The Governor’s
Budget Report
FISCAL YEAR 2020

Budget Presentation
Larry L. Campbell
Director of the Budget
State of Kansas

January 17, 2019
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)*

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

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:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Current Law</th>
<th>Governor's Recomm.</th>
<th>Difference</th>
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</thead>
<tbody>
<tr>
<td>FY 2019</td>
<td>$4,165</td>
<td>$4,165</td>
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<tr>
<td>FY 2020</td>
<td>$4,302</td>
<td>$4,436</td>
<td>$134</td>
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<tr>
<td>FY 2021</td>
<td>$4,439</td>
<td>$4,569</td>
<td>$130</td>
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<td>FY 2022</td>
<td>$4,576</td>
<td>$4,706</td>
<td>$130</td>
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<tr>
<td>FY 2023</td>
<td>$4,713</td>
<td>$4,846</td>
<td>$133</td>
</tr>
<tr>
<td>FY 2024</td>
<td>prior year + CPI</td>
<td>prior year + CPI</td>
<td>--</td>
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</tbody>
</table>
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

(Dollars in Thousands)

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BASE</strong></td>
<td></td>
<td></td>
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<tr>
<td>Actuals</td>
<td>$4,006</td>
<td>$4,165</td>
<td>$4,436</td>
<td>$4,569</td>
<td>$4,706</td>
<td>$4,846</td>
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<tr>
<td>Gov. Rec.</td>
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<tr>
<td>Difference</td>
<td>$468</td>
<td>$349</td>
<td>$170</td>
<td>$153</td>
<td>$137</td>
<td>$124</td>
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<tr>
<td>Gov. Rec.</td>
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</tr>
<tr>
<td>Difference</td>
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<td>FY 2018</td>
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<td>FY 2019</td>
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<td>FY 2020</td>
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<td>Prior Year</td>
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<td>FY 2021</td>
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<tr>
<td>Prior Year</td>
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<td>FY 2022</td>
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<tr>
<td>Prior Year</td>
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<tr>
<td>FY 2023</td>
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<tr>
<td>Prior Year</td>
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</tbody>
</table>

#### State Foundation Aid (SFA)

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Fund</td>
<td>$2,001,554</td>
<td>$2,109,651</td>
<td>$2,317,775</td>
<td>$2,395,360</td>
<td>$2,478,217</td>
<td>$2,563,937</td>
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<tr>
<td>20-Mill Local Prop. Tax</td>
<td>641,068</td>
<td>678,357</td>
<td>711,953</td>
<td>738,735</td>
<td>764,347</td>
<td>788,968</td>
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<tr>
<td>School Dist. Fin. Fund</td>
<td>55,447</td>
<td>56,000</td>
<td>56,000</td>
<td>56,000</td>
<td>56,000</td>
<td>56,000</td>
</tr>
<tr>
<td>Mineral Production Fund</td>
<td>7,197</td>
<td>9,233</td>
<td>11,100</td>
<td>10,326</td>
<td>10,326</td>
<td>10,326</td>
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<tr>
<td>State Highway Fund</td>
<td>96,600</td>
<td>45,000</td>
<td>--</td>
<td>10,326</td>
<td>--</td>
<td>--</td>
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<tr>
<td>Total--SFA</td>
<td>$2,801,866</td>
<td>$2,898,241</td>
<td>$3,096,828</td>
<td>$3,200,421</td>
<td>$3,308,890</td>
<td>$3,419,231</td>
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</table>

#### Special Education

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Fund</td>
<td>$435,982</td>
<td>$490,381</td>
<td>$497,881</td>
<td>$505,381</td>
<td>$512,881</td>
<td>$520,381</td>
</tr>
<tr>
<td>State Highway Fund</td>
<td>10,000</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Total--Special Education</td>
<td>$445,982</td>
<td>$490,381</td>
<td>$497,881</td>
<td>$505,381</td>
<td>$512,881</td>
<td>$520,381</td>
</tr>
</tbody>
</table>

#### Subtotal--USD General Funds

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BASE</strong></td>
<td>$3,247,847</td>
<td>$3,388,622</td>
<td>$3,594,709</td>
<td>$3,705,802</td>
<td>$3,821,771</td>
<td>$3,939,612</td>
</tr>
<tr>
<td><strong>SFA</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Special Education</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$3,247,847</td>
<td>$3,388,622</td>
<td>$3,594,709</td>
<td>$3,705,802</td>
<td>$3,821,771</td>
<td>$3,939,612</td>
</tr>
</tbody>
</table>

#### Supp. General State Aid (LOB)

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Fund</td>
<td>$454,500</td>
<td>$494,300</td>
<td>$503,300</td>
<td>$519,300</td>
<td>$532,300</td>
<td>$545,300</td>
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<tr>
<td>Total--Governor's Plan</td>
<td>$3,702,347</td>
<td>$3,882,922</td>
<td>$4,098,009</td>
<td>$4,225,102</td>
<td>$4,354,071</td>
<td>$4,484,912</td>
</tr>
</tbody>
</table>

| % Chg. from Prior Yr. | 4.9% | 5.5% | 3.1% | 3.1% | 3.0% |
**Transportation Highlights**

*Dollars in Millions*

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eliminate SHF Transfer to Department of Education</td>
<td>$45.0</td>
</tr>
<tr>
<td>Reduce SHF Transfer to State General Fund</td>
<td>$55.0</td>
</tr>
<tr>
<td>Additional Funds Available in State Highway Fund for Projects</td>
<td>$100.0</td>
</tr>
</tbody>
</table>
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)
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

<table>
<thead>
<tr>
<th>Budget Highlight</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>Funding Source</th>
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<tbody>
<tr>
<td>Fill Vacant Positions at Correctional Facilities</td>
<td>--</td>
<td>$3.0</td>
<td>SGF</td>
</tr>
<tr>
<td>Fix Inmate Health Care Contract Shortfall</td>
<td>$1.4</td>
<td>$2.6</td>
<td>SGF</td>
</tr>
<tr>
<td>Kansas Armory Upgrades</td>
<td>$1.4</td>
<td>--</td>
<td>SGF</td>
</tr>
<tr>
<td>New Readiness Center</td>
<td>$10.0</td>
<td>$17.0</td>
<td>Federal</td>
</tr>
</tbody>
</table>

* Dollars in Millions *
## Other Highlights—Higher Education

*Dollars in Millions*

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restore Remaining FY 2017 SGF Allotment</td>
<td>$8.9</td>
</tr>
<tr>
<td>100.0 Percent Tuition for National Guard Members</td>
<td>$0.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$9.3</strong></td>
</tr>
</tbody>
</table>
Closing Remarks

Larry L. Campbell
Director of the Budget
State of Kansas

Larry.Campbell@ks.gov

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

http://budget.kansas.gov