



February 4, 2013

The Honorable Marc Rhoades, Chairperson
House Committee on Appropriations
Room 351-S, Statehouse

and

The Honorable Ty Masterson, Chairperson
Senate Committee on Ways and Means
Room 545-S, Statehouse

Dear Representative Rhoades:

The items contained in this memo, Governor's Budget Amendment No. 1, amend the budget that I submitted to you in January. Some items correct errors made in posting the detailed budgets or in publishing *The FY 2014 Governor's Budget Report*. The other items reflect new issues that have arisen or changes that can be made based on new information. One item changes revenues to the State General Fund. Total adjustments to expenditures and positions are shown below.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	\$ 2,000,000	\$3,885,500	\$ 4,759,786
All Other Funds	<u>978,706</u>	<u>36,819</u>	<u>(54,763,181)</u>
All Funds	\$ 2,978,706	\$3,922,319	(\$50,003,395)
FTE Positions	39.00	45.50	45.50
Non-FTE Unclassified Permanent	<u>--</u>	<u>(2.00)</u>	<u>(2.00)</u>
Total Positions	39.00	43.50	43.50

Department of Administration

1. Debt Service for National Bio-Agro Defense Facility

Bringing NBAF online is one of the most important projects this Administration has worked on. A previous Legislature has authorized up to \$105.0 million in bonds for construction

of the facility, but not all of the bonds have been issued to date. In anticipation of fulfilling the state's obligation on this project, KDFA will issue \$45.4 million in bonds this spring. Debt service payments will be an obligation of the State General Fund, through appropriations to the Department of Administration. The agency's budget is hereby amended to add the necessary funds for the payments in FY 2014 and FY 2015.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	\$ --	\$3,276,000	\$ 3,276,000
All Other Funds	<u>--</u>	<u>--</u>	<u>--</u>
All Funds	\$ --	\$3,276,000	\$ 3,276,000

Department of Commerce

2. Job Creation Program Fund Transfer

It is recommended that the amount transferred from state income tax withholdings to the Job Creation Program Fund of the Department of Commerce be capped at \$10.0 million in FY 2013, FY 2014, as well as FY 2015. This will allow the State General Fund to retain revenues of \$10,180,725 in FY 2013, \$2,185,450 in FY 2014, and \$4,189,650 in FY 2015. The recommendation will increase the amount of State General Fund revenue available for each of the affected years. No expenditure adjustment is necessary in the Department of Commerce budget because the amount of revenues for the Job Creation Program Fund will still be sufficient to cover the agency's estimated expenditures from this fund. This amendment is intended simply to recognize the additional amount available to the State General Fund.

Department of Credit Unions

3. Retain Experienced Examiner Positions

I amend my budget to allow the Department of Credit Unions to retain experienced examination staff by addressing significant salary gaps that exist between current salary levels and those of other state and federal financial regulatory agencies. I therefore amend my budget to add \$6,137 in expenditures from the Credit Union Fee Fund for FY 2013, and \$36,819 in expenditures in both FY 2014 and FY 2015.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	\$ --	\$ --	\$ --
All Other Funds	<u>6,137</u>	<u>36,819</u>	<u>36,819</u>
All Funds	\$ 6,137	\$ 36,819	\$ 36,819

Department for Children & Families

4. Early Childhood Block Grants

The Early Childhood Block Grant (ECBG) is administered by the Children's Cabinet. The funds are used for grants to school districts, child care centers and homes, Head Start sites, and community-based programs that provide research-based child development services for at-risk infants, toddlers and their families, and preschool for three- and four-year olds. To maintain early childhood literacy programs at FY 2013 levels, the original budget recommendations are adjusted to add \$4.6 million from the State General Fund to FY 2014 and FY 2015.

	FY 2013	FY 2014	FY 2015
State General Fund	\$ --	\$4,629,484	\$ 4,629,484
All Other Funds	--	--	--
All Funds	\$ --	\$4,629,484	\$ 4,629,484

5. Reintegration/Foster Care

The Department for Children and Families (DCF) recently signed new contracts for the delivery of foster care services that will begin on July 1, 2013. Currently, there are four foster care contractors. The new contracts were awarded to two service providers; therefore, there will be administrative cost savings. To capture those savings and to finance the early childhood block grant, the original budget recommendations for the Reintegration/Foster Care Program are adjusted to reduce \$4.6 million from the State General Fund in FY 2014 and FY 2015.

	FY 2013	FY 2014	FY 2015
State General Fund	\$ --	(\$4,629,484)	(\$4,629,484)
All Other Funds	--	--	--
All Funds	\$ --	(\$4,629,484)	(\$4,629,484)

Department of Health & Environment—Division of Health Care Finance

6. Medicaid Management Information System and Data Analysis Fund Correction

The budget recommendation published in January for FY 2013 for the KDHE-Division of Health Care Finance included expenditures of \$1.0 million from the State General Fund that should instead be from the Medicaid Management Information System and Data Analysis Fund. The Medicaid Management Information System and Data Analysis Fund is a special revenue fund that received a transfer from the State General Fund as authorized by the State Finance Council in December. This budget amendment will make that technical correction.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	(\$ 1,000,000)	\$ --	\$ --
All Other Funds	<u>1,000,000</u>	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ --	\$ --

Department for Aging and Disability Services

7. Mental Health Grants

The Governor's budget recommendation for FY 2014 and FY 2015 includes \$9,750,000 for at-risk mental health grants funded through a transfer from the State Highway Fund. For FY 2014, a one-time State Children's Health Insurance performance bonus has been granted to Kansas and this funding is appropriate for expenditures from these grants. I amend my FY 2014 budget to use this funding source for the Mental Health At-Risk Grants in place of the State Highway Fund.

Larned State Hospital

8. FTE Position Count Understated

Included in the Governor's FY 2014 recommendation is additional State General Fund support to enhance staffing for the Sexual Predator Treatment Program which has an increasing census. In making the additions to the Hospital's budget, 6.50 FTE positions were left out. This adjustment adds the proper level of staffing.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
FTE Positions	--	6.50	6.50
Non-FTE Unclassified Permanent	<u>--</u>	<u>--</u>	<u>--</u>
Total Positions	--	6.50	6.50

Department of Labor

9. Budget Corrections

The budget originally submitted by the Department understated its position count and did not completely account for its State General Fund needs. In order to correct this, 39.00 positions must be added in all three fiscal years to the amount previously stated. This brings the agency's proper FTE position total to 443.44. From the State General Fund, the budget for the Department of Labor is adjusted to restore \$63,150 to FY 2015. In addition, there is a large IT project underway in the agency's Workers Compensation Division that will result in future operating cost reductions and allow for greater efficiency for the Division's customers. To

accommodate this multi-year project, \$4.0 million is added from the agency's Workers Compensation Fund in FY 2015.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	\$ --	\$ --	\$ 63,150
All Other Funds	<u>--</u>	<u>--</u>	<u>4,000,000</u>
All Funds	\$ --	\$ --	\$ 4,063,150

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
FTE Positions	39.00	39.00	39.00
Non-FTE Unclassified Permanent	<u>--</u>	<u>--</u>	<u>--</u>
Total Positions	39.00	39.00	39.00

Board of Regents

10. Technical Education Tuition

I amend my budget to finance expenditures in FY 2013 by adding \$3.0 million from the State General Fund for Technical Education tuition payments through the Board of Regents. The Board of Regents was appropriated \$8.75 million for FY 2013; however, it now estimates that this funding will be insufficient as a result of the program's success. This will allow the awards for secondary education students current enrolled in technical education classes to be fully funded in FY 2013.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	\$ 3,000,000	\$ --	\$ --
All Other Funds	<u>--</u>	<u>--</u>	<u>--</u>
All Funds	\$ 3,000,000	\$ --	\$ --

11. Technical Education Authority

I amend my budget to finance operating expenditures in FY 2015 by adding \$600,000 from the State General Fund for the Technical Education Authority. Under current law, the Authority will sunset at the end of FY 2014. The funding will allow for continued operation of the Authority and its administration and support staff.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	\$ --	\$ --	\$ 600,000
All Other Funds	<u>--</u>	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ --	\$ 600,000

School for the Deaf

12. Teacher Salary Increase Calculation

A total of \$968 from the State General Fund was inadvertently left out of the calculation for the teacher salary increase recommendation for the School for the Deaf in both FY 2014 and FY 2015. This correction will properly fund the teacher salary increase in both fiscal years.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	\$ --	\$ 968	\$ 968
All Other Funds	<u>--</u>	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 968	\$ 968

Department of Corrections

13. FTE Position Count Overstated

It is the Governor's recommendation that the Juvenile Justice Authority be consolidated with the Department of Corrections. The merger of the two agencies will result in the elimination of seven positions; however, these positions were inadvertently retained in the budget. This correction to the *FY 2014 Governor's Budget Report* will accurately reflect the Governor's recommendation for the agency's workforce as a result of the merger.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
FTE Positions	--	(5.00)	(5.00)
Non-FTE Unclassified Permanent	<u>--</u>	<u>(2.00)</u>	<u>(2.00)</u>
Total Positions	--	(7.00)	(7.00)

14. Prevention Programs

It was the Governor's intention to include enhanced funding of \$350,000 from the State General Fund for juvenile prevention programs in FY 2015. This sum was unintentionally omitted from the total budget recommendation for the Department of Corrections. The amendment will correct *The FY 2014 Governor's Budget Report* by adding \$350,000 to the Department's budget in order to reflect the Governor's recommendation properly.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	\$ --	\$ --	\$ 350,000
All Other Funds	<u>--</u>	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ --	\$ 350,000

Kansas Bureau of Investigation

15. Children's Victims Unit

A year ago I proposed \$1.0 million for the KBI to create a Children's Victims Unit. To fully staff and outfit the Unit, I amend my budget to add \$608,532 for FY 2014 and 469,668 for FY 2015, all from the State General Fund, along with 5.00 FTE positions for both fiscal years.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	\$ --	\$ 608,532	\$ 469,668
All Other Funds	<u>--</u>	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 608,532	\$ 469,668
FTE Positions	--	5.00	5.00
Non-FTE Unclassified Permanent	<u>--</u>	<u>--</u>	<u>--</u>
Total Positions	--	5.00	5.00

Department of Wildlife, Parks & Tourism

16. Lapse Unspent Expanded Lottery Act Revenues Fund

The Department's FY 2014 budget can be reduced to lapse \$27,431 from the Expanded Lottery Act Revenues Fund. The money was originally appropriated to pay off debt related to the agency's cabin program. This amount remains after the loan was repaid.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	\$ --	\$ --	\$ --
All Other Funds	<u>(27,431)</u>	<u>--</u>	<u>--</u>
All Funds	(\$ 27,431)	\$ --	\$ --

Department of Transportation

17. Bonding Authority Correction

To allow the Kansas Department of Transportation to increase the amount it plans to bond in FY 2015 from \$150.0 million to \$210.0 million, expenditures in the agency's budget should be reduced by a net amount of \$58,800,000. Of that amount, \$60.0 million will be lowered from capital improvement expenditures and debt service expenditures will be increased by \$1.2 million.

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
State General Fund	\$ --	\$ --	\$ --
All Other Funds	<u>--</u>	<u>--</u>	<u>(58,800,000)</u>
All Funds	\$ --	\$ --	(\$58,800,000)

Sincerely,



Sam Brownback
Governor