

April 23, 2003

The Honorable Melvin Neufeld, Chairperson
House Committee on Appropriations
Room 517-S, Statehouse

and

The Honorable Steve Morris, Chairperson
Senate Committee on Ways and Means
Room 120-S, Statehouse

Dear Representative Neufeld:

The first four amendments affect revenues and the remaining items involve expenditures. I amend my budget to increase State General Fund expenditures by \$712,152 for FY 2003 and by \$3,144,766 for FY 2004. These adjustments will result in a decrease of \$3,856,918 in the balance of the State General Fund by the end of FY 2004. My amended budget will cause an increase of a .5 position in state government in FY 2003 and a total increase of 3.5 positions for FY 2004.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund Revenues	\$ 1,000,000	\$ 685,607
All Funds Revenues	\$ 1,000,000	\$ 1,216,107
State General Fund Expenditures	\$ 712,152	\$ 3,144,766
All Funds Expenditures	\$ (4,529,766)	\$ 27,871,168
FTE Positions	--	3.0
Non-FTE Unclassified Permanent	.5	.5
Total Positions	.5	3.5

Kansas Lottery

1. Transfer to the State General Fund

I amend my budget to reflect the transfer of an additional \$1.0 million from the Lottery to the State Gaming Revenues Fund, which will subsequently be transferred to the State General Fund. SB 6 reflects additional lottery receipts of \$2.5 million in FY 2003 and \$2.7 million in FY 2004. This amendment adds another \$1.0 million in FY 2003 that the Lottery now expects to be available for transfer, making a total of \$3.5 million.

Governmental Ethics

2. Inaugural Expense Fund

KSA 25-4186, Section i(2) states that any remaining balance in the Inaugural Expense Fund must be transferred to the Governmental Ethics Fee Fund. This transfer cannot be made until all expenses are paid and the July 10th termination report is filed. I amend my FY 2004 budget to nullify this section in existing law, so that the entire remaining balance of my Inaugural Expense Fund can be transferred directly to the State General Fund, rather than the Governmental Ethics Fee Fund. The balance is expected to be approximately \$90,000. However, the exact amount will not be determined until my July 10th report has been filed.

University of Kansas

3. Transfer from Construction Defects Recovery Fund

I amend my FY 2004 budget to transfer \$530,500 from the State Construction Defects Recovery Fund of the Department of Administration to the Restricted Fees Fund of the University of Kansas. The \$530,500 was deposited in the recovery fund on behalf of the University from two construction defect settlements. The proposed transfer language for the Omnibus Bill is as follows:

Sec. On July 1, 2004, or as soon thereafter as moneys are available, the director of accounts and reports shall make one or more transfers from the construction defects recovery fund of the department of administration to the restricted fees fund of the university of Kansas: *Provided*, That any such transfer from the construction defects recovery fund of the department of administration shall be only from amounts available in such fund which are in excess of an amount certified by the director of the division of the budget as being in excess of 150% of the amounts required to meet known and reasonably anticipated expenditures from the construction defects recovery fund of the department of administration: *Provided further*, That such transfer or transfers from the construction defects recovery fund of the department of administration to the restricted fees fund of the university of Kansas during the fiscal year ending June 30, 2004, shall not exceed an aggregate of \$530,500.

Highway Patrol

4. Transfer to the State General Fund

I amend my budget to transfer \$500,000 from the Highway Patrol Motor Vehicle Fund to the State General Fund on January 1, 2004. After reviewing this fund, it is projected that there would be a balance of \$542,789 in the Highway Patrol Vehicle Fund at the end of FY 2004. This transfer in January will allow the Highway Patrol to purchase the vehicles it needs for timely replacement and generate revenue for the State General Fund.

Department of Administration

5. Public Broadcasting Grants

The approved budget for FY 2004 totals \$2,339,353 from the State General Fund, \$1,860,071 for operating and equipment grants distributed in accordance with a statutory formula and \$479,282 to pay the debt service on the bonds that were issued to upgrade equipment for digital technology. In November 2002, KKSU, the Manhattan public radio station, terminated operations. The amount that represents the proportion of total grant funds that were earmarked for this station but are no longer needed is \$47,055. Therefore, I amend my FY 2004 budget to capture these savings.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ (47,055)
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ --	\$ (47,055)

Department of Revenue

6. Electronic Databases Fee Fund

The expenditures reported from the Electronic Databases Fee Fund in the Department of Revenue need to be increased by \$324,327 in FY 2003, from \$6,592,103 to \$6,916,430. The increase should have been included in *The FY 2004 Governor's Budget Report* when it was originally published. Expenditures in this fund are increased to offset a corresponding reduction in funding from the State General Fund.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ 324,327	\$ --
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ 324,327	\$ --

Board of Indigents' Defense Services

7. Assigned Counsel

I amend my budget to add \$500,000 from the State General Fund for FY 2003. The recommendation will allow the Board to continue making payments in the Assigned Counsel Program. Furthermore, this will prevent the unnecessary costs associated with travel that would be required if public defenders had to be assigned from offices farther away, instead of using members of the assigned counsel pool who are located in the vicinity of the affected cases.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ 500,000	--
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ 500,000	--

Board of Barbering

8. Special Project Position

I amend my budget to increase the expenditure authority from the Board of Barbering Fee Fund by \$14,990 in FY 2003 and \$15,072 in FY 2004 for a 0.5 non-FTE special project position that functions as the secretary for the Board. The expenditure authority would have been included in my original recommendations if the balances in the fee fund had been sufficient to cover the additional expenditures. Since the 2003 Legislature has passed a bill that increases the maximum fee schedule for the Board, expenditures at the previously desired level will now be possible.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ --
All Other Funds	<u> 14,990</u>	<u> 15,072</u>
All Funds	\$ 14,990	\$ 15,072

KPERs

9. A 13th Check for Certain KPERs Members

Under current law, KPERs members who retired prior to July 2, 1987, are eligible to receive an annual dividend payment. This payment is set by a statutory formula, which is based on dividends, interest, and realized gains and losses of the retirement system. Because of market performance, the formula may not provide a full payment to approximately 15,000 eligible KPERs members. I amend my budget to provide that the dividend payment would not be dependent on investment performance and the full dividend would be paid during FY 2004.

Board of Healing Arts

10. Upgrade Computer System

I amend my budget to include additional expenditure authority from the Healing Arts Fee Fund of \$300,000 in FY 2004 and \$250,000 in FY 2005 to allow the agency to upgrade its computer system. The new computer system will be used to support the increase in the agency's workload.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>300,000</u>
All Funds	\$ --	\$ 300,000

Secretary of State

11. Help America Vote Act Matching Funds

I amend my FY 2004 budget to add \$225,000 from the State General Fund to provide matching funds for a \$7.7 million federal grant to implement the provisions of the federal Help America Vote Act (HAVA). This amount is 3.0 percent of the total grant. Another 2.0 percent, \$150,000, will be provided by Kansas counties. Total expenditures in the first phase of HAVA implementation will be \$7,875,000. The plan includes the purchase of new voting machines and the development and maintenance of the statewide voter registration system.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ 225,000
All Other Funds	<u>--</u>	<u>7,650,000</u>
All Funds	\$ --	\$ 7,875,000

Kansas, Inc.

12. Independent Agency

In my original recommendations I proposed that Kansas, Inc. be merged into the Department of Commerce and Housing. I amend my FY 2004 budget to keep Kansas, Inc. as an independent state agency and recommend \$431,546, including \$179,791 from the Economic Development Initiatives Fund and \$251,755 from Kansas, Inc.'s Matching Fund. I also recommend reducing the Department of Commerce and Housing's budget by \$293,813, including \$179,791 from the Economic Development Initiatives Fund, to fund part of Kansas, Inc.'s FY 2004 budget. Kansas, Inc.'s 5.0 positions will also be restored, 2.0 of which would be transferred back from Commerce. The EDIF funding from Commerce is a portion of funding

that had been allocated for Commerce's Division of Housing, but is now uncommitted as a result of the issuance of my Executive Reorganization Order No. 30, which transfers the Division of Housing from the Department of Commerce and Housing to the Kansas Development Finance Authority.

Kansas, Inc.:

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>431,546</u>
All Funds	\$ --	\$ 431,546

Department of Commerce and Housing:

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>(293,813)</u>
All Funds	\$ --	\$ (293,813)

Department of Social and Rehabilitation Services

13. Additional Title IV-B Federal Grant

The Department of Social and Rehabilitation Services' Children and Family Policy Program has received an amended Title IV-B award for an additional \$170,745 in FY 2003. I amend my budget to allow the agency to use this funding to replace State General Fund expenditures for Family Preservation contracts. The agency will then be able to restore \$170,745 in Emergency Shelter Grants that were lost in the allotment reductions last year. The net effect will be to increase expenditures from all funding sources, with no change in State General Fund expenditures.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>170,745</u>	<u>--</u>
All Funds	\$ 170,745	\$ --

14. Additional Pharmaceutical Savings

I amend my budget to reflect the following savings in pharmaceutical expenditures and increased revenues from pharmaceutical rebates:

<u>Activity</u>	<u>All Funds</u>	<u>State General Fund</u>	<u>Fee Fund</u>
Expand Preferred Drug List	\$ (7,500,000)	\$(3,000,000)	\$ --
Additional Drugs on Prior Authorization	(1,000,000)	(400,000)	--
Additional Point-of-Sale Edits	(1,000,000)	(400,000)	--
Additional Savings on Limiting Prescriptions to 31 Days	<u>(1,000,000)</u>	<u>(400,000)</u>	<u>--</u>
Sub-Total Reduced Expenditures	\$(10,500,000)	\$(4,200,000)	\$ --
Expanded Rebates	--	(200,000)	200,000
Supplementary Rebates	<u>--</u>	<u>(600,000)</u>	<u>600,000</u>
Sub-Total Additional Rebates	\$ --	\$ (800,000)	\$800,000
Total	\$(10,500,000)	\$(5,000,000)	\$800,000

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ (5,000,000)
All Other Funds	<u>--</u>	<u>(5,500,000)</u>
All Funds	\$ --	\$ (10,500,000)

15. Institutional Residents

I amend my budget to allow funding from SRS for a nursing facility to follow a resident who wishes to receive services in a community-based setting. The following language is proposed to make this authorization:

During the fiscal year ending June 30, 2004, the director of accounts and reports shall transfer the amounts specified by the director of budget from the LTC - medicaid assistance - NF account of the Kansas department on aging to the LTC - medicaid assistance - HCBS/FE account of the Kansas department on aging or to the community based services account of the Kansas department of social and rehabilitation services: *Provided, however*, That such transfers shall be certified by the director of the budget on December 1, 2003, and on June 1, 2004, to reflect the nursing facility rate paid for persons moving from a nursing facility to the home and community-based services waiver for the physically disabled or the frail elderly for the six months preceding the date of certification: *And provided further*, That the aggregate of all transfers certified during fiscal year 2004 shall not exceed the amount required to support the movement of 75 individuals from nursing facilities to home and community-based services: *And provided further*, That each of the 75 individuals must meet the requirements described in a policy jointly developed by the secretary of aging and the secretary of social and rehabilitation services governing the operations of this transfer. The director of budget shall transmit a copy of each such certification to the director of the legislative research department.

16. Medicaid Caseloads

I amend my FY 2003 and FY 2004 budget to reflect changes in caseloads and the cost of assistance programs. These adjustments are the result of consensus caseload estimates that involved the staff of the Department of Social and Rehabilitation Services, Legislative Research, the Department on Aging, and the Division of the Budget. The consensus estimates included Regular Medical Assistance, Nursing Facilities, Nursing Facilities for Mental Health, Temporary Assistance to Families, General Assistance, Foster Care, and Adoption.

For FY 2003, this amendment includes a decrease from all funding sources of \$2.2 million. However, an increase of \$2.7 million from the State General Fund is necessary. This change in the funding mix is the result of changes in the populations that are served and the funding sources that are available to each population. For FY 2004, this amendment includes an increase of \$28.5 million, including \$7.6 million from the State General Fund. These adjustments include an increase of \$27.9 million for Regular Medical Assistance, \$211,842 for General Assistance, and \$2.3 million for Foster Care. Decreases of \$1.9 million for Temporary Assistance to Families and \$50,000 for Adoption are also included. The recommended expenditures for Nursing Facilities and Nursing Facilities for Mental Health were not changed.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ 2,677,082	\$ 7,639,874
All Other Funds	<u>(4,842,443)</u>	<u>20,856,472</u>
All Funds	\$ (2,165,361)	\$ 28,496,346

Department on Aging

17. Nursing Transfer Correction

I amend my budget to adjust the funding and FTE positions associated with the transfer of nursing facility regulation from the Department of Health and Environment to the Department on Aging. This amendment will allow the Department of Health and Environment to continue Health Occupational Credentialing and the inspection of health facilities that are not related to the Nursing Facilities Program in the Department on Aging. Total FY 2004 expenditures for the Department on Aging are decreased by \$678,611, while State General Fund expenditures are increased by \$270,665. Total FY 2004 expenditures for the Department of Health and Environment are increased by \$678,611, while State General Fund expenditures are decreased by \$270,665. FTE positions are increased by 12.0 in the Department of Health and Environment and decreased by 12.0 in the Department on Aging.

Department on Aging:

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ 270,665
All Other Funds	<u>--</u>	<u>(949,276)</u>
All Funds	\$ --	\$ (678,611)

Department of Health and Environment:

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ (270,665)
All Other Funds	<u>--</u>	<u>949,276</u>
All Funds	\$ --	\$ 678,611

Department of Health and Environment

18. Expenditure of Federal Funds and 1.0 Non-FTE Unclassified Permanent Position

I amend my budget to allow the expenditure in FY 2004 of federal money from the U.S. Department of Health and Human Services Administration to provide grants for injury prevention in children. During FY 2002 and FY 2003, the funding for these grants was received by the Kansas Board of Emergency Medical Services. Because of a change at the federal level, the funding will be sent to the Department of Health and Environment, beginning in FY 2004. Therefore, my original recommendations need to be adjusted to reflect the new arrangement.

Department of Health & Environment:

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>100,000</u>
All Funds	\$ --	\$ 100,000

Emergency Medical Services Board:

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>(100,000)</u>
All Funds	\$ --	\$ (100,000)

Department of Education

19. School Finance Consensus Adjustments

I amend my budget to adjust state funding for school finance in FY 2004. Current estimates for the amount of supplemental and general state aid to school districts are based on the recently released final assessed valuation data and enrollment changes agreed to by Legislative Research Department, the Department of Education, and the Division of the Budget. My recommendation funds base budgets of \$3,863 per pupil.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ (423,000)	\$ 3,695,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ (423,000)	\$ 3,695,000

20. KPERS School

Staff from the Legislative Research Department, Department of Education, KPERS, and Division of the Budget met on April 16, 2003, to review the amounts appropriated for employer contributions to the KPERS Fund for school employees. It was determined that salaries are not increasing at the rate originally projected and that the amount budgeted in FY 2004 can be reduced by \$2,802,655 as a result. I amend my budget to reflect these savings.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ (2,802,655)
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ (2,802,655)

University of Kansas

21. Bonding Authority for Hashinger Hall

I amend my FY 2004 budget to recommend \$12.6 million in bonding authority for the University of Kansas for the renovation of Hashinger Hall. The proposed language for the appropriation bill is as follows:

Sec. In addition to the other purposes for which expenditures may be made by the university of Kansas from housing authority funds for fiscal year 2004 as authorized by this or other appropriation act of the 2003 regular session of the legislature, expenditures shall be made by the university of Kansas from moneys appropriated from the state general fund or from any special revenue fund for fiscal year 2004 to provide for the issuance of bonds by the Kansas development finance authority in accordance with K.S.A. 74-8905 and amendments thereto to finance grants for the capital improvement project to convert living units to suites in hashinger residence hall at the university of Kansas: *Provided*, That such capital improvement project is hereby approved for the university of Kansas for the purpose of subsection (b) of K.S.A. 74-8905 and amendments thereto and the authorization of the issuance of bonds by the Kansas development finance authority in accordance with that statute: *Provided further*, That the university of Kansas may make expenditures from the money received from the issuance of any such bonds for such capital improvement project: *Provided however*, That expenditures from the money received from the issuance of any such bonds for such capital improvement project shall not exceed \$12,600,000 plus all amounts required for costs of bond issuance, costs of interest on the bonds issued for such capital improvement project during the construction of such project and any required reserves for the payment of principal and interest on the bonds: *And provided further*, That all moneys received from the issuance of any such bonds shall be deposited and accounted for as prescribed by applicable bond covenants: *And provided further*, That debt service for any such bonds for such capital improvement project shall be financed by appropriations from the state general fund or any appropriate special revenue fund or funds.

Department of Corrections

22. Food Service Contract Savings

I amend my budget to reduce expenditures for the food service contract in FY 2004 by \$959,000. The Department of Corrections has finalized a contract amendment with the correctional facility food service vendor that will reduce contractual costs in exchange for an extension of the contract by six years. As a result, \$959,000 from the State General Fund can be lapsed in FY 2004 from the line-item appropriation for the food service contract.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ (959,000)
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ (959,000)

23. Contract for Leasing Prison Beds

I amend my budget to shift expenditures in FY 2003 to FY 2004 by \$1,141,250, including \$114,125 from the State General Fund and \$1,027,125 in federal funds. These funds were to be utilized for the lease of up to 125 medium security beds for the last six months of the fiscal year in the event that additional bed capacity for male inmates was required. Based on the current inmate population level and the anticipated experience for the remainder of the fiscal year, there will not be a need to lease these beds in FY 2003. However, the Department will need the flexibility of leasing the additional beds in FY 2004.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ (114,125)	\$ 114,125
All Other Funds	<u>(1,027,125)</u>	<u>1,027,125</u>
All Funds	\$ (1,141,250)	\$ 1,141,250

24. Offender Program Contract Savings

As a result of reductions in program services and spending constraints by various offender program contractors, savings of \$600,000 from the State General Fund have been realized in FY 2003. This reduction is derived from holding vacant positions open, limiting expenditures for supplies and equipment, reducing expenditures for staff development activities, as well as reducing travel and subsistence expenses. Of the total savings of \$600,000, I amend my budget to fund \$69,000 for the revised average daily population for the medical and food services contract. The remaining \$531,000 will be lapsed to the State General Fund.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ (531,000)	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ (531,000)	\$ --

25. Visitor Centers

I amend my budget to fund the visitor centers in Hutchinson, Lansing, and Ellsworth in the amount of \$240,000, all from the Inmate Benefit Fund in FY 2004. Although these centers were not originally funded in my budget, the Department of Corrections has reported that the ending balances of all the inmate benefit funds maintained are sufficient to fund the centers in FY 2004. I recommend that any additional resources the centers need beyond this amount be generated from private donations or fundraisers.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>240,000</u>
All Funds	\$ --	\$ 240,000

26. Bond Rebate Liability Overpayment

The Kansas Development Finance Authority (K DFA) notified the Department of Corrections that there was an overpayment of a rebate liability for a bond payment attributable to FY 1995. As a result, \$124,524 was credited to a principal and interest fund. After utilizing \$67,524 for a part of an arbitrage payment to K DFA, \$57,000 can be used for bond payments. I amend my budget to offset a like amount that was paid from the State General Fund in FY 2003 for bond payments from the refund amount.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ (57,000)	\$ --
All Other Funds	<u>57,000</u>	<u>--</u>
All Funds	\$ --	\$ --

27. Community Corrections State General Fund Financing Offset

To begin implementation of alternative penalties for illegal drug possession contained in SB 123, I amend my budget to offset \$1.3 million from the State General Fund in FY 2004 for the Community Corrections Program in the Department of Corrections with carryforward balances in various local community corrections accounts. Most community corrections agencies receive fees and other reimbursements from offenders that have contributed to carryforward balances in these funds. Because the Sentencing Commission will be the agency responsible for the administration of the funds in accordance with SB 123, I amend my budget to increase FY 2004 expenditures in this agency by \$1.3 million from the State General Fund. Over

the next year, my staff will examine drug rehabilitation money throughout the state budget to determine whether any of these funds can be used to finance SB 123.

Department of Corrections:

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ (1,300,000)
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ (1,300,000)

Sentencing Commission:

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ 1,300,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 1,300,000

28. Shift Interstate Compact Dues

The State of Kansas is a participating member of the Interstate Compact for Adult Offender Supervision that regulates the movement and supervision of offenders under community supervision between the states. The states' initial dues assessment will be \$25,000 in FY 2004 and not in FY 2003 as originally anticipated. As a result, I amend my budget to lapse \$25,000 from the State General Fund in FY 2003 and to appropriate \$25,000 from the State General Fund for the compact in FY 2004.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ (25,000)	\$ 25,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ (25,000)	\$ 25,000

29. Local Jail Cost Recalculation

I amend my budget to reduce expenditures from the State General Fund for local jail payments in FY 2004. The Department of Corrections reports that it has experienced a significant reduction in the number of days that counties have requested reimbursement for housing parole violators. Assuming that costs for local jail reimbursements during FY 2004 will be the same as the revised estimates for FY 2003, the appropriation for FY 2004 can be reduced by \$644,000.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ (644,000)
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ (644,000)

Sentencing Commission

30. Coverdell Forensic Federal Grant

I amend my budget to establish a federal grant fund titled "Coverdell Forensic Federal Grant." The Kansas Criminal Justice Coordinating Council, through the Sentencing Commission, was awarded \$30,588 to administer the grant for forensic training. Of the total award, \$19,588 will be awarded to the Sedgwick County Regional Forensic Science Center, \$10,000 will be awarded to the Kansas Bureau of Investigation for supplies and training, and the Sentencing Commission will utilize \$1,000 for administrative expenses.

Sentencing Commission:

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>20,588</u>	<u>--</u>
All Funds	\$ 20,588	\$ --

Kansas Bureau of Investigation:

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>10,000</u>	<u>--</u>
All Funds	\$ 10,000	\$ --

Parole Board

31. Change Parole Board Member Reduction Date

I amend my budget to reduce State General Fund expenditures for the Parole Board in FY 2003 by \$14,805 and by \$62,440 in FY 2004. In my original recommendation, the membership of the Parole Board was to be reduced by 1.0 FTE board member in January 2004. However, because of the resignation of a board member during the past year, a vacant board member position can be eliminated during part of FY 2003 and all of FY 2004.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ (14,805)	\$ (62,440)
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ (14,805)	\$ (62,440)

Department of Wildlife and Parks

32. Wildlife Fee Fund Expenditure Increase

In August 2002, an allotment of State General Fund appropriations in state agencies was imposed by Governor Graves. As part of that allotment, the Department of Wildlife and Parks was required to reduce State General Fund expenditures by \$130,041 in FY 2003. The Department asked to offset a part of the reduction in State General Fund financing by using \$30,000 from its Wildlife Fee Fund. These additional expenditures should have been included in the Governor's original recommendations to the Legislature.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ --
All Other Funds	<u> 30,000</u>	<u> --</u>
All Funds	\$ 30,000	\$ --

Department of Transportation

33. Change Special City and County Highway Fund Transfer Dates

Of the two annual transfers from the State General Fund to the Special City and County Highway Fund, the second was cancelled in FY 2003 and both were cancelled in FY 2004. These cancelled transfers meant the Special City and County Highway Fund received \$5,031,822 less than originally approved in FY 2003 and \$11,200,000 less than what was requested in FY 2004. As a result, cashflow in the fund necessitates a change in the dates on which transfers are made to local governments in the second half of FY 2004. The transfers to local governments are set in KSA 79-3425 as July 15, October 15, January 15, and April 15 of each fiscal year. In FY 2004, those dates need to be changed to July 15, October 15, February 15, and May 15. This will guarantee there is enough money in the fund to make the transfers in the same amounts that were planned to be transferred before the cancellation of the State General Fund transfers.

All Agencies

34. COLA Recalculation

I recommended a salary increase of 1.5 percent for state employees for FY 2004 in my original budget recommendations to the Legislature. When the Legislature approved the salary

increase, the dollars were based on 23 biweekly payrolls in FY 2004, instead of the full 26. That action reduced the cost of the pay plan from \$26,907,000 to \$23,539,277 from all funding sources and from \$13,500,000 to \$11,390,065 from the State General Fund. The Division of the Budget has now recomputed the numbers for the pay plan and determined that another \$435,158 in State General Fund savings can be realized. Of this total, \$339,083 represents savings from the Executive Branch amounts, which are captured in this amendment, but it is estimated that another \$96,075 could be saved from the Judiciary's appropriation. A transfer of \$95,607 from the State Highway Fund to the State General Fund is necessary to implement the pay plan for the Highway Patrol as well as a transfer of \$203,224 from the State Highway Fund to the Vehicle Operating Fund for the Department of Revenue.

Because of the limitations on time in developing my original recommendations, I was unable to continue the practice in recent years of including the salary plan financing in the budget of each state agency. Therefore, a single appropriation was made in SB 6 for the Executive Branch to be distributed by the Division of the Budget with the approval of the State Finance Council. However, because the detailed amounts for each agency are now known, it is unnecessary to recompute the numbers after adjournment of the Legislature. Therefore, I amend my budget to capture these savings and recommend that the amounts be appropriated to each agency in the Omnibus Bill.

	<u>FY 2003</u>	<u>FY 2004</u>
State General Fund	\$ --	\$ (339,083)
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ --	\$ (339,083)

Messages on Other Issues

In addition to the amendments included above, there is legislation pending to implement several recommendations from my original budget submission. I urge the Legislature to take action on these bills.

Board of Tax Appeals—Board Members & Filing Fees

SB 115 was introduced to implement my recommendation to reduce the number of board members from 5.0 to 3.0, starting half way through FY 2003. Additional costs of \$70,000 from the State General Fund for FY 2003 and \$230,000 from the State General Fund for FY 2004 will occur if SB 115 is not passed. The bill has passed the Senate and the House Appropriations Committee and has been referred to the House Taxation Committee. The difference between the recommendations for FY 2003 and FY 2004 is a result of agency savings in FY 2003 from layoffs, separate from the board member issue, that remove the need to fund the salaries for five months, as was originally recommended. However, the larger amount of funding for FY 2004 would be necessary to finance restoration of the 2.0 positions for a full year. The reinstatement of 1.0 FTE position in FY 2003 and 2.0 FTE positions in FY 2004 also would be required if SB 115 is not passed.

In my original recommendations, I also proposed that \$300,000 from the State General Fund be replaced with revenue from the establishment of filing fees in FY 2004. SB 115, the same bill involving the board members, has been amended to authorize the agency's establishment of filing fees. Therefore, I urge the Legislature to pass this bill not only for the board member reduction, but also to avoid the restoration of the State General Fund money to this agency's budget.

Health and Environment—Vital Statistics

My original recommendation was intended to save \$1.9 million in State General Fund financing by making the Center for Vital Statistics, a program in the Department of Health and Environment, entirely fee-funded. Legislation has been introduced in both houses, but neither bill has yet been passed. SB 268 and HB 2423 are identical bills that would implement the change in fee structure I recommend. SB 268 has passed the Senate and is currently in the House Appropriations Committee, and HB 2423 has passed the House and is currently in the Senate Committee on Ways and Means. Without passage of one of these bills, \$1.9 million in State General Fund money or financing from some other source of revenue will be required to support the Center for Vital Statistics.

Department of Education—Renewal of Mill Levy

The budget that I recommended in January and the budget the Legislature funded in 2003 SB 6 assumes that the statewide uniform mill levy for support of our schools will be renewed in its current form. SB 162 has passed the Senate and resides in the House Taxation Committee. If this renewal is not enacted, the budget for general state aid to schools will be short \$257.7 million in FY 2004. I urge passage of this important legislation.

Children's Initiatives Fund

SB 6 authorized total FY 2004 expenditures from the Children's Initiatives Fund that are \$182,382 higher than will actually be available in the fund. I encourage the Legislature to correct this discrepancy in the Omnibus Bill. One possible method to address the problem would be to reduce expenditures for Pediatric Biomedical Research at the Kansas University Medical Center from \$700,000 to \$500,000.

Decoupling Kansas Dividend Income from the Federal Tax Code

Currently, all dividend income is included in both Kansas and federal adjusted gross income. I encourage the Legislature to pass SB 146, which would require that dividend income be included in calculating Kansas adjusted gross income regardless of whether the federal government decides at some future date to exclude all or part of dividend income from federal adjusted gross income. Passage of SB 146 would not affect income tax receipts to the State

General Fund. In fact, it would allow Kansas to continue to recognize dividend income as part of Kansas adjusted gross income and serve as a stabilizing factor to income tax receipts. If this bill is not passed and a change occurs at the federal level, the reduction to the State General Fund is estimated to be at least \$60.3 million.

KPERS Death and Disability Moratorium

In my original budget recommendation and in the budget that the Legislature passed in 2003 SB 6, there was an assumption of a five-quarter death and disability moratorium extension. However, the substantive legislation contained in SB 46 has not passed both chambers. Without the passage of SB 47, the budget will be short \$21,144,360 from all funding sources, including \$17,758,360 from the State General Fund. I urge the Legislature to pass this bill.

Sincerely,

KATHLEEN SEBELIUS
Governor