



The Governor's
Budget
Report

FISCAL YEAR 2019

Budget Presentation

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January 10, 2018

Agenda

Consensus Revenue Estimates

Education Funding Proposal

Skilled Workforce and Advanced Manufacturing Funding Proposal

State Government Reform and Enhancements

Public Safety and Transportation Funding Proposal

Healthcare Funding Proposal

FY 2018 and FY 2019 SGF Proposals

Legislation Needed

Consensus Revenue Estimate

As Adjusted for Governor's Recommendations

(Dollars in Thousands)

	FY 2017 Actual		FY 2018 Gov. Rec.		FY 2019 Gov. Rec.	
	Amount	% Change	Amount	% Change	Amount	% Change
Property Tax/Fee:						
Motor Carrier	\$ 10,863	(4.5) %	\$ 11,400	4.9 %	\$ 11,500	0.9 %
Income Taxes:						
Individual	\$ 2,304,027	2.4 %	\$ 2,927,000	27.0 %	\$ 3,020,000	3.2 %
Corporation	324,956	(8.4)	325,000	0.0	330,000	1.5
Financial Institutions	41,138	10.7	41,000	(0.3)	42,000	2.4
Total	\$ 2,670,122	1.1 %	\$ 3,293,000	23.3 %	\$ 3,392,000	3.0 %
Excise Taxes:						
Retail Sales	\$ 2,285,870	0.5 %	\$ 2,330,000	1.9 %	\$ 2,375,000	1.9 %
Compensating Use	384,654	(0.1)	395,000	2.7	400,000	1.3
Cigarette	130,079	(6.1)	125,000	(3.9)	122,000	(2.4)
Tobacco Products	8,425	4.8	8,500	0.9	8,600	1.2
Cereal Malt Beverage	1,543	9.5	1,400	(9.3)	1,300	(7.1)
Liquor Gallonage	19,438	(1.4)	20,200	3.9	20,400	1.0
Liquor Enforcement	71,528	5.6	74,000	3.5	75,000	1.4
Liquor Drink	11,041	0.9	11,400	3.3	11,600	1.8
Corporate Franchise	7,631	10.9	6,800	(10.9)	6,900	1.5
Severance	42,090	87.9	37,500	(10.9)	30,000	(20.0)
Gas	14,879	149.0	11,800	(20.7)	8,200	(30.5)
Oil	27,211	65.7	25,700	(5.6)	21,800	(15.2)
Total	\$ 2,962,299	0.9 %	\$ 3,009,800	1.6 %	\$ 3,050,800	1.4 %
Other Taxes:						
Insurance Premium	\$ 172,291	1.2 %	\$ 171,000	(0.7) %	\$ 176,500	3.2 %
Miscellaneous	1,352	(3.1)	2,200	62.7	2,400	9.1
Total	\$ 173,644	1.2 %	\$ 173,200	(0.3) %	\$ 178,900	3.3 %
Total Taxes	\$ 5,816,927	1.0 %	\$ 6,487,400	11.5 %	\$ 6,633,200	2.2 %
Other Revenues:						
Interest	\$ 65,633	133.4 %	\$ 12,300	(81.3) %	\$ 6,200	(49.6) %
Net Transfers	381,794	59.5	264,400	(30.7)	94,300	(64.3)
Agency Earnings	74,706	56.7	50,900	(31.9)	48,900	(3.9)
Total Other Revenue	\$ 522,132	65.7 %	\$ 327,600	(37.3) %	\$ 149,400	(54.4) %
Total Receipts	\$ 6,339,059	4.4 %	\$ 6,815,000	7.5 %	\$ 6,782,600	(0.5) %

Totals may not add because of rounding.

FYTD Revenue Report

Revenue Source	FY 2018	FY 2018	Dollar Change	Percent Change	FY 2017	Dollar Change	Percent Change
	Cumulative Estimate	Cumulative Actual	From Estimate	From Estimate	Cumulative Actual	From Prior FY	From Prior FY
Property Tax/Fee:							
Motor Carrier	\$5,000,000	\$5,471,488	\$471,488	9.43 %	\$4,588,796	\$882,692	19.24 %
Income Taxes:							
Individual	\$1,340,000,000	\$1,427,081,105	\$87,081,105	6.50 %	\$1,133,173,000	\$293,908,105	25.94 %
Corporate	153,000,000	148,195,619	(4,804,381)	(3.14)	127,272,124	20,923,495	16.44
Financial Inst.	18,600,000	18,895,914	295,914	1.59	17,822,622	1,073,291	6.02
Total	\$1,511,600,000	\$1,594,172,638	\$82,572,638	5.46 %	\$1,278,267,747	\$315,904,891	24.71 %
Excise Taxes:							
Retail Sales	\$1,183,300,000	\$1,184,203,517	\$903,517	0.08 %	\$1,142,227,646	\$41,975,870	3.67 %
Compensating Use	198,200,000	198,780,852	580,852	0.29	184,441,576	14,339,276	7.77
Cigarette	64,800,000	63,465,475	(1,334,525)	(2.06)	66,956,211	(3,490,736)	(5.21)
Tobacco Products	4,430,000	4,435,517	5,517	0.12	4,371,396	64,122	1.47
Cereal Malt Beverage	720,000	749,983	29,983	4.16	821,493	(71,510)	(8.70)
Liquor Gallonage	10,520,000	10,648,345	128,345	1.22	9,823,620	824,725	8.40
Liquor Enforcement	36,800,000	36,071,547	(728,453)	(1.98)	35,176,200	895,347	2.55
Liquor Drink	5,620,000	5,654,036	34,036	0.61	5,416,423	237,613	4.39
Severance	18,160,000	17,926,325	(233,675)	(1.29)	20,123,770	(2,197,445)	(10.92)
Gas	5,720,000	5,738,615	18,615	0.33	5,121,681	616,934	12.05
Oil	12,440,000	12,187,710	(252,290)	(2.03)	15,002,089	(2,814,379)	(18.76)
Total	\$1,522,550,000	\$1,521,935,596	(\$614,404)	(0.04) %	\$1,469,358,334	\$52,577,262	3.58 %
Subtotal - KDOR Tax Collections	\$3,039,150,000	\$3,121,579,722	\$82,429,722	2.71 %	\$2,752,214,877	\$369,364,845	13.42 %
Other Taxes:							
Insurance Premiums	\$66,750,000	\$67,850,954	\$1,100,954	1.65 %	\$68,963,192	(\$1,112,238)	(1.61) %
Miscellaneous *	2,370,000	2,455,614	85,614	3.61	2,246,859	208,755	9.29
Total	\$69,120,000	\$70,306,568	\$1,186,568	1.72 %	\$71,210,051	(\$903,483)	(1.27) %
Total Taxes	\$3,108,270,000	\$3,191,886,290	\$83,616,290	2.69 %	\$2,823,424,928	\$368,461,362	13.05 %
<i>% of Total Received:</i>			102.69%			113.05%	
Other Revenues & Receipts:							
Interest	\$7,050,000	\$8,180,642	\$1,130,642	16.04 %	\$13,335,856	(\$5,155,214)	(38.66) %
Net Transfers & Other Receipts	130,700,000	130,445,568	(254,432)	(0.19)	3,937,884	126,507,684	3,212.58
Agency Earnings	33,240,000	31,719,962	(1,520,038)	(4.57)	38,805,692	(7,085,730)	(18.26)
Total	\$170,990,000	\$170,346,172	(\$643,828)	(0.38) %	\$56,079,432	\$114,266,740	203.76 %
Total Receipts	\$3,279,260,000	\$3,362,232,462	\$82,972,462	2.53 %	\$2,879,504,360	\$482,728,102	16.76 %
<i>% of Total Received:</i>			102.53%			116.76%	

* Miscellaneous taxes include corporate franchise taxes and fees.

National Revenue Comparison

Fiscal 2018 – through November Revenues

- With revenue reports from 37 states through November, total general fund revenues grew at a median rate of 4.3% over last year for those five months. This reflects improvement for most states over fiscal 2017 revenue growth rates. The fiscal 2017 median growth rate was just 2.6%.
- All three major tax types continue to show improved growth. Personal income tax net receipts have grown at 3.6% through November, sales tax at 2.7%, and corporate income tax at 7.5%. Personal income tax is up more than a percentage point over fiscal 2017, sales was 2.7% last year, and corporate was -4.7% last year.

General Fund Revenue Update

July - November, 2017

Cumulative Year-over-Year % Change

State	Pers Income	Sales	Corporate	Total
Kansas	19.3%	4.4%	39.3%	11.7%
Nebraska	0.9%	4.0%	68.3%	4.5%
Oklahoma	3.4%	15.1%	20.3%	9.4%
Median	3.6%	2.7%	7.1%	4.3%

Proposed Gannon v. State of Kansas Remedy

Dollars in Millions

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
State Foundation Aid Increase in 2017 SB 19		87.8				
State Foundation Aid Increase to \$4,281*		107.0				
State Foundation Aid Increase in Out Years			100.0	100.0	100.0	100.0
LOB Equity Remedy		6.0				
Total		200.8	100.0	100.0	100.0	100.0

** \$107.0 million includes \$93.2M SGF and \$13.9M CIF*

K-12 Education Funding Plan Goals

The Governor asks the Kansas Board of Education to be accountable to taxpayers, parents, teachers, community members and most importantly, students, by attaining the following goals by the 2022-2023 school year with the additional recommended funding:

1. Reach a 95.0 percent statewide graduation rate;
2. Attain a statewide post-secondary effectiveness rate of 75.0 percent; and
3. Continue to move schools statewide toward the Kansans Can model for school redesign launched by the Kansas Department of Education.

K-12 Education Funding Plan

Strategic Objectives

As a means to achieve these three goals, the Governor sets the following five strategic objectives for Kansas school districts to meet by the 2022-2023 school year:

1. Have the highest teacher pay average of our neighboring states, including having a higher teacher pay average than the State of Missouri by the 2018-2019 school year;
2. Increase the number of school counselors and school psychologists in Kansas schools by 150.00 FTE positions each year;
3. Have 50 schools participating in the Kansans Can school redesign project;
4. Offer 15.0 credit hours of dual credit coursework to every Kansas high school student, at no cost to students (including tuition, fees or books), through a partnership between Kansas high schools and the state's institutions of higher learning; and
5. Offer every Kansas high school student, at no cost to the student, the choice of taking either the ACT college entrance exam or the Work Keys assessments (for attainment of the National Career Readiness Certificate) during his or her high school career

Key Highlights of Early Childhood, Elementary and Secondary Education Proposal

Dollars in Millions

	FY 2018	FY 2019	Funding Source
High Speed Internet Improvements to Schools		3.0	SGF
Restoration of CIF Reductions		2.4	CIF
Eliminate Parents-as-Teachers Waiting List		1.0	TANF
JAG-K expansion		1.4	TANF
CAEDE Pilot		1.0	CIF
CTE Credentialing Tests		0.1	SGF

Key Highlights of Higher Education Funding

Dollars in Millions

FY 2018 **FY 2019**

Fully Fund CTE Initiative

7.3

8.3

ESU Nursing Program

0.5

Start-up Costs for KUMC School of Dentistry

3.0

Key Highlights of Skilled Workforce & Advanced Manufacturing Funding Proposal

Dollars in Millions

	FY 2018	FY 2019
National Institute for Aviation Research		5.0
National Center for Aviation Training		1.7
Registered Apprenticeships		1.0

Includes mix of funding from SGF and EDIF

Key Highlights of Public Safety & Transportation Proposal

Dollars in Millions

	FY 2018	FY 2019	Funding Source
National Guard Tuition Assistance		2.1	SGF
Internet Crimes against Children Facility	0.2	0.2	SGF
13 KBI Positions		1.3	SGF
3 Attorney General Positions		0.2	SGF
Increase in SHF from Sales Tax Estimates	11.0	15.0	SHF
Reduction of SHF Transfer to KSDE		5.0	SGF

State Government Reform

DCF Enhancements

Key Highlights of DCF Enhancements

Dollars in Millions

	FY 2018	FY 2019
Top-to-Bottom Review Vendor	0.6	0.5
20 Additional Child Welfare Staff	0.5	1.0
Emergency Foster Care Placement	0.3	0.5
Add Investigative Staff to Find Missing Children	0.1	0.2
Add Funding for Foster Care Background Checks		0.7
New KPRC Assessment Tool	1.0	
Increase Family Preservation Funding		2.1
Expand JAG-K		1.4
Expand Work for Success Fatherhood Program		2.0

Includes mix of funding from SGF, TANF and other sources

State Government Reform Employee Compensation

Key Highlights of Employee Compensation Proposal

Dollars in Millions

	FY 2018	FY 2019
Continue DOC Pay Increase from ED 17-482		4.9
Increase Correctional Officers to EDCF level		3.0
Increase Certain DOC Classifications		0.8
Increase for Staff Left Out of FY 2018 Plans		1.5
KDADS Adult Care Home Surveyors		0.5

Includes mix of funding from SGF and other sources

Key Highlights of Healthcare Proposal

Dollars in Millions

	FY 2018	FY 2019
Hospital Medicaid Rate Increase		22.1
Seed Money for GME Residencies		2.3
Nursing Home Medicaid Rate Increase		17.7
Osawatomie Revenue Shortfall	5.1	7.4
Larned State Hospital SPTP Expansion	1.3	4.2

Includes mix of funding from SGF and other sources

Other Key Highlights

Rainy Day Fund and PMIB Payback

KPERS Schools Increase

- \$18.1 million in FY 2018
- \$30.8 million in FY 2019

Department of Administration Capital Rental Funding

Judicial Branch Enhancement Request

FY 2018 Revised SGF Budget Proposal

(Dollars in Millions)

Beginning Balance	\$ 108.5
Revenue:	
November Consensus Revenue Est.	6,813.8
Governor's Transfer Adjustments	1.2
	<hr/>
Total Available	\$ 6,923.5
Expenditures:	
FY 2018 Budget-Total Expenditures	6,656.9
Key Adjustments Included in Total:	
Health/Human Service Caseloads	16.4
Medicaid Non-Caseloads	10.4
K-12 Caseloads	(14.3)
KPERs School	18.1
CTE Initiative	7.3
OSH Revenue Shortfall	5.1
OITS Modernization	3.5
Children & Families Initiatives	1.8
Net All Other Adjustments	(13.8)
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Ending Balance	\$ 266.6

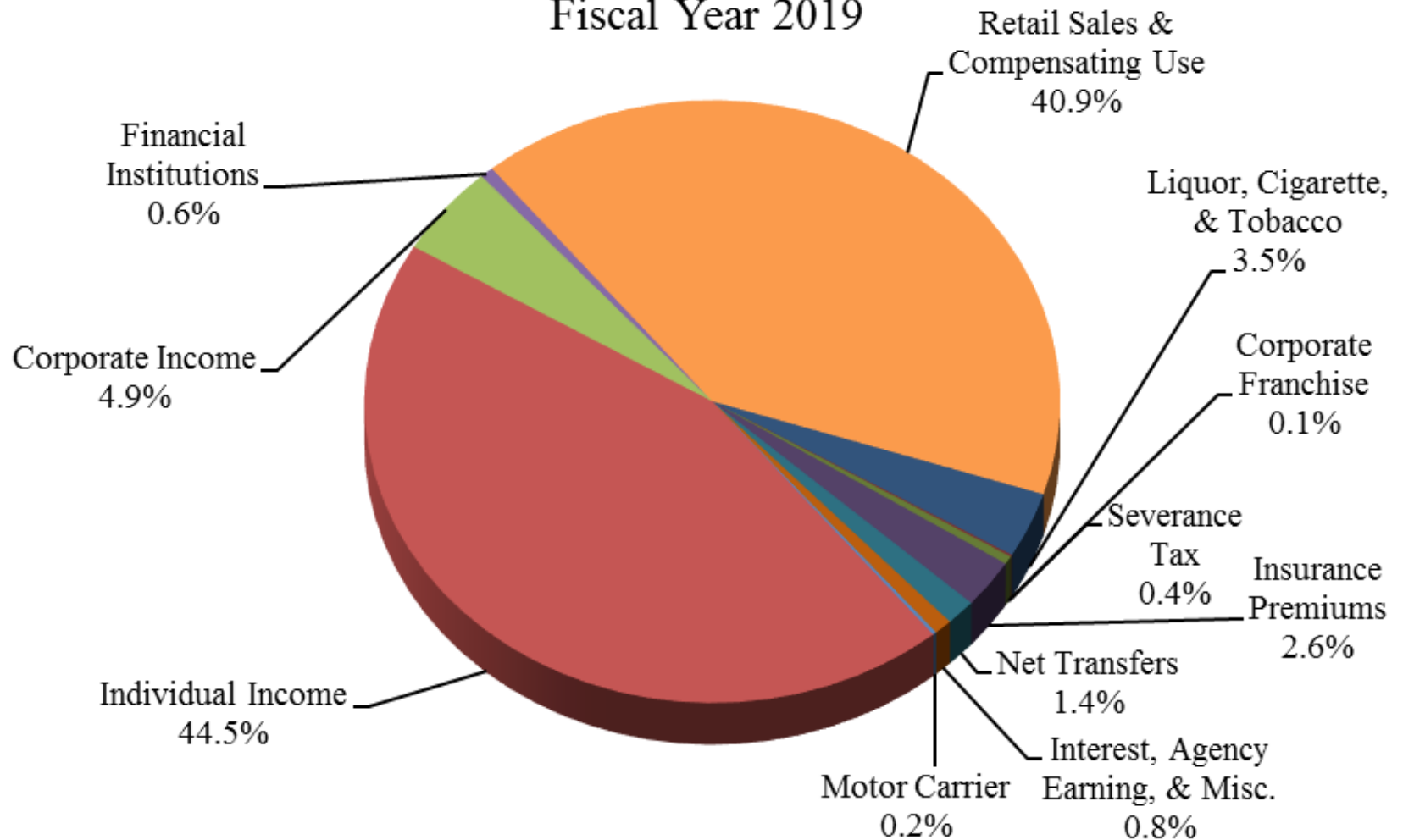
FY 2019 Revised SGF Proposal

(Dollars in Millions)

Beginning Balance	\$ 266.6
Revenue:	
November Consensus Revenue Est.	6,783.4
Governor's Transfer Adjustments	<u>(0.7)</u>
Total Available	\$ 7,049.3
Expenditures:	
FY 2019 Budget-Total Expenditures	6,898.9
Key Adjustments Included in Total:	
K-12 State Foundation Aid Increase	93.2
K-12 LOB State Aid	6.0
K-12 Caseloads	18.7
KPERs School	30.8
K-12 Initiatives	8.0
CTE Initiative	8.3
KUMC School of Dentistry	3.0
NIAR	5.0
NCAT	1.7
National Guard Tuition Assistance	2.1
AG/KBI Initiatives	1.7
Children & Families Initiatives	4.7
OITS Cybersecurity/Modernization	3.5
Employee Compensation Initiatives	11.1
Health/Human Service Caseloads	50.0
Medicaid Non-Caseloads	6.3
Hospital Medicaid Rate Increase	9.6
Nursing Facility Medicaid Rate Inc	7.7
OSH Revenue Shortfall	7.4
LSH SPTP Expansion	4.2
Net All Other Adjustments	<u>7.2</u>
Ending Balance	\$ 150.3

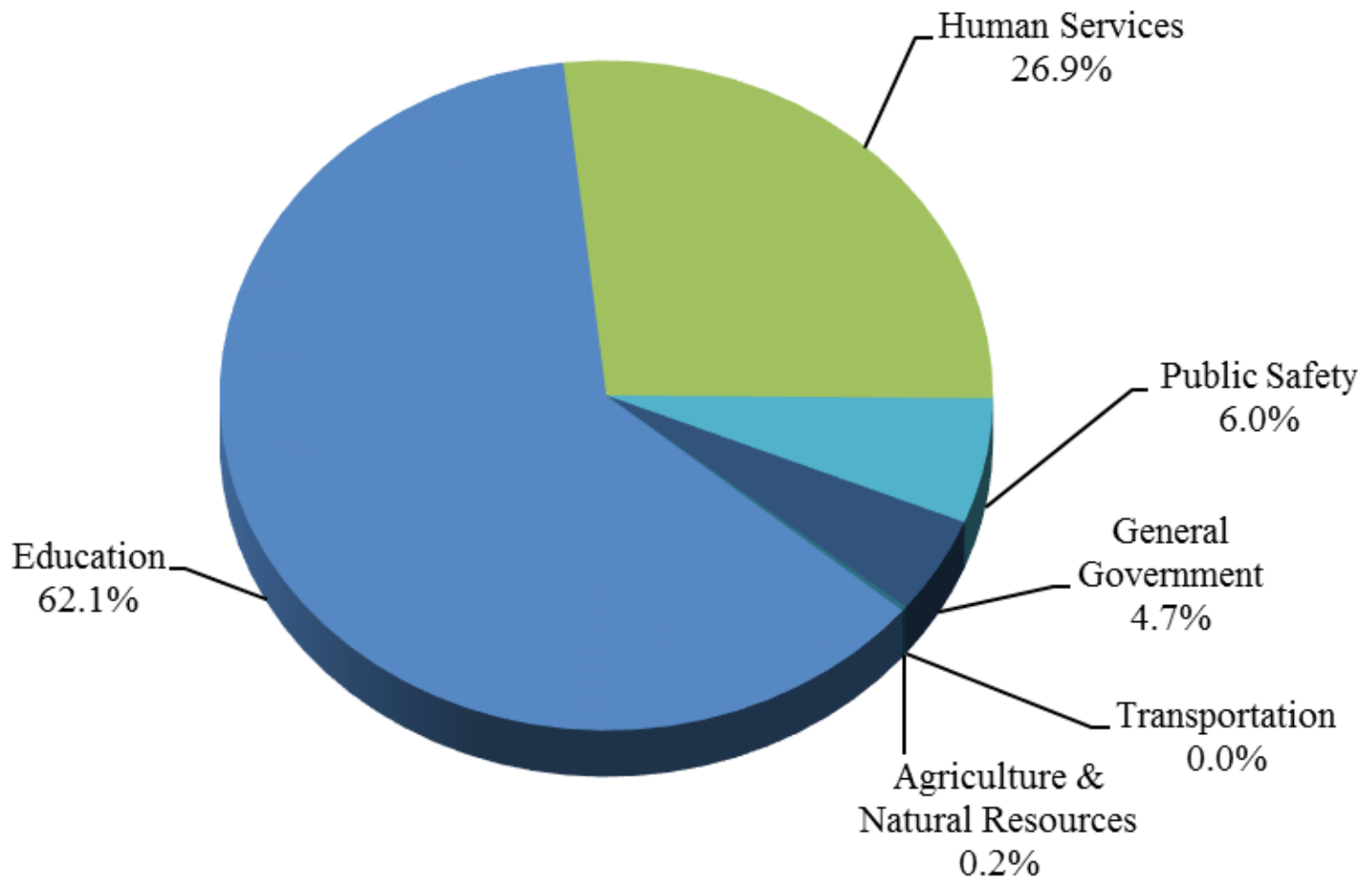
Where State Dollars Come From

State General Fund Fiscal Year 2019



Where State Dollars Go by Function

State General Fund
Fiscal Year 2019



Governor's Proposed SGF Profile

(Dollars in Millions)

	FY 2017 <u>Actual</u>	FY 2018 <u>Gov. Rec.</u>	FY 2019 <u>Gov. Rec.</u>
Beginning Balance	\$ 37.1	\$ 108.5	\$ 266.6
Revenues			
Taxes	5,816.9	6,487.4	6,633.2
Interest	65.6	12.3	6.2
Agency Earnings	74.7	50.9	48.9
Transfers:			
School Capital Improvement Aid	(179.7)	(190.0)	(200.0)
Highway Fund	266.8	288.5	293.3
PMIB Bridge Funding	198.4	118.8	(52.9)
All Other Transfers	<u>105.1</u>	<u>47.1</u>	<u>53.8</u>
Total Revenues	\$ 6,347.9	\$ 6,815.0	\$ 6,782.6
Total Available	\$ 6,385.0	\$ 6,923.5	\$ 7,049.3
Expenditures			
Aid to K-12 Schools/KPERS School	3,084.8	3,385.3	3,470.9
Higher Education	758.7	764.6	780.9
Health/Human Service Caseloads	1,079.8	1,003.7	1,143.6
Judiciary	105.0	103.1	103.5
General Government	201.9	219.5	221.4
Public Safety	387.3	413.6	416.9
Agriculture & Natural Resources	15.5	15.2	15.5
All Other Expenditures	<u>643.6</u>	<u>751.8</u>	<u>746.2</u>
Total Expenditures	\$ 6,276.5	\$ 6,656.9	\$ 6,898.9
Ending Balance	\$ 108.5	\$ 266.6	\$ 150.3
<i>As Percentage of Expenditures</i>	<i>1.7%</i>	<i>4.0%</i>	<i>2.2%</i>

Key Legislation

Budget Bills

- Revised Budget Bill for FY 2018 and FY 2019
- Budget Bill for FY 2019 K-12 Equity Proposal
- Budget Bill for FY 2019 through FY 2023 K-12 Adequacy Proposal

For additional information, visit the Kansas Division of the
Budget's website at

<http://budget.ks.gov>