The Governor's

Budget Report

FISCAL YEAR 2013

Budget Brief

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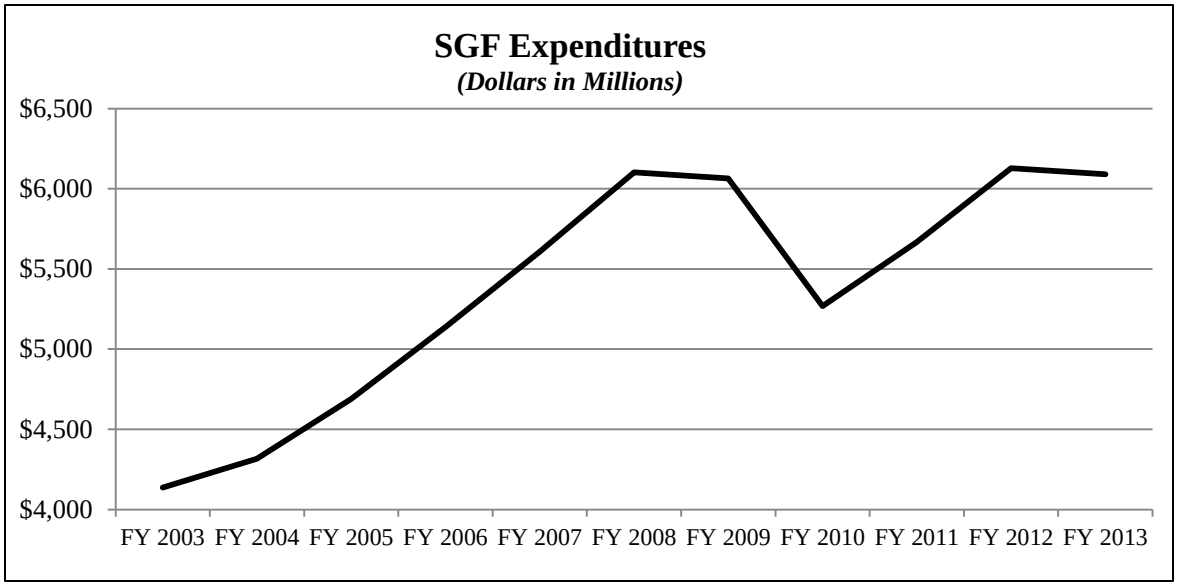
Budget Highlights



- FY 2013 budget meets the 7.5% ending balance requirement
- No Highway Fund transfers are used to balance FY 2013 budget
- Casino revenues are directed to paying off state debt, saving future years' expenses
- Targeted investments are made in higher education for instruction and research, as well as economic development to promote employment for Kansans
- Commitments are met for meeting program beneficiaries' needs
- Public safety needs addressed

State General Fund Outlook Assuming Structural Reforms Are Enacted for Medicaid and School Finance

(Dollars in Millions)

	FY 2011 Actual	FY 2012 Gov. Est.	FY 2013 Gov. Rec.	FY 2014 Projected	FY 2015 Projected	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected
Beginning Balance	$ (27.1)	$ 188.3	$ 302.7	$ 465.0	$ 459.1	$ 442.6	$ 466.5	$ 546.1
Revenues								
Taxes	5,693.0	6,030.0	6,310.8	6,209.6	6,347.3	6,526.1	6,709.4	6,899.3
Interest	19.8	8.0	7.4	9.0	11.0	15.0	18.0	18.0
Agency Earnings	50.4	51.5	51.5	53.0	53.0	53.0	53.0	53.0
Transfers:								
School Capital Improvement Aid	(96.1)	(104.8)	(107.5)	(110.0)	(113.0)	(110.0)	(108.0)	(105.0)
Regents Faculty of Distinction	(1.6)	(0.6)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Regents Research Corp Debt Service	(9.8)	(6.0)	(1.1)	(0.1)	(0.0)	--	--	--
Biosciences Initiative	(35.0)	(35.0)	(35.0)	(35.0)	(35.0)	(35.0)	(35.0)	(35.0)
Business Incentives	(9.0)	(12.9)	(12.9)	(13.5)	(16.0)	(18.0)	(20.0)	(20.0)
Highway Patrol	36.0	32.8	--	--	--	--	--	--
Highway Fund	149.3	205.0	--	--	--	--	--	--
State-Owned Casino Revenue	33.9	32.3	--	--	--	--	--	--
All Other Transfers	51.3	42.9	39.5	40.0	30.0	20.0	10.0	10.0
Total Available	$ 5,855.0	$ 6,431.4	$ 6,554.7	$ 6,617.3	$ 6,735.5	$ 6,893.0	$ 7,093.2	$ 7,365.6
Expenditures								
Aid to K-12 Schools	2,693.0	3,070.2	3,026.9	3,072.1	3,152.1	3,232.1	3,312.1	3,392.1
Higher Education	751.3	740.6	782.4	782.9	792.9	802.9	812.9	822.9
Human Services Caseloads	745.7	992.8	1,026.5	1,022.6	987.3	935.8	866.5	916.5
KPERS State/School (Employer)*	332.6	443.9	412.4	448.4	508.4	583.4	663.4	748.4
All Other Expenditures	1,144.0	881.2	841.4	832.2	852.2	872.2	892.2	912.2
Total Expenditures	$ 5,666.6	$ 6,128.8	$ 6,089.6	$ 6,158.2	$ 6,292.9	$ 6,426.4	$ 6,547.1	$ 6,792.1
Ending Balance	$ 188.3	$ 302.7	$ 465.0	$ 459.1	$ 442.6	$ 466.5	$ 546.1	$ 573.5
As Percentage of Expenditures	*3.3%*	*4.9%*	*7.6%*	*7.5%*	*7.0%*	*7.3%*	*8.3%*	*8.4%*

Totals may not add because of rounding.

**Employer contributions to KPERS for state employees are estimated as a proportion of the total from the SGF.*

Out-year revenue assumptions: Taxes follow current law and are assumed to drop 1.6% in FY 2014 (mostly sales tax law change) and then increase by varying amounts in future years.

Out-year expenditure assumptions: KanCare reform savings are included, while caseloads increase $50 M each year; 2011 HB 2194 rate increases for KPERS are implemented; school finance expenses will grow in future years $80 M each year; and "all other" categories increase $20 M each year to cover other contingencies.

Available ELARF will continue to buy down debt. 27th paycheck will be paid next in FY 2017. Amounts shown are for illustrative purposes and are not specific gubernatorial proposals.

Education

- New K-12 school finance proposal will take effect with FY 2014 budget with infusion of $45.2 million
- State's school finance costs for general state aid are funded in Governor's budget for FY 2012 and FY 2013, taking into account lower property valuations
- State aid for special education meets federal maintenance of effort requirements
- New technical education formula for postsecondary institutions is funded with an $8.0 million increase
- To promote and increase access to these technical education programs by high school students, $20.5 million is added to be administered by Board of Regents and Board of Education
- Program enhancements funded for elite professorships at KU, student financial aid, NBAF at Kansas State, the Veterinary Medical School at Kansas State, research database access, as well as other campus-specific items ($17.5 million)

Public Safety

- Governor’s budget addresses short-term prison capacity needs by retrofitting existing buildings and contracting with counties while reinstituting successful recidivism programs terminated for lack of funding
- New trooper class funded for FY 2012 to maintain adequate staffing levels
- Necessary repairs funded at KBI headquarters for safe functioning of the building
- New criminal investigation unit funded to address growing backlog of digital criminal evidence
- Enhance forensic equipment lab at Washburn to establish staff feeder options for KBI lab
- New fund established to respond to future disasters requiring state response
- Consolidate regulation and investigation of law enforcement officers under Attorney General

Health and Human Services

- KanCare managed care model for state's Medicaid system proposed—savings of $32.1 million estimated
- $1.0 million SGF recommended for Healthcare Savings Accounts for Medicaid diversion
- Psychiatric Residential Treatment Facilities and Area Offices funded
- HCBS waiver shortfalls covered—$2.0 million SGF
- SCHIP financed with additional money in FY 2013
- Physical expansion of Sexual Predator Treatment Program funded in FY 2012 & FY 2013 with necessary staff
- Adoption Assistance caseload growth financed with State General Fund
- Reduction in federal Medicaid matching funding in non-consensus programs covered with $1.1 million SGF in FY 2013
- Proposed reorganization of agencies to facilitate Medicaid Reform

Major Medicaid Programs

(Dollars in Thousands)

	FY 2010 Actual	FY 2011 Actual	FY 2012 Gov Est.	FY 2013 Gov Rec.
Department for Children and Families				
HCBS--Physically Disabled	140,512	134,768	121,576	--
HCBS--Traumatic Brain Injury	13,086	13,865	14,345	--
HCBS--Technology Assisted	25,054	27,158	27,125	--
HCBS--Developmentally Disabled	311,275	319,851	323,198	--
HCBS--Autism	753	777	1,442	--
Intermediate Care Facilities/MR	13,675	13,513	12,967	--
State Hospitals	52,061	46,601	48,362	--
Nursing Facilities for Mental Health	15,815	18,399	18,742	--
Regular Medical	289,242	289,242	298,364	--
Total--SRS Medicaid Programs	$ 861,472	$ 864,173	$ 866,121	$ --
State General Fund Portion	$ 242,445	$ 168,020	$ 227,390	$ --
KHPA/KDHE-Division of Health Care Finance				
Regular Medical	$ 1,332,355	$ 1,445,489	$ 1,465,850	$ 1,544,757
State General Fund Portion	$ 335,506	$ 376,759	$ 565,036	$ 597,500
Department for Aging and Disability Services				
HCBS--Physically Disabled	--	--	--	118,648
HCBS--Traumatic Brain Injury	--	--	--	14,240
HCBS--Technology Assisted	--	--	--	26,852
HCBS--Developmentally Disabled	--	--	--	320,529
HCBS--Autism	--	--	--	1,460
Intermediate Care Facilities/MR	--	--	--	13,009
State Hospitals	--	--	--	46,841
Nursing Facilities for Mental Health	--	--	--	18,742
Regular Medical	--	--	--	314,211
Nursing Facilities	358,674	422,019	442,904	436,207
All-Inclusive Care for the Elderly	4,318	4,950	5,033	5,667
HCBS--Frail Elderly	74,459	76,685	75,040	73,803
HCBS--Targeted Case Management	4,896	4,962	5,169	5,312
Total--Aging Medicaid Programs	$ 442,347	$ 508,617	$ 528,146	$ 1,395,522
State General Fund Portion	$ 133,169	$ 148,651	$ 206,279	$ 564,526
Juvenile Justice Authority				
Level V & VI Group Homes	$ 6,924	$ 6,914	$ 6,000	$ 6,252
State General Fund Portion	$ 2,107	$ 2,134	$ 2,554	$ 2,713
Total--Major Medicaid Programs	$ 2,643,098	$ 2,825,193	$ 2,866,117	$ 2,946,530
State General Fund Portion	$ 713,226	$ 695,565	$ 1,001,258	$ 1,164,739

Consensus Caseloads

(Dollars in Thousands)

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Gov. Est.	FY 2013 Gov. Rec.
Department for Children & Families					
Temporary Assist. to Families	45,222	56,588	57,780	45,000	37,946
General Assistance	9,184	3,824	3,056	--	--
Reintegration/Foster Care	150,528	132,556	137,030	138,606	138,579
Nursing Facil. for Mental Health	15,578	15,815	18,399	18,742	--
Regular Medical	261,474	289,242	298,364	299,688	--
Total--SRS Caseload Programs	$ 481,987	$ 498,025	$ 514,629	$ 502,037	$ 176,525
State General Fund Portion	$ 249,160	$ 190,662	$ 228,492	$ 232,762	$ 91,020
Percent Change	*3.9%*	*3.3%*	*3.3%*	*(2.4%)*	*(64.8%)*
KHPA/KDHE - Division of Health Care Finance					
Regular Medical	$ 1,293,813	$ 1,332,355	$ 1,445,489	$ 1,465,850	$ 1,544,757
State General Fund Portion	$ 396,866	$ 335,506	$ 376,759	$ 565,036	$ 597,500
Percent Change	*2.1%*	*3.0%*	*8.5%*	*1.4%*	*5.4%*
Juvenile Justice Authority					
Out-of-Home Placements	22,111	23,838	19,421	23,296	23,140
Level V & VI Group Homes	7,009	6,924	6,914	6,000	6,252
Total--JJA Caseload Programs	$ 29,120	$ 30,761	$ 26,335	$ 29,296	$ 29,392
State General Fund Portion	$ 20,909	$ 20,216	$ 18,158	$ 22,850	$ 22,605
Percent Change	*(8.2%)*	*5.6%*	*(14.4%)*	*11.2%*	*0.3%*
Department for Aging and Disability Services					
Nursing Facilities	366,838	358,674	422,019	442,904	436,207
Nursing Facil. for Mental Health	--	--	--	--	18,742
Regular Medical	--	--	--	--	314,211
HCBS--Targeted Case Management	5,022	4,896	5,073	5,169	5,312
Total--Aging Caseload Programs	$ 371,860	$ 363,570	$ 427,092	$ 448,073	$ 774,472
State General Fund Portion	$ 129,882	$ 109,468	$ 122,300	$ 172,200	$ 315,419
Percent Change	*3.1%*	*(2.2%)*	*17.5%*	*4.9%*	*72.8%*
Total--Consensus Caseloads	$ 2,176,780	$ 2,224,711	$ 2,413,544	$ 2,445,256	$ 2,525,146
State General Fund Portion	$ 796,817	$ 655,851	$ 745,710	$ 992,847	$ 1,026,543

Home & Community-Based Services Waivers

(Dollars in Thousands)

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Gov. Est.	FY 2013 Gov. Rec.
Physically Disabled	139,713	140,512	134,768	121,576	118,648
Traumatic Brain Injury	10,926	13,086	13,865	14,345	14,240
Technology Assisted	18,189	25,054	27,158	27,125	26,852
Developmentally Disabled	293,283	311,275	319,851	323,198	320,529
Autism	531	753	777	1,442	1,460
Frail Elderly	72,097	74,460	76,685	75,040	73,803
Total Waiver Programs	$ 534,740	$ 565,140	$ 573,104	$ 562,725	$ 555,533
State General Fund Portion	$ 183,043	$ 161,663	$ 174,314	$ 239,353	$ 241,034
Percent Change		*5.7%*	*1.4%*	*-1.8%*	*-1.3%*

“All Other”

- Voluntary Retirement Incentive Program savings from not filling all vacated positions ($24 million)
- Key areas received additional support for ensuring proper levels of regulation—Bank Commissioner, KCC
- Place Kansas Arts Commission with Film Commission as the new Creative Industries Commission in Department of Commerce; focus efforts in promoting economic development
- Enhance funding for marketing of the state’s agricultural products
- Fund Wildlife, Parks & Tourism with EDIF rather than SGF and pay off debt related to operation of cabins at state parks, freeing a source of income to the agency

Governor's Tax Plan

- Governor Brownback committed his Administration to increasing employment of Kansans
- Tax policy plays a crucial role in positioning Kansas for economic growth
- Income tax rate reductions to a maximum of 4.9 % (from current 6.45%)
  - Establish two income tax brackets rather than three
  - Eliminate most itemized deductions and credits
  - Exempt non-wage business income from individual income tax
  - Double standard head of household deduction to $9,000
  - As state revenues grow beyond 2% in future years, additional rate reductions could be instituted
- Eliminate two-year severance tax exemption on new pool oil and gas wells producing > 50 barrels per day
- Retain sales and use tax rates at current levels
- Retain corporate income tax rate

Chart 1, Appendix A

The Nine States with the Lowest and the Highest Marginal Personal Income Tax (PIT) Rates
Ten-Year Economic Performance

(Performance between 2001 & 2010 unless otherwise noted)

State	Top PIT Rate*	Gross State Product Growth	Non-Farm Payroll Employment Growth	Population Growth	Net Domestic In-Migration as a % of Population***	State & Local Tax Revenue Growth****
Alaska	0.00%	77.00%	12.20%	12.10%	-2.00%	452.60%
Florida	0.00%	47.70%	0.20%	15.00%	6.50%	82.30%
Nevada	0.00%	58.90%	6.10%	28.90%	14.10%	100.10%
New Hampshire	0.00%	35.20%	-0.70%	4.70%	2.50%	59.60%
South Dakota	0.00%	58.50%	6.40%	7.30%	0.80%	51.20%
Tennessee	0.00%	38.60%	-2.80%	10.30%	4.20%	61.70%
Texas	0.00%	57.70%	8.70%	17.90%	3.40%	75.50%
Washington	0.00%	47.80%	3.00%	12.30%	3.40%	57.80%
Wyoming	0.00%	105.60%	15.20%	14.30%	4.30%	172.20%
9 States with no PIT**	0.00%	58.54%	5.36%	13.65%	4.12%	123.66%
U.S. Average**	5.47%	46.61%	0.51%	8.63%	0.86%	70.23%
Kansas	**6.45%**	**42.35%**	**-1.90%**	**5.61%**	**-2.36%**	**62.87%**
States with Highest Marginal PIT Rate**	9.92%	42.06%	-1.68%	5.49%	-1.91%	61.79%
Ohio	8.24%	24.80%	-9.30%	1.20%	-3.10%	44.50%
Maine	8.50%	35.40%	-2.50%	3.40%	2.30%	45.30%
Maryland	9.30%	50.90%	1.70%	7.40%	-1.50%	67.00%
Vermont	9.40%	36.10%	-1.60%	2.20%	-0.10%	64.50%
New York	10.50%	43.10%	-0.40%	1.50%	-8.30%	68.30%
California	10.55%	42.10%	-4.80%	8.00%	-3.90%	77.20%
New Jersey	10.75%	33.70%	-3.60%	3.60%	-4.80%	70.40%
Hawaii	11.00%	57.40%	5.70%	11.70%	-2.20%	72.10%
Oregon	11.00%	55.00%	-0.30%	10.40%	4.50%	46.80%

* *Highest marginal state & local personal income tax rate imposed as of 1/1/2011 using the tax rate of each state's largest city as a proxy for for the local tax. The deductibility of federal taxes from state tax liability is included where applicable. New Hampshire & Tennessee tax dividend interest income only.*

** *Equal-weighted averages*

*** *2000-2009*

**** *1999-2008*

Data compiled by Laffer Associates.

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