. Adult Residential Centers	2,068,000
Corrections	Reduce Intensive Supervision Programs	399,000
KBI	Continue DNA Processing Backlog	1,081,000
Veterans Commission	Close One Veterans Service Office	54,906
Agriculture/Animal Health	Merge Animal Health into Department of Agriculture	300,000
State Agencies	Eliminate Undermarket Salary Adjustments	8,534,972
State Fair	Make Bond Payment with Fee Funds	1,550,000
Wildlife & Parks	Eliminate Park Entry Discount	800,000
State Library	Reduce State Aid Additional 10%	265,000
All Other Agencies	Make Further Operational Reductions	4,600,000

### Revenues

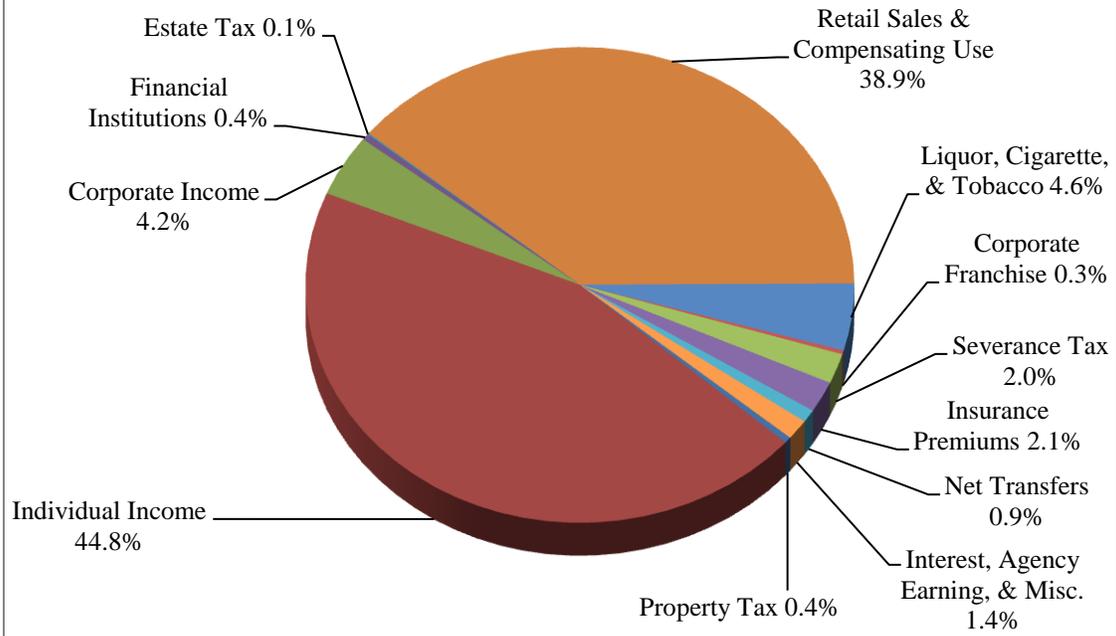
CIF	Sweep CIF By Cutting:	
SRS	Eliminate Family Centered System of Care	5,000,000
Education	Eliminate Parent Education	7,539,500
JJA	Eliminate Prevention Program Grants	3,785,814
EDIF	Sweep EDIF By Cutting:	
KTEC	Eliminate Agency	5,990,000
WSU	Reduce EDIF Spending (NIAR Aviation Research)	5,000,000
Regents	Reduce EDIF Spending (Tech Schools)	2,745,000
Water Plan Fund	Make No SGF Transfer to Water Plan Fund	
KDHE	Reduce Contamination Remediation	226,161
Agriculture	Reduce Funding for Interstate Water Issues	137,945
Cons. Commission	Reduce Aid to Conservation Districts	634,139
KDHE	Eliminate State Match for Treece Buyout	350,000
Bioscience Authority	Reduce Cap to \$30 M	5,000,000
Regents	Eliminate Faculty of Distinction Transfer	3,000,000
Regents	Eliminate Research Bonds Transfer	6,240,000
Licensing Boards	Cut Biennial Agencies 10% and Sweep to SGF	2,454,307

<b>Total</b>	<b>\$</b>	<b>380,723,696</b>
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## Where State Dollars Come From

State General Fund

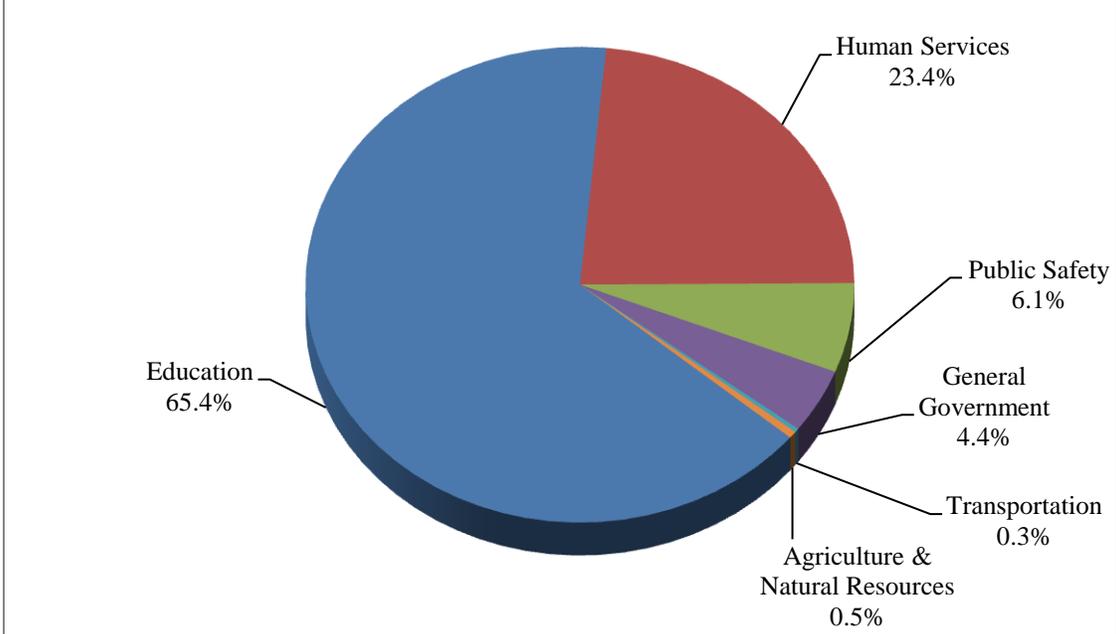
Fiscal Year 2011



## Where State Dollars Go by Function

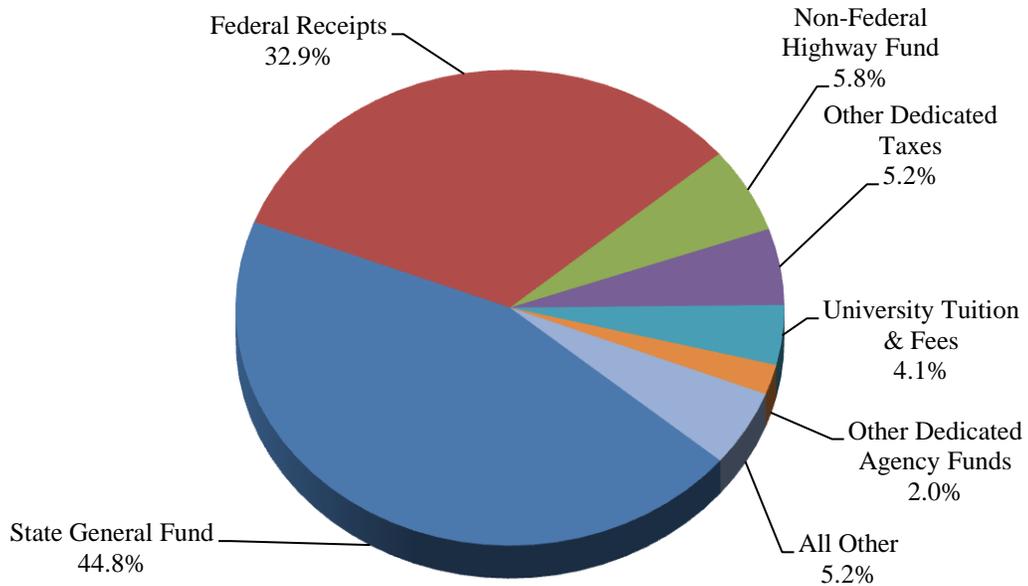
State General Fund

Fiscal Year 2011



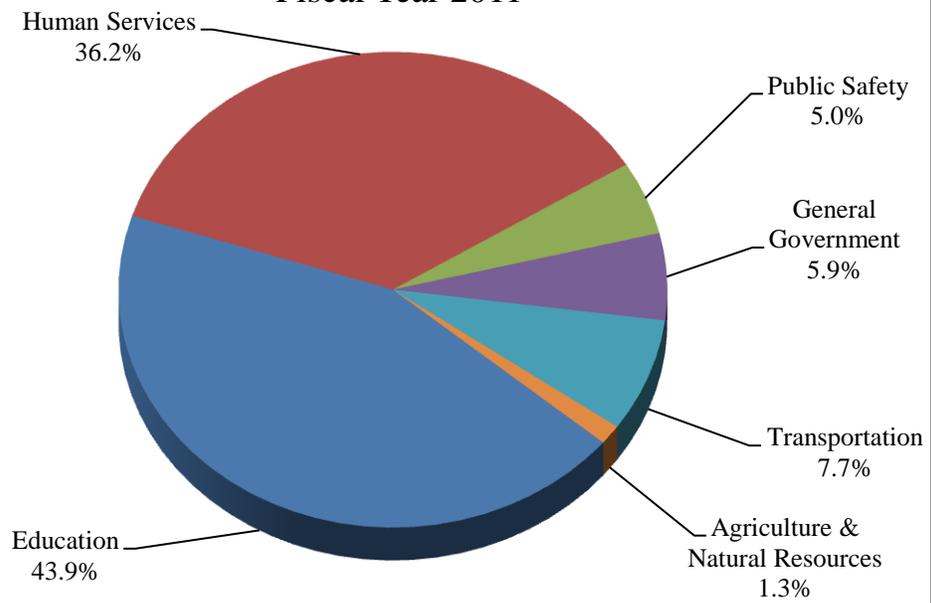
## How the All Funds Budget Is Financed

All Sources of Funding  
Fiscal Year 2011



## Where State Dollars Go by Function

All Sources of Funding\*  
Fiscal Year 2011



\*Excludes non-reportable expenditures