



February 13, 2019

OVERVIEW OF HB 2121 – GOVERNOR'S RECOMMENDATION FOR FY 2019

The FY 2019 approved budget totals \$17.0 billion, including \$7.1 billion from the State General Fund. This approved amount includes \$47.6 million of State General Fund expenditure authority carried forward. The approved budget includes 40,103.2 FTE positions.

In FY 2019, the Governor's recommendation totals \$17.2 billion, with \$7.1 billion financed from the State General Fund. The recommendation increases total expenditures by \$194.9 million, including \$54.9 million from the State General Fund, above the approved amount. The recommendation includes additional State General Fund expenditures for:

- **Department of Administration**
 - One-time payment to federal government for debt setoff settlement agreement (\$9.3 million)
 - Eliminates the unallocated information technology savings (\$5.0 million)
- **Department for Children and Families**
 - Kansas Eligibility Enforcement System (KEES) upgrade (\$1.6 million)
 - Family First Prevention Act (\$452,516)
 - Child welfare positions (\$802,296)
- **Human services caseload increases (\$54.6 million)**
- **Human services non-caseload decreases, primarily Medicaid waiver programs (\$43.7 million)**
- **Kansas Department of Health and Environment**
 - KanCare Clearinghouse (\$2.2 million)
- **State Hospital Revenue Shortfall**
 - Osawatomie State Hospital (\$3.1 million)
 - Larned State Hospital (\$0.9 million)
 - Kansas Neurological Institute (\$0.9 million)
 - Parsons State Hospital and Training Center (\$1.0 million)

- **Department of Corrections**
 - Medical contract funding (\$1.4 million)
- **Adjutant General's Department**
 - Capital improvement armory and life, health, and safety projects (\$1.4 million)

The Governor recommends eliminating the transfer from the State General Fund to the KPERS Trust Fund of up to \$56.0 million in the State General Fund receipts that are above the April consensus revenue estimates in FY 2019. The Governor also recommends transferring \$264.3 million from the State General Fund to the Pooled Money Investment Portfolio and eliminating scheduled transfers needed to repay the Pooled Money Investment Portfolio in FY 2020 through FY 2024 for the bridge loan. The Governor also removes language transferring 10.0 percent of the State General Fund ending balance to the Budget Stabilization Fund in FY 2021 and delays currently allowed expenditures from the Budget Stabilization Fund until FY 2025. During that delay, the Governor recommends the following be implemented.

When state tax receipts increases are above the previous fiscal years receipts, the first 3.0 percent would be retained in the State General Fund. The next 1.0 percent would be deposited into the Budget Stabilization Fund. The next 0.5 percent would be deposited in the newly created Debt Prepayment Fund. Any amount above 4.5 percent of previous years receipts would remain in the State General Fund. No deposits would be required once the Budget Stabilization Fund balance exceeds 15.0 percent of the preceding fiscal year's state tax receipts. Additionally, no deposits would be required once the Debt Prepayment Fund balance exceeds 15.0 percent of the preceding fiscal year's amount of principal of bond debt service.

Withdrawals from the Budget Stabilization Fund may occur up to the amount that the current year's tax receipts are less than the actual year's tax receipts, or the ensuing year's projected tax receipts are less than the current year's tax receipts, excluding any tax reduction legislation in either year. When either of the above conditions have been met, the Director of the Budget may transfer money from the Budget Stabilization Fund to the State General Fund for the applicable year. However, the transfer can only be made in an amount not to exceed an amount needed to cover appropriations made against the State General Fund for the appropriate year.

Withdrawals from the Debt Prepayment Fund would be made only for calling and redeeming selected State General Fund-backed bonds once the Director of the Budget certifies the bonds are available for optional redemption and creates the greatest State General Fund savings. However, no payments would be made until approved by the State Finance Council.

This section would be in effect during FY 2020 through FY 2024.

The Governor's recommended revenue adjustments include a \$264.3 million transfer to pay the Pooled Money Investment Board loan in full, and other expenditure adjustments will produce a current year ending balance of \$678.0 million, or 9.5 percent, of State General Fund expenditures.