



The Governor's Budget Report

Fiscal Year 2023

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FY22 Adjustments and FY23 Recommendations

- Update on Revenues
- Budget Priorities
- Tax Relief
- One-Time Investments
- Program/Funding Alignment
- Highlights of Core Program Funding
 - Education
 - Economy/Workforce
 - Mental Health Services
 - Human Services
 - Public Safety
 - Recruitment and Retention
- SGF Profile and Outlook

Consensus Revenue Estimate

Consensus Revenue Estimate						
<i>(Dollars in Thousands)</i>						
	FY 2021 Actual		FY 2022 Estimate		FY 2023 Estimate	
	Amount	% Change	Amount	% Change	Amount	% Change
Income Taxes:						
Individual	\$ 4,590,261	37.5 %	\$ 4,360,000	(5.0) %	\$ 4,610,000	5.7 %
Corporation	652,286	69.7	600,000	(8.0)	535,000	(10.8)
Financial Institutions	75,149	62.7	51,500	(31.5)	53,000	2.9
Total	\$ 5,317,696	41.1 %	\$ 5,011,500	(5.8) %	\$ 5,198,000	3.7 %
Sales & Use Taxes:						
Retail Sales	\$ 2,522,553	7.2 %	\$ 2,650,000	5.1 %	\$ 2,700,000	1.9 %
Compensating Use	602,967	25.9	760,000	26.0	820,000	7.9
Total	\$ 3,125,520	10.4 %	\$ 3,410,000	9.1 %	\$ 3,520,000	3.2 %
Other Excise Taxes:						
Cigarette	\$ 113,491	(2.5) %	\$ 107,500	(5.3) %	\$ 104,000	(3.3) %
Tobacco Products	9,919	8.0	10,200	2.8	10,500	2.9
Liquor Gallonage	24,721	12.5	24,500	(0.9)	25,000	2.0
Liquor Enforcement	81,342	8.9	84,300	3.6	85,500	1.4
Liquor Drink	10,321	(0.3)	12,900	25.0	13,300	3.1
Gas Severance	3,913	904.0	13,900	255.3	7,900	(43.2)
Oil Severance	12,928	(36.3)	29,900	131.3	24,300	(18.7)
Total	\$ 256,635	1.3 %	\$ 283,200	10.4 %	\$ 270,500	(4.5) %
Other Excise Taxes:						
Insurance Premium	\$ 181,941	5.6 %	\$ 177,500	(2.4) %	\$ 181,500	2.3 %
Motor Carrier	13,536	(4.2)	14,300	5.6	14,500	1.4
Corporate Franchise	9,859	(4.2)	8,000	(18.9)	8,200	2.5
Miscellaneous	3,422	(8.5)	4,400	28.6	4,600	4.5
Total	\$ 208,758	4.9 %	\$ 204,200	(2.2) %	\$ 208,800	2.3 %
Total Taxes	\$ 8,908,609	(5.7) %	\$ 8,908,900	0.0 %	\$ 9,197,300	3.2 %
Other Revenues:						
Interest	\$ 7,798	(86.1) %	\$ 3,000	(61.5) %	\$ 3,300	10.0 %
Net Transfers	(113,550)	54.8	(103,700)	8.7	(209,800)	(102.3)
Agency Earnings	63,089	35.8	61,800	(2.0)	57,100	(7.6)
Total Other Revenue	\$ (42,664)	71.3 %	\$ (38,900)	8.8 %	\$ (149,400)	(284.1) %
Total Receipts	\$ 8,865,945	28.5 %	\$ 8,870,000	0.0 %	\$ 9,047,900	2.0 %

Totals may not add because of rounding.

Budget Priorities

- One-time investments for long-term benefits
 - Rainy-day fund
 - Pay down debt
- Provide meaningful, sustainable tax relief without jeopardizing future budgets
 - Blend of one-time and ongoing tax relief
- Continue to undo budget maneuvers implemented due to previous revenue shortfalls
- Fund core programs to provide services for those in need and to invest in our future
 - Education
 - Economic development and investments in workforce
 - Human Services
 - Public Safety
 - Recruitment and retention

Provide nearly one billion dollars in tax relief to Kansas residents

- **Axe the Food Tax**
 - Zero the State food sales tax rate, effective July 1, 2022
 - No impact to local tax policy
 - ~\$450mil fiscal note for FY23 (one month lag)
 - Governor Kelly respectfully requests early passage of a clean, stand-alone bill, to provide small businesses time necessary to make system updates, ensuring July 1 implementation
- **One-Time Direct Tax Rebate**
 - \$250 per resident tax filer (\$500 for married/filing joint)
 - One-time direct payment
 - No impact to ongoing budget structure
 - ~\$460mil fiscal note*
- **Vehicle Modernization Surcharge**
 - Eliminate \$4 surcharge on vehicle registration renewals
 - Original intent to modernize systems
 - Extended due to budget stress during revenue shortfalls
 - ~\$12mil fiscal note

Investing in One-Time Events

Strategically invest \$2.4bil SGF of one-time funding to areas that will provide long-term benefit to the State

~Avoids starting projects that come with a funding commitment in the out years~

Item	FY22	FY23	Total
Budget Stabilization Fund Deposit	600,000,000	-	600,000,000
Resident Tax Filer Rebate	460,000,000	-	460,000,000
Payoff KPERS Layering Payment	253,866,022	-	253,866,022
2015A Series Bonds	160,460,850	-	160,460,850
2015G Series Bonds (NBAF)	171,765,300	-	171,765,300
Pull Forward Delayed K-12	199,554,843	-	199,554,843
Restore Evidence Based Programs	21,095,320	-	21,095,320
Highway Patrol Aircraft Upgrade	18,100,000	-	18,100,000
Moderate Income Housing	20,000,000	-	20,000,000
Docking Building	-	120,000,000	120,000,000
KDHE Lab	-	65,000,000	65,000,000
State Defense Building Remodel	-	20,951,443	20,951,443
Hays Armory	-	18,135,000	18,135,000
KBOR Deferred Maintenance	-	25,000,000	25,000,000
KBOR CTE one time Projects	-	15,000,000	15,000,000
KBOR IT enhancement	-	20,000,000	20,000,000
Commerce/KBOR Match Grant	-	195,000,000	195,000,000
Total	1,904,842,335	479,086,443	2,383,928,778

Major Categories of Funding

Category	Amount
Rainy Day Fund	600,000,000
Tax Relief	460,000,000
Debt Paydown	586,092,172
Debt Avoidance	224,086,443
On Time Payments	199,554,843
Economic Development	215,000,000
Other	99,195,320
Total	2,383,928,778

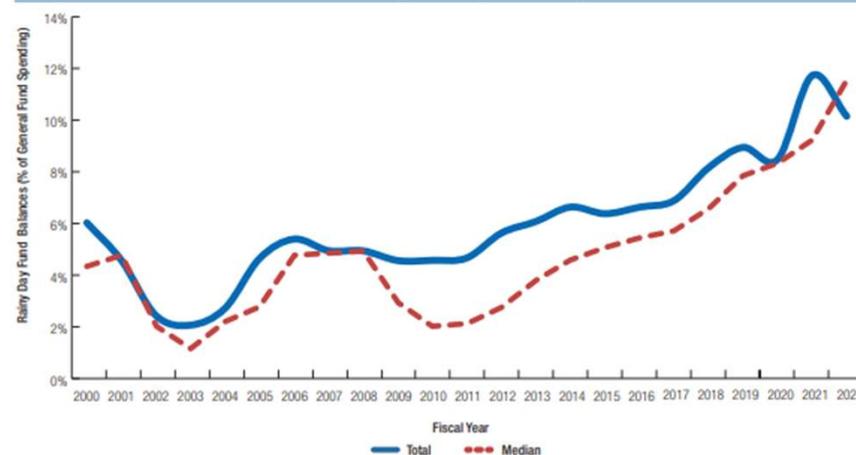
Rainy-Day Fund

Deposit \$600mil into the Budget Stabilization Fund

~Kansas is one of two states in the nation reporting a \$0 balance in its rainy-day fund~

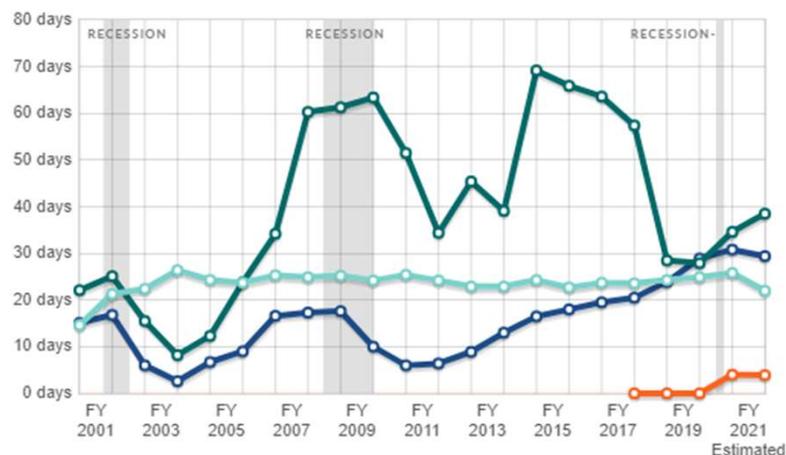
- As reported by NASBO, the FY22 national median rainy-day fund balance as a percent of expenditures was 11.9%, up from pre-pandemic levels of 7.9%
- A \$600mil deposit to our budget stabilization fund will leave us with a rainy-day balance of 6.7% of expenditures, our highest on record

FIGURE 4:
Rainy Day Fund Balances as a Percentage of Expenditures, Fiscal 2000 to Fiscal 2022



Days Each State Could Run on Only Rainy Day Funds, FY 2000-21

■ 50-state median ■ Kansas* ■ Nebraska ■ Missouri



- At the previous balance of \$81.9mil, Kansas could only operate 4 days with our rainy-day fund
- National average is ~30 days, and most of our neighboring states are above 20 days
- A \$600mil balance will provide Kansas with approximately 25 days' worth of operating cash in the rainy-day fund

Early Debt Retirement

Retire \$586.1mil in debt, saving \$252.4mil of SGF over next 16 years

~Releases \$71mil of SGF in FY23 that would have otherwise gone to debt service~

- **KPERS Layering Payments (FY17/19 Skipped Payments)**
 - Current payoff is \$253.8mil; with final payment scheduled for FY39
 - Pays off existing state debt, carried at interest rate of 7.75%
 - Eliminates \$25.8mil in SGF payments for next 14 years
 - Will save \$172.0mil of SGF vs. original payment schedule
- **NBAF Bond**
 - Current payoff is \$171.8mil, with maturity date of 2035
 - Eliminates \$17.4mil of SGF debt service in each of next 13 years
 - Will save \$54.6mil of SGF vs. original payment schedule
- **Additional Bond (John Redmond Reservoir, KU Med Health Ed Building, etc.)**
 - Current payoff is \$160.5mil, with maturity date of 2035
 - Eliminates \$27.8mil of debt service scheduled for FY23
 - Will save \$25.9mil of SGF vs. original payment schedule

<u>Debt</u>	<u>Original Debt Service</u>	<u>FY22 Payoff</u>	<u>Savings</u>
KPERS	425.8	253.8	(172.0)
2015G	226.4	171.8	(54.6)
2015A	186.4	160.5	(25.9)
Total	838.5	586.1	(252.4)

Debt Avoidance

Use budget surplus to pay cash for four capital projects, avoiding \$224mil of long-term debt

~Avoids tens of millions of dollars in potential interest costs~

- **Docking / KDHE Lab**
 - Projects approved by State Finance Council on 12/17/21
 - Current approval allows for bonds up to \$120mil and \$65mil, respectively
- **State Defense Building Remodel**
 - Estimated cost is \$20.9mil
 - Funds critical upgrades to building, providing Division of Emergency Management a facility that better meets their complex needs
- **Hays Armory**
 - Estimated cost is \$18.1mil; includes land acquisition and building cost
 - Current Hays facilities are over 60 years old, and does not support needs of the 997th Brigade Support Battalion
- Agencies will continue to seek federal funding to offset the SGF task for all projects

On Time Bill Payment

Eliminate the practice of delaying K-12 payments; use current year funds to pay for current year expenses, and reduce cash flow risk for school districts

~SGF ending balance is effectively overstated every year~

- Current practice is to make the June payment to schools in July
 - This shows as a July expense for the state, easing ending balance concerns
 - Schools are required to record as a June revenue, showing state met funding obligation
 - Practice started in 2003 during economic downturn, and was never reversed
- Will Require a “13th” payment in FY22 to catch up, but all out years continue with only 12 (on-time) payments
- Pulling forward payments into current year also alleviates cash flow concerns for state
 - Current practice overstates our ending balance, as the June school payment has not been made
 - Current year payments will now be baked into ending balance and will reduce July obligations
 - Will reduce the amount of (or mitigate need for) future certificates of indebtedness

On Time Bill Payment

Eliminate the practice of delaying K-12 payments

~Example below for illustration only – actual amounts may vary~

FY22	Current Practice			Proposed		
	Current Year	Delayed	Total Payment	Current Year	Delayed	Total Payment
Jul	394,385,167	199,554,843	593,940,010	394,385,167	199,554,843	593,940,010
Aug	394,385,167	-	394,385,167	394,385,167	-	394,385,167
May	394,385,167	-	394,385,167	394,385,167	-	394,385,167
Jun	194,830,324	-	194,830,324	394,385,167	-	394,385,167
FY22 Total	4,533,067,157	199,554,843	4,732,622,000	4,732,622,000	199,554,843	4,932,176,843

FY23	Current Practice			Proposed		
	Current Year	Delayed	Total Payment	Current Year	Delayed	Total Payment
Jul	394,385,167	199,554,843	593,940,010	394,385,167	-	394,385,167
Aug	394,385,167	-	394,385,167	394,385,167	-	394,385,167
May	394,385,167	-	394,385,167	394,385,167	-	394,385,167
Jun	194,830,324	-	194,830,324	394,385,167	-	394,385,167
FY23 Total	4,533,067,157	199,554,843	4,732,622,000	4,732,622,000	-	4,732,622,000

- Current Practice:
 - Half of June obligation paid in July (next fiscal year)
 - Makes July payment excessively large
- Proposed:
 - All payments made in current fiscal year
 - Smooths payments across months

Realigning Programs with Funding Source

Prior budget crunches necessitated funding programs through non-SGF sources

- End extraordinary transfers from the SHF to the SGF
 - Annual transfer for general operating expenditures
 - Additional transfers for debt service and agency programs
- End extraordinary transfer from EDIF to the SGF for general operating expenditures
- Eliminate vehicle modernization surcharge
 - Was extended beyond intended purpose
 - Currently funds four separate programs
- CIF to be focused on Children's Cabinet priorities, shifting funding for agency programs to SGF

Closing the Bank of KDOT

Governor proposing elimination of all extraordinary transfers out of SHF

~Extraordinary transfers from SHF to SGF have totaled over \$2.3bil since FY10~

- Transfer to SGF to be eliminated in FY23
- All other extraordinary transfers from the SHF to other programs will also be eliminated
 - Programs will now be funded directly with SGF
 - Provides incremental \$15.9mil of available funding for SHF (on top of “Bank of KDOT”)

State Highway Fund Transfers to SGF

Year	Amount	\$ vs. Prior Year
FY 2010	\$ 179,322,545	147,948,422
FY 2011	\$ 185,300,000	5,977,455
FY 2012	\$ 237,760,399	52,460,399
FY 2013	\$ --	(237,760,399)
FY 2014	\$ 15,000,000	15,000,000
FY 2015	\$ 176,779,087	161,779,087
FY 2016	\$ 277,961,561	101,182,474
FY 2017	\$ 264,918,157	(13,043,404)
FY 2018	\$ 288,297,663	23,379,506
FY 2019	\$ 243,126,335	(45,171,328)
FY 2020	\$ 231,775,744	(11,350,591)
FY 2021	\$ 133,700,000	(98,075,744)
FY 2022	\$ 66,850,000	(66,850,000)
FY 2023	\$ --	(66,850,000)

*Eliminating all extraordinary transfers
highway fund retains incremental \$82.8mil
in FY23, allowing KDOT to move forward
with critical infrastructure projects*

Other Extraordinary Transfers to Eliminate			
Transfer to:	Program	Amount	Comments
KDADS	Mental Health Grants	9,750,000	Replace with SGF
Adjutant General	Office of Emergency Communications Fund	320,000	Replace with SGF
Dept of Administration	Debt Service	15,876,278	Replace with SGF
Other	Vehicle Surcharge	(10,000,000)	Eliminate
Net Impact to SHF		<u>15,946,278</u>	

Protecting State's Water Supply

Governor proposing full statutory transfers to State Water Plan Fund

- Will be first full statutory transfer to State Water Plan Fund since FY08
 - Requires \$6mil from SGF and \$2mil from EDIF
 - Represents 39.7% increase vs. FY22 transfers
- Investing in water is critical for the state's future and our agriculture economy

Transfers to the State Water Plan Fund			
Fiscal Year	SGF	EDIF	Total
FY 2006	6,000,000	2,000,000	8,000,000
FY 2007	6,000,000	2,000,000	8,000,000
FY 2008	6,000,000	2,000,000	8,000,000
FY 2009	2,000,000	2,846,126	4,846,126
FY 2010	--	2,000,000	2,000,000
FY 2011	1,348,245	1,802,141	3,150,386
FY 2012	--	2,000,000	2,000,000
FY 2013	--	2,000,000	2,000,000
FY 2014	--	--	--
FY 2015	--	750,000	750,000
FY 2016	--	--	--
FY 2017	--	--	--
FY 2018	1,400,000	--	1,400,000
FY 2019	2,750,000	500,000	3,250,000
FY 2020	4,005,632	500,000	4,505,632
FY 2021	4,005,626	500,000	4,505,626
FY 2022	4,005,632	1,719,264	5,724,896
FY 2023 Gov Rec	6,000,000	2,000,000	8,000,000

**Division of the Budget annual Comparison Report*

Continue to fully fund K-12 Education

- FY23 represents the final year of agreed incremental adjustments to the BASE level
 - Governor recommending FY24 appropriation with adjustment for CPI-U (Midwest), as was agreed to in the Gannon settlement
- Proposing additional enhancements to increase supports for educators and students
 - \$1.8mil for professional development aid
 - \$1.5mil for CTE transportation aid
 - \$360k for national board certification aid
 - \$100k for statewide dyslexia coordinator
 - \$3.0mil to expand Mental Health Intervention Team program
- Eliminate the delayed payment that has been a part of K-12 funding since 2003
 - Eases cash flow concerns for districts, and realigns funding with expenditures
 - Not incremental funding for K-12; all payments “slide left” one month

Investing in Education

FY23 becomes the first year K-12 is at the full BASE level

~Governor recommending FY24 appropriation with adjustment for CPI-U (Midwest)~

Governor's Recommendation Major Categories of State Aid for K-12 Education in Kansas State Expenditures Perspective <i>(Dollars in Thousands)</i>							
	FY 2021 Actuals	FY 2022 Gov. Rec.	Prior Year Difference	FY 2023 Gov. Rec.	Prior Year Difference	FY 2024 Gov. Rec.	Prior Year Difference
Unweighted FTE Enrollment	472,527	469,865	(2,662)	472,900	3,035	474,500	1,600
Weighted FTE Enrollment	674,201	673,000	(1,201)	677,000	4,000	679,370	2,370
Base Aid for Student Excellence	\$ 4,569	\$ 4,706	137	\$ 4,846	\$ 140	\$ 5,006	\$ 160
State Foundation Aid (SFA)*							
State General Fund	\$ 2,261,165	\$ 2,382,479	\$ 121,314	\$ 2,457,805	\$ 75,326	\$ 2,558,882	\$ 101,077
SGF--Delayed Payment	--	161,325	161,325	--	(161,325)	--	--
20-Mill Local Property Tax	736,518	760,000	23,482	789,500	29,500	804,800	15,300
School District Finance Fund	58,402	58,000	(402)	58,000	--	58,000	--
Mineral Production Fund	8,576	4,557	(4,019)	8,639	4,082	9,440	801
State Highway Fund	--	--	--	--	--	--	--
Total--SFA	\$ 3,064,661	\$ 3,366,362	\$ 301,701	\$ 3,313,944	\$ (52,418)	\$ 3,431,122	\$ 117,178
Supp. General State Aid (LOB)							
State General Fund	\$ 513,400	\$ 534,000	\$ 20,600	\$ 550,000	\$ 16,000	\$ 568,150	\$ 18,150
SGF--Delayed Payment	--	38,229	38,229	--	(38,229)	--	--
Total--LOB	\$ 513,400	\$ 572,229	\$ 58,829	\$ 550,000	\$ (22,229)	\$ 568,150	\$ 18,150
Special Education							
State General Fund	\$ 505,416	\$ 513,031	\$ 7,615	\$ 520,381	\$ 7,350	\$ 520,381	\$ --
Capital Outlay Aid							
SGF Demand Transfer	\$ 72,776	\$ 79,000	\$ 6,224	\$ 82,000	\$ 3,000	\$ 83,600	\$ 1,600
Capital Improvement Aid							
SGF Revenue Transfer	\$ 194,603	\$ 202,000	\$ 7,397	\$ 205,000	\$ 3,000	\$ 208,000	\$ 3,000
Subtotal--School Finance	\$ 4,350,857	\$ 4,732,622	\$ 394,030	\$ 4,671,325	\$ (61,297)	\$ 4,811,252	\$ 139,928

* FY22 increase is reflective of the "13th Payment" required to re-establish current year funding for K-12, and does not represent an increase in K-12 funding

Investing in Education

Making post-secondary education more accessible to all Kansans

~Investments in post-secondary education are investments in our economy and workforce~

- Restore university funding to pre-pandemic levels
 - \$45.7mil to universities to freeze tuition for another year
 - Recent increases in university funding leading to trends of low tuition increases

**State Universities - Tuition Rates
Undergraduate Resident Students**

% Change from Previous Year	KU	KSU	WSU	ESU	PSU	FHSU
FY 2015	4.9%	5.0%	4.4%	3.0%	4.8%	2.7%
FY 2016	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
FY 2017	5.0%	5.8%	5.0%	4.9%	5.5%	6.0%
FY 2018	2.5%	2.9%	2.5%	2.7%	2.8%	2.9%
FY 2019	2.8%	1.1%	2.5%	2.5%	2.6%	2.5%
FY 2020	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FY 2021	0.0%	0.0%	2.0%	2.4%	2.5%	3.8%
FY 2022	0.0%	1.2%	0.0%	0.0%	0.0%	0.0%

- \$25.0mil to Kansas Access Partnership Grant
 - Funds will be matched dollar for dollar with private resources, doubling the investment
 - Need based grant to assist Kansas families with the cost of attending college
- Together, this \$70.7mil+ investment makes attending 4-year universities more affordable

Investing in Education

Investing in two-year colleges and technical education

~Investments in two-years and technical education diversifies our workforce~

- Proposing \$15.0mil of one-time SGF distributed across system of two-year colleges
 - Funds dedicated to student recruitment and program development for in-demand career fields
- \$6.0mil to fund state's share of tiered and non-tiered courses
 - \$2.0mil for tiered
 - \$4.0mil for non-tiered
- Incremental \$2.5mil to fully fund Excel in Career Technical Education (CTE)
 - Equip secondary students with a specialized set of technical skills, helping to meet the growing demand for skilled labor
 - Coupled with \$1.5mil for transportation aid in K-12, makes \$4mil investment in this program
 - Program has seen increased enrollment since 2016

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Headcount	10,600	11,690	13,675	13,934	12,529
Credit Hours	85,150	92,093	105,084	109,226	96,681
Credentials Earned	1,459	1,420	1,806	1,631	981
Tuition Costs	\$24,518,758	\$27,479,481	\$32,037,512	\$30,576,841	\$30,117,311

Investing in the Economy and Our Workforce

Investments to grow the Kansas economy and our workforce

- Eliminate extraordinary transfers from EDIF to SGF
 - Allows \$15mil to stay with EDIF to go to its intended statutory purpose
 - Department of Commerce has brought more than \$7.6bil of new private capital investments to Kansas since FY19
- Provide \$2.0mil enhancement for KIT/KIR
 - Enhanced supports to assist with workforce training and education programs
- \$2.2mil for additional programs aimed at assisting businesses and preparing students
 - \$1.0mil to small business R&D grants
 - \$0.7mil to work based learning
 - \$0.5mil to registered apprenticeship program
- \$20mil for moderate income housing
 - Addresses housing shortage as highlighted in statewide housing needs assessment
 - Increased affordable housing options supports demand of growing workforce

Increased Funding for Mental Health Services

Meet our residents where they are to provide mental health services

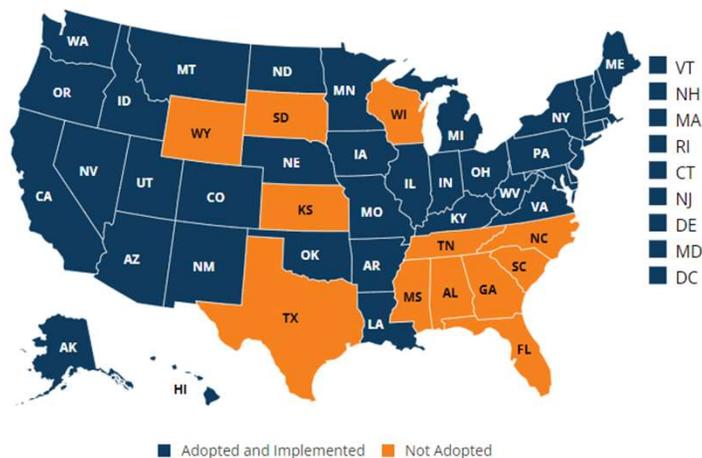
- \$29.3mil to KDADS to increase mental health services across the state
 - Continue efforts to increase capacity both at the state hospitals and through regional partnerships
 - Funding for community crisis intervention centers and suicide prevention grants
- Incremental \$3.0mil for the Mental Health Intervention Team program
 - Will allow the program to expand to additional school districts
- Continue projects at Lansing & Winfield correctional facilities
 - Substance use disorder treatment at Lansing allows for more successful reintegration into society, with reduced recidivism
 - Increase assisted living (geriatric) bed capacity and substance abuse programs at Winfield
- State Hospitals
 - \$2.4mil to OSH to support lifting moratorium, and for social detox program funding
 - \$1.3mil security enhancements at LSH
 - \$0.7mil for behavioral crisis stabilization unit at PSH

Improvements to KanCare program

- Enhance and standardize PCS rates across HCBS waivers
 - Standardize rates for services across BI/PD/FE/IDD waivers to ensure consistency
 - Enhance rate structure to allow for greater recruitment of direct care workers
 - \$9.3mil in SGF provides \$23.2mil of all funds impact
- Increase IDD private nursing rates to \$43/hour
 - Aligns this service with the rates paid on the TA waiver
- Increase lifetime cap on assistive services to \$10,000
 - Provides benefit to members on FE/BI/PD/IDD waivers
 - Current lifetime cap has not been increased in over two decades
 - Includes home modifications, vehicle modifications and durable medical equipment
- Extend Medicaid coverage for pregnant women to 12 months post-partum
 - Current policy ends coverage 2 months after birth
 - Leaves new mothers with lack of access to physical and mental health services

Expand Medicaid to full adult expansion population, beginning 01/01/2023

- Provide access to critical health care services for estimated 150,000 Kansans
- Kansas will *save* \$68.5mil of SGF in FY23 by expanding Medicaid
 - ARPA provides for 5% increase in FMAP on base population for new expansion states for eight quarters after expanding
 - Cost to operate expansion after eight quarters is approximately \$40mil of SGF, or 4 – 5 cents on the dollar; does not account for enhanced business activity and healthier population
- Kansas is one of 12 states to not yet expand Medicaid eligibility
 - Every state sharing a border with Kansas has now passed Medicaid expansion



**From KFF.org

Investments in Law Enforcement

- Governor proposing \$18.1mil of one-time SGF to upgrade the KHP Air Fleet
 - KHP is only law enforcement agency in the state with an air support unit
 - Investing in upgrades to the fleet will enhance public safety across the state, and builds partnerships with local law enforcement units



- Proposing enhanced pay structure for KHP Troopers and Officers to assist with recruitment and retention
- Restore \$1.1mil of funding to KBI from reduced resource package
- \$0.8mil to Wildlife & Parks law enforcement for body cams and record management

Investing in State Employees

Investments in recruitment and retention to enhance Public Safety

Multi-pronged approach to provide benefits beyond pay

- Fully fund the 24/7 pay proposal with SGF for FY23
 - Maintains funding for base pay increase, as well as temporary differentials
 - Funding to increase pay for community corrections officers (partnership with counties)
- Providing funding to KDOC for uniform and equipment upgrades
 - Will purchase new stab vest for every corrections officer, with plan for ongoing replacement
 - Funding to purchase new uniforms
 - \$2.5mil for vehicle replacement, with plan for regular replacement schedule
- Propose moving Corrections Officers to KP&F retirement plan
 - Have historically been under KPERS
 - Will also include Wildlife & Parks law enforcement

Investing in State Employees

Provide a 5% pay increase for all State employees

~No statewide increases given over the past two years~

- Governor proposing 5% cost of living adjustment for all state employees
 - State employees have only received 3 statewide adjustments since FY12
 - Employee contribution rates for health plan have increased six times during that same time, sometimes by as much as 30% in one year
 - Applies to executive, judicial and legislative branch*

* Does not apply to elected officials; does not apply to KHP Troopers/Officers, due to enhanced pay plan changes, or teachers at schools for blind/deaf

Review of Budget Priorities

- Continue investing in critical areas of need
 - Public safety and 24/7 facilities
 - Behavioral health and substance use disorder treatments
 - Public education (K-12 and higher education)
 - Workforce development
 - Affordable housing
- Provide targeted, meaningful, tax relief to Kansas citizens
 - Axe the food sales tax
 - One time \$250 rebate
 - Eliminate DMV surcharge
- Continue to stabilize the framework of the budget
 - \$600mil to budget stabilization fund
 - Close the bank of KDOT
 - Focus on one-time investments with long-term benefits
 - Retire existing debt early/avoid new debt
 - Realign program function with funding source

SGF Expenditures – FY22

FY 2022 State General Fund <i>(Dollars in Millions)</i>	
Beginning Balance	\$ 2,094.8
Revenue:	
November Consensus Revenue Est.	8,870.0
Governor's Revenue Adjustments	(5.0)
Governor's Transfer Adjustments**	(591.2)
Total Available	\$ 10,368.6
Expenditures:	
FY 2022 Budget-Total Expenditures	9,330.7
Key Adjustments Included in Total:	
Reappropriations	193.5
Health/Human Service Caseloads	(173.2)
Medicaid Non-Caseloads	(20.5)
K-12 Caseloads	(59.5)
BIDS Assigned Counsel Caseload	(4.6)
Residential Tax Rebate**	460.0
Pay Off State Bonding**	332.2
KPERS Layering Payment Payoff**	253.9
KPERS Employer Contribution Reduct.	(34.2)
Unemployment Insurance Rate Increase	3.1
Eliminate Deferred School Payment**	199.6
Moderate Income Housing**	20.0
Restore Evidence Based Programs Fund**	21.1
Law Enforcement Asset Replacement**	18.1
Net All Other Adjustments	(22.0)
Ending Balance	\$ 1,037.9

Totals may not add because of rounding.

***Represents one-time expenditures or adjustments*

- Focus on strategic one-time investments
 - Provide long-term benefits to the state without long-term funding obligations

FY22 One Time Expenses	
Category	Amount
Rainy Day Fund	600,000,000
Tax Relief	460,000,000
Debt Paydown	586,092,172
On Time Payments	199,554,843
Other	59,195,320
Total	<u>1,904,842,335</u>

SGF Expenditures – FY23

FY 2023 State General Fund <i>(Dollars in Millions)</i>	
Beginning Balance	\$ 1,037.9
Revenue:	
November Consensus Revenue Est.	9,047.9
Governor's Tax Policy Adjustments	(490.5)
Governor's Transfer Adjustments	(16.6)
Total Available	\$ 9,578.7
Expenditures:	
FY 2023 Budget-Total Expenditures	8,907.5
Key Adjustments Included in Total:	
K-12 Caseloads	115.5
KSDE Initiatives	6.7
Higher Education Initiatives	143.1
Competitive Grants-Economic Devel.**	205.0
Health/Human Service Caseloads	170.0
Medicaid Expansion	(68.5)
KDHE Health Initiatives	14.8
KDHE Lab**	65.2
KDOL Initiatives	2.6
Human Services Initiatives	55.1
State Hospital Initiatives	12.2
24/7 Pay Plan	56.2
DOC Initiatives	18.4
KBI Initiatives	2.0
State Defense Building Remodel**	21.0
New Hays Armory **	18.1
Adjutant General Initiatives	5.5
Docking Renovation**	120.0
BIDS Recruiting and Retention	7.9
Stop Extraordinary SHF Transfers	25.9
State Employee Pay Plan	56.8
New KPF Members	10.0
Debt Service Reduction	(71.0)
Ending Balance	\$ 671.2

Totals may not add because of rounding.

***Represents one-time expenditures or adjustments*

- Budget remains structurally balanced
 - Excluding one-time investments, revenues exceed expenditures by \$213mil
- Ending balance is strong
 - \$671.2mil SGF ending balance (7.5%) plus \$600mil in budget stabilization fund
 - Combined ending balance of 14.3%

FY23 One Time Expenses	
Category	Amount
Debt Avoidance	224,086,443
Post Secondary One Time Projects	60,000,000
Economic Development	195,000,000
Total	<u>479,086,443</u>

Governor's Proposed SGF Profile

State General Fund Outlook						
<i>(Dollars in Millions)</i>						
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Gov. Rec.</u>	<u>Gov. Rec.</u>
Beginning Balance	\$ 108.5	\$ 761.7	\$ 1,105.1	\$ 495.0	\$ 2,094.8	\$ 1,037.9
Revenues						
Taxes	7,030.8	7,471.3	7,049.1	8,908.6	8,903.9	8,706.8
Interest	22.8	48.9	56.1	7.8	3.0	3.3
Agency Earnings	50.2	58.3	58.3	64.8	61.8	57.1
Transfers						
School Capital Improvement Aid	(189.8)	(202.1)	(203.4)	(195.0)	(202.0)	(205.0)
Highway Fund	288.5	243.1	231.8	133.7	66.9	--
Budget Stabilization Fund	--	--	(81.9)	--	(518.1)	--
PMIB Bridge Funding	118.8	(52.9)	(132.2)	(66.1)	(66.1)	--
All Other Transfers	<u>(19.1)</u>	<u>(190.5)</u>	<u>(65.6)</u>	<u>13.8</u>	<u>24.4</u>	<u>(21.4)</u>
Total Revenues	\$ 7,302.3	\$ 7,376.2	\$ 6,912.3	\$ 8,867.6	\$ 8,273.8	\$ 8,540.8
Total Available	\$ 7,410.8	\$ 8,138.0	\$ 8,017.4	\$ 9,362.6	\$ 10,368.6	\$ 9,578.7
Expenditures						
Aid to K-12 Schools/KPERS School	3,377.8	3,476.4	3,960.5	3,870.5	4,053.2	4,168.7
Higher Education	761.8	794.1	843.4	825.0	905.1	1,003.1
Health/Human Service Caseloads	1,088.3	1,266.6	1,107.4	994.4	1,146.2	1,316.2
Judiciary	103.0	107.1	111.7	110.5	138.0	148.3
General Government	224.1	234.4	242.4	249.4	1,087.4	574.0
Public Safety	391.1	411.2	450.8	432.8	525.1	569.5
Agriculture & Natural Resources	15.0	15.9	17.6	17.5	15.9	80.5
State Employee Pay Plan	--	--	--	--	--	56.8
All Other Expenditures	<u>687.9</u>	<u>628.8</u>	<u>788.8</u>	<u>767.7</u>	<u>1,459.8</u>	<u>990.4</u>
Total Expenditures	\$ 6,649.1	\$ 7,032.8	\$ 7,522.5	\$ 7,267.8	\$ 9,330.7	\$ 8,907.5
Ending Balance	\$ 761.7	\$ 1,105.1	\$ 495.0	\$ 2,094.8	\$ 1,037.9	\$ 671.2
<i>As Percentage of Expenditures</i>	<i>11.5%</i>	<i>15.7%</i>	<i>6.6%</i>	<i>28.8%</i>	<i>11.1%</i>	<i>7.5%</i>
Budget Stabilization Fund Balance	--	--	81.9	81.9	600.0	600.0
One-Time Expenditures/Adjustments					1,904.8	479.1

Totals may not add because of rounding.

Revenues for FY 2022 & FY 2023 Recommendations reflect the November 2021 Consensus Revenue Estimate as adjusted by the Governor.

Expenditures for the Recommendations reflect the November 2021 Human Services Consensus Caseload Estimate.



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