



The Governor's
Budget
Report
FISCAL YEAR 2020

Budget Presentation
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Agenda

- Budget Stability & Sustainability
- K-12 Education Funding Proposal
- Transportation Highlights
- Healthcare Funding Highlights
- Child Welfare
- KPERS
- State Employees
- Other Highlights

Budget Stability & Sustainability

- Structurally balanced—revenues exceed expenditures with no tax increase;
- One-year budget to allow assessment and a measured approach going forward (2 years for K-12);
- SGF ending balances: FY 2019—9.5% & FY 2020—9.1%;
- PMIB SGF loan paid off in FY 2019—5 years early (\$317.2 million);
- Reduces reliance on KDOT for meeting general state obligations.

State General Fund Outlook

(Dollars in Millions)

	<u>FY 2018</u> <u>Actual</u>	<u>FY 2019</u> <u>Gov. Rec.</u>	<u>FY 2020</u> <u>Gov. Rec.</u>
Beginning Balance	\$ 108.5	\$ 761.7	\$ 678.0
Revenues			
Taxes	7,030.8	7,235.8	7,429.7
Interest	22.8	50.0	57.0
Agency Earnings	50.2	55.1	52.6
Transfers:			
School Capital Improvement Aid	(189.8)	(203.2)	(215.0)
Highway Fund	288.5	293.3	238.3
PMIB Bridge Funding	118.8	(317.2)	--
All Other Transfers	<u>(19.1)</u>	<u>(71.8)</u>	<u>11.5</u>
Total Revenues	\$ 7,302.3	\$ 7,042.1	\$ 7,574.2
Total Available	\$ 7,410.8	\$ 7,803.8	\$ 8,252.1
Expenditures			
Aid to K-12 Schools/KPERS School	3,377.8	3,505.9	4,023.9
Higher Education	761.8	794.7	805.9
Health/Human Service Caseloads	1,088.3	1,299.7	1,277.0
Judiciary	103.0	107.2	129.2
General Government	224.1	242.5	230.5
Public Safety	391.1	421.4	422.5
Agriculture & Natural Resources	15.0	16.2	15.8
KPERS Reamortization	--	--	(145.3)
State Employee Pay Plan	--	--	22.3
All Other Expenditures	<u>687.9</u>	<u>738.3</u>	<u>661.4</u>
Total Expenditures	\$ 6,649.1	\$ 7,125.9	\$ 7,566.1
Ending Balance	\$ 761.7	\$ 678.0	\$ 686.0
<i>As Percentage of Expenditures</i>	<i>11.5%</i>	<i>9.5%</i>	<i>9.1%</i>

Totals may not add because of rounding.

Revenues for FY 2019 & FY 2020 Governor's Recommendations reflect the November 2018 Consensus Revenue Estimate as adjusted by the Governor.

K-12 Education Funding Proposal

The Governor's recommendation for K-12 Education will end the decades long cycle of school finance litigation with the following State Foundation BASE proposal:

Governor's School Finance Proposal State Foundation Aid BASE			
<u>Fiscal Year</u>	<u>Current Law</u>	<u>Governor's Recomm.</u>	<u>Difference</u>
FY 2019	\$ 4,165	\$ 4,165	\$ --
FY 2020	\$ 4,302	\$ 4,436	\$ 134
FY 2021	\$ 4,439	\$ 4,569	\$ 130
FY 2022	\$ 4,576	\$ 4,706	\$ 130
FY 2023	\$ 4,713	\$ 4,846	\$ 133
FY 2024	prior year + CPI	prior year + CPI	--

K-12 Education Funding Proposal

- Adds \$521.0 million from FY 2020 through FY 2023 for State Foundation Aid;
- Ends all State Highway Fund transfers to the Department of Education beginning in FY 2020 (\$45.0 million each year);
- Fully funds Local Option Budget (LOB) State Aid each year from FY 2019 through FY 2023;
- The Governor respectfully asks the Legislature to enact this plan by February 28th in order to satisfy the Kansas Supreme Court ruling;

K-12 Education Funding Proposal

- Continues funding for the Mental Health Intervention Team (\$8.0 million) and the Juvenile Transitional Crisis Center (\$300,000) in FY 2020;
- Fully Funds ACT and/or WorkKeys tests (\$2.8 million) in FY 2020;
- Includes \$950,000 for the Education Super Highway, which will enable \$9.5 million in matching federal funds for rural internet broadband initiatives.

K-12 Education Funding Proposal

Governor's Recommendation School Finance Plan State Expenditures Perspective <i>(Dollars in Thousands)</i>											
	FY 2018 Actuals	FY 2019 Gov. Rec.	Prior Year Difference	FY 2020 Gov. Rec.	Prior Year Difference	FY 2021 Gov. Rec.	Prior Year Difference	FY 2022 Est.	Prior Year Difference	FY 2023 Est.	Prior Year Difference
BASE	\$ 4,006	\$ 4,165	\$ 159	\$ 4,436	\$ 271	\$ 4,569	\$ 133	\$ 4,706	\$ 137	\$ 4,846	\$ 140
State Foundation Aid (SFA)											
State General Fund	\$ 2,001,554	\$ 2,109,651	\$ 108,098	\$ 2,317,775	\$ 208,123	\$ 2,395,360	\$ 77,585	\$ 2,478,217	\$ 82,857	\$ 2,563,937	\$ 85,720
20-Mill Local Prop. Tax	641,068	678,357	37,289	711,953	33,596	738,735	26,782	764,347	25,612	788,968	24,621
School Dist. Fin. Fund	55,447	56,000	553	56,000	--	56,000	--	56,000	--	56,000	--
Mineral Production Fund	7,197	9,233	2,036	11,100	1,867	10,326	(774)	10,326	--	10,326	--
State Highway Fund	96,600	45,000	(51,600)	--	(45,000)	--	--	--	--	--	--
Total--SFA	\$ 2,801,866	\$ 2,898,241	\$ 96,376	\$ 3,096,828	\$ 198,586	\$ 3,200,421	\$ 103,593	\$ 3,308,890	\$ 108,469	\$ 3,419,231	\$ 110,341
Special Education											
State General Fund	\$ 435,982	\$ 490,381	\$ 54,399	\$ 497,881	\$ 7,500	\$ 505,381	\$ 7,500	\$ 512,881	\$ 7,500	\$ 520,381	\$ 7,500
State Highway Fund	10,000	--	(10,000)	--	--	--	--	--	--	--	--
Total--Special Education	\$ 445,982	\$ 490,381	\$ 44,399	\$ 497,881	\$ 7,500	\$ 505,381	\$ 7,500	\$ 512,881	\$ 7,500	\$ 520,381	\$ 7,500
Subtotal--USD General Funds	\$ 3,247,847	\$ 3,388,622	\$ 140,775	\$ 3,594,709	\$ 206,086	\$ 3,705,802	\$ 111,093	\$ 3,821,771	\$ 115,969	\$ 3,939,612	\$ 117,841
Supp. General State Aid (LOB)											
State General Fund	\$ 454,500	\$ 494,300	\$ 39,800	\$ 503,300	\$ 9,000	\$ 519,300	\$ 16,000	\$ 532,300	\$ 13,000	\$ 545,300	\$ 13,000
Total--Governor's Plan	\$ 3,702,347	\$ 3,882,922	\$ 180,575	\$ 4,098,009	\$ 215,086	\$ 4,225,102	\$ 127,093	\$ 4,354,071	\$ 128,969	\$ 4,484,912	\$ 130,841
<i>% Chg. from Prior Yr.</i>			4.9%		5.5%		3.1%		3.1%		3.0%

Transportation Highlights

Dollars in Millions

	<u>FY 2020</u>
Eliminate SHF Transfer to Department of Education	\$45.0
Reduce SHF Transfer to State General Fund	<u>\$55.0</u>
Additional Funds Available in State Highway Fund for Projects	\$100.0

Healthcare Funding Highlights

Medicaid Expansion:

Critical healthcare to 150,000 low-income Kansans

(\$14.2 million SGF - FY 2020)

Improved speed and accuracy at clearinghouse

(\$7.1 million SGF)

CHIP

(\$12.4 million SGF - FY 2020)

PACE

(\$3.1 million SGF – FY 2020)

Child Welfare

Children in Foster Care has increased 42.0% since 2012

Foster Care costs estimates increased 14.5% FY 2019 to FY 2020

Family First Prevention Services

(\$7.4 million SGF)

Additional 55.00 FTE Child Welfare positions

(\$4.0 million SGF)

Additional coordination of support to families

(\$4.6 million SGF)

KPERS

Reamortization Provides:

- Sustainability, with no change to current or future retiree benefits;
- Manageable employer contributions;
- Elimination of layering payments resulting from prior deferred payments;
- Short-term savings of \$160.1 million from all funding sources, including \$145.3 million from the SGF in FY 2020.

State Employees

- Recommended state employee pay increase of 2.5% (excluding Legislators and the Judicial Branch);
- Additional employees needed for service delivery of vital services to children and families, public safety, and other core areas of state government.

Other Highlights—Public Safety

<i>Dollars in Millions</i>			
<u>Budget Highlight</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Funding Source</u>
Fill Vacant Positions at Correctional Facilities	--	\$3.0	SGF
Fix Inmate Health Care Contract Shortfall	\$1.4	\$2.6	SGF
Kansas Armory Upgrades	\$1.4	--	SGF
New Readiness Center	\$10.0	\$17.0	Federal

Other Highlights—Higher Education

Dollars in Millions

	<u>FY 2020</u>
Restore Remaining FY 2017 SGF Allotment	\$8.9
100.0 Percent Tuition for National Guard Members	<u>\$0.4</u>
Total	\$9.3

Closing Remarks

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Full details contained in the Governor's budget proposal are available at
the Division of the Budget's website:

<http://budget.kansas.gov>