



The Governor's
Budget
Report

FISCAL YEAR 2021

Budget Presentation

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Budget Presentation Agenda

FY 2020 Adjustments & FY 2021 Recommendations

- November Consensus Revenue Estimates
- Governor's Plan to Restore Fiscal Responsibility
- Department of Human Services
- Medicaid Expansion
- Education
- Public Safety
- FY 2020 Revised SGF Recommendation
- FY 2021 SGF Recommendation
- State General Fund Outlook

Consensus Revenue Estimate

(Dollars in Thousands)

	FY 2019 Actual		FY 2020 Estimate		FY 2021 Estimate	
	Amount	% Change	Amount	% Change	Amount	% Change
Property Tax/Fee:						
Motor Carrier	\$ 11,852	(4.7) %	\$ 12,400	4.6 %	\$ 12,500	0.8 %
Income Taxes:						
Individual	\$ 3,755,710	11.3 %	\$ 3,910,000	4.1 %	\$ 4,065,000	4.0 %
Corporation	437,400	11.5	465,000	6.3	475,000	2.2
Financial Institutions	48,648	6.9	43,000	(11.6)	44,000	2.3
Total	\$ 4,241,759	11.3 %	\$ 4,418,000	4.2 %	\$ 4,584,000	3.8 %
Excise Taxes:						
Retail Sales	\$ 2,335,436	(0.3) %	\$ 2,395,000	2.6 %	\$ 2,430,000	1.5 %
Compensating Use	431,967	6.3	445,000	3.0	475,000	6.7
Cigarette	116,693	(2.8)	110,000	(5.7)	107,000	(2.7)
Tobacco Products	8,968	3.4	8,900	(0.8)	9,000	1.1
Liquor Gallonage	22,080	3.5	21,500	(2.6)	22,000	2.3
Liquor Enforcement	74,267	1.1	74,500	0.3	75,500	1.3
Liquor Drink	12,208	5.7	12,500	2.4	13,000	4.0
Severance	41,696	0.7	20,500	(50.8)	22,000	7.3
Gas	9,905	(23.3)	700	(92.9)	1,700	142.9
Oil	31,791	11.6	19,800	(37.7)	20,300	2.5
Total	\$ 3,043,314	0.6 %	\$ 3,087,900	1.5 %	\$ 3,153,500	2.1 %
Other Taxes:						
Insurance Premium	\$ 163,283	(4.6) %	\$ 171,500	5.0 %	\$ 171,500	-- %
Corporate Franchise	7,352	(1.8)	7,200	(2.1)	7,200	--
Miscellaneous	3,743	38.7	4,000	6.9	4,200	5.0
Total	\$ 174,378	(3.8) %	\$ 182,700	4.8 %	\$ 182,900	0.1 %
Total Taxes	\$ 7,471,302	6.3 %	\$ 7,701,000	3.1 %	\$ 7,932,900	3.0 %
Other Revenues:						
Interest	\$ 48,943	114.8 %	\$ 50,000	2.2 %	\$ 30,000	(40.0) %
Net Transfers	(202,361)	(202.0)	(146,600)	27.6	(335,100)	(128.6)
Agency Earnings	50,549	9.8	47,700	(5.6)	47,700	--
Total Other Revenue	\$ (102,870)	(138.5) %	\$ (48,900)	52.5 %	\$ (257,400)	(426.4) %
Total Receipts	\$ 7,368,432	1.0 %	\$ 7,652,100	3.8 %	\$ 7,675,500	0.3 %

Totals may not add because of rounding.

Governor's Plan to Restore Fiscal Responsibility

- Structural Balance
- Ending Balances
- Debt Reduction
- State Highway Fund
- KPERS
- Tax Policy

Governor's Plan to Restore Fiscal Responsibility

Structurally Balanced Revenues Exceed Expenditures

FY 2020—\$19.8 million*

FY 2021—\$94.5 million

*excludes early debt payments of \$602.5 million SGF

Governor's Plan to Restore Fiscal Responsibility

SGF ending balances exceed percentage requirements

<u>Fiscal Year</u>	<u>SGF Ending Balance</u>	<u>% of SGF Expenditures</u>
FY 2021	\$627.8	8.0%
FY 2022	\$672.6	8.3%
FY 2023	\$653.2	7.9%
FY 2024	\$698.8	8.3%

Governor's Plan to Restore Fiscal Responsibility

Use excess ending balances to payoff debt early

FY 2020

\$268.4 million to pay off KPERS layering payments

Saving \$209.0 million in interest and \$25.8 million in annual payments

\$264.3 million to pay off PMIB loan

\$69.8 million to pay off IMPACT bonds

Saving \$3.6 million in interest and \$24.5 million debt service
in FY 2021 through FY 2023

Total debt retirement in FY 2020 = \$602.5 million

Governor's Plan to Restore Fiscal Responsibility

Reduce reliance on KDOT to meet SGF obligations

The FY 2021 recommended SHF transfer to SGF is \$158.7 million, which is \$73.1 million less than the FY 2020 approved transfer.

The goal is to continue the phase-out of State Highway Fund transfers

Governor's Plan to Restore Fiscal Responsibility

Reamortize KPERS over 25 years

- Reamortization **does NOT reduce** member benefits
- Reamortization **does NOT diminish** member benefits
- Reamortization **does NOT jeopardize** member benefits
- Reamortization **does NOT threaten** member benefits
- Reamortization **does NOT weaken** member benefits
- Reamortization **does NOT change** KPERS Board authority

The benefits of a 25-year reamortization outweigh the cost.

Governor's Plan to Restore Fiscal Responsibility

Reamortize KPERs over 25 years

Restructuring provides SGF budget sustainability:

KPERs State/School Employer Contribution Rates*

FY 2021	15.23% to 11.85%
FY 2022	15.09% to 11.80%
FY 2023	15.85% to 12.49%
FY 2024	16.21% to 12.81%

*Assumes paying off layering payments of \$268.4 million in FY 2020 and includes KPERs Death & Disability Program contributions of 1.0%.

Governor's Plan to Restore Fiscal Responsibility

Reamortize KPERs over 25 years

Restructuring provides SGF budget sustainability
with savings of:

FY 2021	\$130.9 million
FY 2022	\$132.4 million
FY 2023	\$157.9 million
FY 2024	\$162.9 million

Governor's Plan to Restore Fiscal Responsibility

Reamortize KPERS over 25 years

Restructuring KPERS Legacy Unfunded Actuarial Liability:

- Provides KPERS payment sustainability
- Avoids the cliff currently projected for FY 2035
- Smooths out employer contributions to ensure payments are made in full and on time in the future

Provide Fair and Fiscally Responsible Tax Relief

Food Sales Tax Relief

FY 2021 SGF Tax Reduction—\$53.2 million

Food Sales Tax Credit		
<u>Filing Status</u>	<u>Income Threshold</u>	<u>Credit Amount</u>
Single	\$ 30,000	\$ 60
Head of Household	40,000	180
Married Filing Joint	40,000	240
Married Filing Separate	30,000	60

Provide Fair and Fiscally Responsible Tax Relief

Retail Sales & Compensating Use Taxes Digital Property

Increases FY 2021 SGF Tax Revenues by \$22.4 million

Marketplace Facilitators to Start Collecting Sales Taxes

Increases FY 2021 SGF Tax Revenues by \$25.0 million

Provide Fair and Fiscally Responsible Tax Relief

Tax Policy Recommendations:

Digital Property	\$22.4 million
Market Facilitators	\$25.0 million
Food Sales Tax Relief	(\$53.2) million
LAVTRF*	(\$54.0) million

*Local Property Tax Relief; technically an SGF Transfer

Department of Human Services

FY 2021 Executive Reorganization

Department for Children and Families

Department for Aging and Disabilities Services

Department of Corrections – Juvenile Services Programs

Department of Human Services

FY 2021 Enhancements

Osawatomie State Hospital–Biddle	\$5.8 million	SIBF
Regional Hospitals–Mental Health	\$5.0 million	SGF
State Hospitals–Electronic Records	\$2.8 million	SIBF
Adoption Assistance	\$1.7 million	SGF
Child Protective Services	\$0.7 million	SGF
Family First Prevention	\$3.8 million	SGF
Comprehensive Child Welfare System	\$2.0 million	SGF

Medicaid Expansion

Providing access to critical health care services
for an estimated 150,000 Kansans

\$17.5 million SGF set aside in FY 2021
Expansion effective January 1, 2021

Increase to \$35.0 million SGF in FY 2022
Full year of expansion

K-12

Keeping our Promise to Kansas Schools

Approved School Finance Base Aid for Student Excellence

<u>Fiscal Year</u>	<u>Current Law</u>
FY 2020	\$4,436
FY 2021	\$4,569
FY 2022	\$4,706
FY 2023	\$4,846
FY 2024	<i>Prior Year + CPI</i>

K-12

Keeping our Promise to Kansas Schools

Special Education Services Aid

FY 2020—\$497.9 million

FY 2021—\$505.4 million

Mental Health Intervention Team

FY 2020—\$9.0 million

FY 2021—\$13.0 million

Higher Education Highlights

	<u>FY 2020</u>	<u>FY 2021</u>
Higher Ed Need Based Aid	–	\$5.0 million
Higher Ed Block Grant	–	\$14.8 million
Career & Technical Education	\$4.5 million	\$8.5 million

Public Safety

	<u>FY 2020</u>	<u>FY 2021</u>	<u>Funding Source</u>
Department of Corrections			
Replacement Vehicles	–	\$1.3 million	SRF
Winfield Correctional Facility	\$4.5 million	\$5.3 million	SGF
Lansing Correctional Facility	\$1.6 million	\$1.9 million	SGF
Highway Patrol			
Aircraft	–	\$14.5 million	SHF
Adjutant General			
Repairs to Armories	\$0.3 million	\$1.5 million	SGF
Joint Force HQ	\$1.5 million	–	Federal
Fusion Center (2.00 FTE)	–	\$0.2 million	SGF

FY 2020 Revised SGF Proposal

FY 2020 State General Fund	
<i>(Dollars in Millions)</i>	
Beginning Balance	\$ 1,105.1
Revenue:	
November Consensus Revenue Est.	7,652.1
Governor's Transfer Adjustments	(399.6)
Total Available	\$ 8,357.6
Expenditures:	
FY 2020 Budget-Total Expenditures	7,824.3
Key Adjustments Included in Total:	
Health/Human Service Caseloads	(15.3)
Medicaid Non-Caseloads	(10.7)
K-12 Caseloads	(32.9)
Evidence Based Juvenile Programs	(42.3)
Lapse State Finance Council Approps	(9.8)
Adjutant General Disaster Relief	(3.5)
Pay Off Impact Bonds	58.9
OITS Data Center & Equipment	14.9
State Parks Flood Repairs	2.0
Adoption Support Payments	1.3
Excel in Career Technical Education	4.5
Net All Other Adjustments	9.6
Ending Balance	\$ 533.3

Totals may not add because of rounding.

FY 2021 SGF Proposal

FY 2021 State General Fund	
<i>(Dollars in Millions)</i>	
Beginning Balance	\$ 533.3
Revenue:	
November Consensus Revenue Est.	7,675.5
Governor's Tax Policy Adjustments	18.7
Governor's Transfer Adjustments	258.8
Total Available	\$ 8,486.4
Expenditures:	
FY 2021 Budget-Total Expenditures	7,858.5
Key Enhancements Included in Total:	
K-12 Caseloads	117.5
Higher Education Need Based Aid	5.0
Higher Education Enhancement	14.8
Excel in Career Technical Education	8.5
Medicaid Expansion	17.5
Health/Human Service Caseloads	63.5
Medicaid Non-Caseloads	(5.0)
Children & Families Initiatives	9.0
State Hospital Initiatives	8.8
KDHE Initiatives	2.0
DOC Facility Shrinkage	5.0
DOC LCF & WCF Expansions	2.7
OITS Data Center & IT Equipment	9.9
Adjutant General Initiatives	1.7
Capitol Complex R&R	1.3
Ks. Museum of History Renovation	0.7
State Employee Pay Plan	11.3
KPERS School Layering Payment	(25.8)
KPERS Reamortization	(131.0)
Ending Balance	\$ 627.8

Totals may not add because of rounding.

Governor's Proposed SGF Profile

State General Fund Outlook

(Dollars in Millions)

	FY 2016 <u>Actual</u>	FY 2017 <u>Actual</u>	FY 2018 <u>Actual</u>	FY 2019 <u>Actual</u>	FY 2020 <u>Gov. Rec.</u>	FY 2021 <u>Gov. Rec.</u>
Beginning Balance	\$ 71.5	\$ 37.1	\$ 108.5	\$ 761.7	\$ 1,105.1	\$ 533.3
Revenues						
Taxes	5,758.3	5,816.9	7,030.8	7,471.3	7,701.0	7,951.6
Interest	28.1	65.6	22.8	48.9	50.0	30.0
Agency Earnings	47.7	74.7	50.2	58.3	47.7	47.7
Transfers						
School Capital Improvement Aid	(163.3)	(179.7)	(189.8)	(202.1)	(208.0)	(213.0)
Highway Fund	277.5	266.8	288.5	243.1	231.8	158.7
PMIB Bridge Funding	--	198.4	118.8	(52.9)	(264.3)	--
Pay Off KPERs Layering	--	--	--	--	(268.4)	--
All Other Transfers	<u>132.4</u>	<u>105.1</u>	<u>(19.1)</u>	<u>(190.5)</u>	<u>(37.2)</u>	<u>(22.0)</u>
Total Revenues	\$ 6,080.7	\$ 6,347.9	\$ 7,302.3	\$ 7,376.2	\$ 7,252.5	\$ 7,953.0
Total Available	\$ 6,152.2	\$ 6,385.0	\$ 7,410.8	\$ 8,138.0	\$ 8,357.6	\$ 8,486.4
Expenditures						
Aid to K-12 Schools/KPERs School	2,996.5	3,084.8	3,377.8	3,476.4	3,967.1	4,054.9
Higher Education	760.1	758.7	761.8	794.1	848.1	867.3
Health/Human Service Caseloads	1,090.9	1,079.8	1,088.3	1,267.1	1,283.3	1,357.8
Judiciary	101.9	105.0	103.0	107.1	111.7	130.3
General Government	154.1	201.9	224.1	234.4	314.8	248.0
Public Safety	383.8	387.3	391.1	411.2	458.3	439.0
Agriculture & Natural Resources	15.2	15.5	15.0	15.9	18.8	16.5
KPERs Reamortization	--	--	--	--	--	(131.0)
State Employee Pay Plan	--	--	--	--	--	11.3
All Other Expenditures	<u>612.7</u>	<u>643.6</u>	<u>687.9</u>	<u>628.8</u>	<u>822.1</u>	<u>864.4</u>
Total Expenditures	\$ 6,115.1	\$ 6,276.5	\$ 6,649.1	\$ 7,032.8	\$ 7,824.3	\$ 7,858.5
Ending Balance	\$ 37.1	\$ 108.5	\$ 761.7	\$ 1,105.1	\$ 533.3	\$ 627.8
As Percentage of Expenditures	0.6%	1.7%	11.5%	15.7%	6.8%	8.0%

Totals may not add because of rounding.

Revenues for FY 2020 & FY 2021 Governor's Recommendations reflect the November 2019 Consensus Revenue Estimate as adjusted by the Governor. 25

FY 2021 Budget Summary

- **Structurally balanced budget**
- **Estimated 8.0% ending balance or \$627.8 million**
- **Medicaid Expansion**
- **Continued commitment to K-12 funding**
- **Reducing reliance on SHF to SGF by transferring \$73.1 million less in FY 2021 than in FY 2020**
- **State employee pay plan of 2.5%**
- **\$602.5 million in early debt retirement**
- **Tax Relief including the LAVTRF transfer of \$54 million**

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

<http://budget.kansas.gov/>

Q&A