

Summary Overview of the Kansas Budget

I. Changes from the End of the 2002 Session of the Legislature:

- A. **Actual FY 2002 State General Fund receipts** for the fiscal year that ended on June 30, 2002 were \$212 million or 4.9 percent **below** the revised FY 2002 estimate made in March 2002 (the largest amount (above or below the estimate) that the Consensus Revenue Estimating Group has missed the final estimate, when compared to actual receipts).
- B. The State General Fund ending balance on June 30, 2002 was \$12.1 million or 0.3 percent of expenditures.
- C. The State Finance Council authorized the **largest Certificate of Indebtedness** ever (internal borrowing from other state funds) of \$450 million on July 1, 2002, the first day of Fiscal Year 2003.
- D. The Governor in August, 2002 **imposed State General Fund allotments** (reductions) in the amount of \$41 million against the authorized FY 2003 executive branch budget. In general, the reductions were 2.0 percent, with K-12 education and the Regents system receiving an allotment of 0.75 percent. The K-12 reduction resulted in a base state aid per pupil reduction of \$27 (\$3,890 to \$3,863 per pupil).
- E. On November 5, 2002, the State General Fund Consensus Revenue Estimating Group **revised downward the current year estimate by \$363.5 million** or 8.0 percent. The reduction is the largest dollar amount for a current year revision since the Consensus Group began meeting in the 1970's.
- F. In late November, 2002, Governor Graves announced **another round of State General Fund allotments** (or reductions) totaling \$126.1 million. The allotments included:
 - ▶ 3.9 percent reduction (\$78.1 million) to all agencies except K-12, School for the Blind, School for the Deaf, Board of Indigents' Defense Services, Legislative Branch, and Judicial Branch.
 - ▶ Stop local demand/revenue transfers (\$48.0 million) in the current year (Local Ad Valorem Tax Reduction Fund; County-City Revenue Sharing Fund; and Special City-County Highway Fund).

II. Selected Key Budgetary Decisions for the 2003 Legislature:

- A. Governor Graves has recommended the State General Fund **not repay a loan from the Department of Transportation** of \$94.6 million in FY 2003.
- B. Governor Graves has also **recommended the transfer** of \$35.1 million in various special revenue fund balances (i.e., Kansas Endowment for Youth Fund; Senior Services Trust Fund; etc.,) to the State General Fund in the current year.
- C. Funding of \$56.5 million in **current State General Fund supplementals** - General and Supplemental State School Aid (\$28.6 million); KPERS-School (\$6.2 million); and SRS and Aging caseloads (\$21.7 million). Governor Graves latest budgetary proposal did not address funding these supplementals.
- D. To meet the current statutory 7.5 percent State General Fund **ending balance requirement** for FY 2004 approximately \$315 million will be needed.
- E. **Comprehensive Transportation Plan** - No State General Fund financing was provided in FY 2003 (although a motor fuels tax and motor vehicle registration fees increased). The FY 2004 amount is estimated to \$183.4 million.
- F. The FY 2004 budget will need to **replace approximately \$94 million of one-time money** (i.e., federal Inter-Governmental Transfer Fund) that was used to finance the FY 2003 budget.
- G. **Caseloads in SRS and Aging** will increase \$56 million in FY 2004 (most of these caseloads are entitlements).
- H. **Higher Education Reform Act** in FY 2004 will need a minimum of \$16.8 million to fund an additional year, based on the original (adjusted) estimated funding schedule.
- I. **Kansas Public Employees Retirement System (KPERS)** will increase at least \$15 million in FY 2004 (\$9.0 million for the full year costs of the death and disability - FY 2003 there was a 6 month moratorium and \$6 million for the statutorily required increase in the employer's contribution).
- J. **State employer costs for employee health insurance** will increase an estimated \$12 million in FY 2004.
- K. **The total estimated shortfall in FY 2004, based on the preceding additional funding items, total approximately \$750 million.**