



March 13, 2023

BILL EXPLANATION FOR SUB. FOR SENATE BILL NO. 155

Sub. for SB 155, as recommended by the Senate Committee on Ways and Means, contains FY 2023 supplemental funding, FY 2024 funding for most state agencies, and FY 2025 capital improvement expenditures for certain state agencies. An overview of the Governor’s amended budget recommendations for FY 2023 through FY 2024 and the Senate Committee’s adjustments to the Governor’s amended recommendations are reflected below. The bill also contains some FY 2025 appropriations for the Kansas Department of Education and the Kansas Board of Regents.

SENATE WAYS AND MEANS RECOMMENDED EXPENDITURES FROM ALL FUNDS BY MAJOR PURPOSE (Dollars in Millions)

	Actual FY 2022	Sen. Rec. FY 2023	Change		Sen. Rec. FY 2024	Change	
			\$	%		\$	%
State Operations	\$ 6,804.4	\$ 6,854.5	\$ 50.1	0.7 %	\$ 6,583.1	\$ (271.4)	(4.0) %
Aid to Local Units	7,084.5	7,595.6	511.1	7.2	7,367.5	(228.1)	(3.0)
Other Assistance	6,682.6	7,663.2	980.6	14.7	7,436.1	(227.2)	(3.0)
Subtotal - Operations	\$ 20,571.5	\$ 22,113.4	\$ 1,541.9	7.5 %	\$ 21,386.7	\$ (726.6)	(3.3) %
Capital Improvements	1,956.9	2,570.5	613.6	31.4	1,814.7	(755.8)	(29.4)
TOTAL	\$ 22,528.5	\$ 24,683.9	\$ 2,155.4	9.6 %	\$ 23,201.5	\$ (1,482.4)	(6.0) %

Note: Totals may not add due to rounding.

SENATE WAYS AND MEANS RECOMMENDED EXPENDITURES FROM STATE GENERAL FUND BY MAJOR PURPOSE (Dollars in Millions)

	Actual FY 2022	Sen. Rec. FY 2023	Change		Sen. Rec. FY 2024	Change	
			\$	%		\$	%
State Operations	\$ 1,882.3	\$ 2,156.1	\$ 273.8	14.5 %	\$ 2,035.2	\$ (120.9)	(5.6) %
Aid to Local Units	4,411.7	4,805.5	393.8	8.9	5,034.4	228.9	4.8
Other Assistance	1,482.0	2,028.6	546.6	36.9	2,229.5	200.8	9.9
Subtotal - Operations	\$ 7,776.0	\$ 8,990.2	\$ 1,214.2	15.6 %	\$ 9,299.1	\$ 308.8	3.4 %
Capital Improvements	419.9	249.3	(170.6)	(40.6)	121.5	(127.8)	(51.3)
TOTAL	\$ 8,195.9	\$ 9,239.5	\$ 1,043.6	12.7 %	\$ 9,420.6	\$ 181.1	2.0 %

Note: Totals may not add due to rounding.

Summary of Changes to Estimated FY 2023 Expenditures

The Governor's recommendation is an all funds increase of \$1.4 billion, or 5.8 percent, and an SGF decrease of \$249.7 million, or 2.6 percent, from the FY 2023 approved budget. The increase is primarily attributable to:

- Add \$53.0 million SGF to retire water storage contracts in the Kansas Water Office;
- Add \$20.5 million SGF to modernize the Kansas Department of Labor Unemployment system;
- Add \$1.3 million SGF to adopt the Board of Indigents' Defense Services revised assigned counsel caseloads estimate;
- Delete \$198.2 million SGF to implement revised human services caseloads estimates; and
- Delete \$65.5 million SGF to implement revised K-12 education school finance estimates.

In addition to the SGF expenditure adjustments described above, the recommendation makes several SGF revenue adjustments to FY 2023, including:

- Transfer \$500.0 million from the SGF to the Budget Stabilization Fund. This transfer would result in a balance in the Budget Stabilization Fund of approximately \$1.5 billion.
- Transfer \$220.0 million to an infrastructure leveraging fund to assist local governments in matching federal funds;
- Transfer \$50.0 million from the SGF to a state agency federal grants matching fund to assist agencies in meeting federal match requirements.

Summary of Adjustments to the FY 2024 Budget

State Operations—Agency operating costs for salaries and wages, contractual services, commodities, debt service interest, and capital outlay. The Governor's FY 2024 recommendation for state operations is \$6.9 billion, which is a decrease of \$44.8 million, or 0.6 percent, below the Governor's FY 2023 recommendation.

The decrease is primarily attributable to the Department for Children and Families exhaustion of pandemic assistance for child care and other programs (\$143.3 million) and decreases in Kansas Department of Labor unemployment operations and modernization (\$46.8 million), Kansas Water Office early retirement of water storage debt (\$57.1 million), and Kansas Department of Health and Environment (KDHE) Health pandemic child care development block grant enhancements (\$26.4 million).

The decreases are partially offset by a 5.0 percent increase to state employee pay (\$169.5 million) and increases in Kansas Lottery sports betting and revised expanded lottery estimates (\$39.9 million), Judicial Branch enhancements (\$22.1 million), and increases to the Board of Regents and Institutions (\$14.8 million).

Local Units of Government—Aid payments to counties, cities, school districts, and other local government entities; may be from state or federal funds. The Governor's FY 2024 recommendation for aid to local units of government is \$7.5 billion, which is a decrease

of \$139.2 million, or 1.8 percent, below the Governor's FY 2023 recommendation. The reduction is primarily attributable to \$240.8 million in the Office of the Governor for matching grants.

The increase is partially offset by the addition of \$83.2 million for the Kansas State Department of Education for the revised education school finance estimate, and \$15.4 million in the Office of the State Treasurer for acceleration of the Food Sales Tax exemption and the addition of funding for the STAR Bond food sales tax reimbursement fund.

Other Assistance, Grants, and Benefits—Payments made to or on behalf of individuals as aid, including public assistance benefits, unemployment benefits, and tuition grants. The Governor's FY 2024 recommendation for other assistance, grants, and benefits is \$8.0 billion, which is an increase of \$381.2 million, or 5.0 percent, above the Governor's FY 2023 recommendation.

The increase is predominantly reflected in the State Hospitals, Kansas Department for Aging and Disability Services, and KDHE-Health due to the expiration of the enhanced federal medical assistance percentage (FMAP) match and revised human services caseloads estimate (\$570.3 million).

The increase is partially offset by decreases in the Office of the Governor (\$164.2 million) in matching funds, the Department of Commerce (\$52.7 million) for a variety of housing and small business tax credit initiative one-time expenditures, Department of Transportation assistance (\$25.3 million), and the Office of the Attorney General for the opioid settlement distributions (\$19.6 million).

Capital Improvements—Cash or debt service payments for projects involving new construction, remodeling and additions, rehabilitation and repair, razing, and the principal portion of debt service for a capital expenditure. The Governor's FY 2024 recommendation for capital improvements is \$1.8 billion, which is a decrease of \$754.7 million, or 29.8 percent, below the Governor's FY 2023 recommendation. The decrease is primarily attributable to accelerated debt retirement in FY 2023.

SENATE COMMITTEE ON WAYS AND MEANS ADJUSTMENTS

FY 2023 Senate Committee on Ways and Means Recommendations:

The Senate Committee on Ways and Means recommends expenditures of \$24.7 billion, including \$9.2 billion SGF, in FY 2023. The recommendation is an all funds decrease of \$606,250, or less than 0.1 percent, and an SGF decrease of \$584,242, or less than 0.1 percent, below the Governor's FY 2023 recommendation, and is primarily due to the following:

- Delete \$53.0 million SGF to not adopt the Governor's recommendation to pay off water storage debt associated with the Milford and Perry Lake reservoirs in FY 2023. \$52.0 million was added to the Office of the State Treasurer for investment.
- The recommendation also includes the following revenue adjustments:

- Delete the transfer of \$50.0 million from the SGF to the Office of the Governor in FY 2023 for state match for agencies applying for federal grant programs.
- Delete the transfer of \$220.0 million from the SGF to the Office of the Governor for communities to use as state match when accessing federal Bipartisan Infrastructure Law funding.
- Delete the transfer of \$500.0 million from the SGF to the Budget Stabilization Fund in FY 2023.

FY 2024 Senate Committee on Ways and Means Recommendations:

The Senate Committee on Ways and Means recommends expenditures of \$23.2 billion, including \$9.4 billion SGF, for FY 2024. The recommendation is an all funds increase of \$925.5 million, or 3.8 percent, and an SGF decrease of \$70.7 million, or 0.7 percent, below the Governor's FY 2024 recommendation, and is primarily due to the following adjustments:

- **Attorney General.** Add \$650,296 SGF and delete the same amount from special revenue funds for FY 2024 to restore a 10.0 percent SGF reduction implemented in FY 2020 as part of a reduced resources budget.
- **Judicial Branch.** Delete \$16.3 million SGF for the agency's salary adjustment plan for FY 2024 and review at Omnibus.
- **Department of Commerce.** Delete \$3.6 million in EDIF enhancements for the International Division, Early Childhood and Care Initiative, Kansas Creative Arts Commission, Salesforce Data, Research Division, and a Murals and Public Arts Initiative.
- **KDHE–Health.** Add \$659.1 million, including the addition of \$76.4 million SGF, for:
 - Delete \$671.4 million, including the addition of \$71.5 million SGF, to remove funding for Medicaid Expansion for FY 2024. The all funds deletion includes \$703.4 million from federal funds and \$39.4 million from special revenue funds.
 - Add \$6.6 million, including \$2.6 million SGF, to increase the Medicaid physician fee schedule by 3.0 percent for FY 2024.
 - Add \$4.3 million, including \$1.7 SGF, to increase emergency medical service ground ambulance rates to 75.0 percent of the Medicare rate and increase air ambulance rates to 100.0 percent of the Medicare rate for FY 2024.
 - Add \$1.2 million, including \$482,880 SGF, to extend Medicaid adult dental coverage to include dentures and partials for FY 2024.
- **Kansas Department for Aging and Disability Services.** Add \$19.7 million, including \$10.0 million SGF, for:

- Add \$6.5 million, including \$2.6 million SGF, to provide a 5.0 percent increase to the reimbursement rate for providers of HCBS Frail Elderly waiver services for FY 2024.
- Add \$2.7 million, including \$1.1 million SGF, to increase the targeted case management reimbursement rate to \$62.00 per hour for FY 2024.
- Add \$3.0 million, including \$1.3 million SGF, and add language to increase PACE reimbursement rates by 5.0 percent for FY 2024.
- **Board of Regents.** Add language prohibiting postsecondary educational institutions from expending funds to require an applicant, employee, student, or contractor to endorse an ideology, including those of diversity, equity, or inclusion, or to provide statements concerning commitment to such ideologies, for FY 2024.
- **Department of Education.**
 - Delete \$72.4 million SGF for Special Education State Aid for FY 2024 and review at Omnibus.
 - Delete \$1.9 million SGF for the enhancement to the Professional Development program for FY 2024 leaving \$1.8 million in the program.
 - Delete 3.0 million SGF for the enhancement in the Mental Health Intervention Team Pilot program for FY 2024 leaving \$10.5 million in the program.
 - Delete \$1.0 million SGF for the enhancement to the Mentor Teacher program for FY 2024 leaving \$1.3 million in the program.
 - Delete \$1.0 million SGF for the enhancement to the Safe and Secure School grant for FY 2024 leaving \$4.0 million in the program.
- **Department for Wildlife and Parks.** Delete \$2.5 million, all from special revenue funds, to not adopt the Governor's recommendation allowing KDWP law enforcement officers to join the Kansas Police and Firemen's retirement system for FY 2024 and review at omnibus.
- **Kansas Department of Transportation.** Add \$4.2 million from the Special City and County Highway Fund, and transfer the same amount from the SGF to the fund, for formula aid to local governments for FY 2024.
- **State Employee Pay.** Delete \$169.5 million, including \$65.5 million SGF, to not implement a statewide 5.0 percent salary increase among state employees for FY 2024 and review at Omnibus.

COMPARISON OF FY 2022 - FY 2024 RECOMMENDED EXPENDITURES
Senate Ways and Means Profile
As of Monday, March 13, 2023

FY 2023:	<u>State General Fund</u>	<u>All Funds</u>	<u>FTE Positions</u>
Governor's Recommendation	\$ 9,240,103,507	\$ 24,684,484,851	44,272.8
SWAM Rec. FY 2023 Budget	<u>9,239,519,265</u>	<u>24,683,878,601</u>	<u>44,272.8</u>
<i>Difference From Governor's Recommendation</i>	<u>\$ (584,242)</u>	<u>\$ (606,250)</u>	<u>0.0</u>
FY 2024:	<u>State General Fund</u>	<u>All Funds</u>	<u>FTE Positions</u>
Governor's Recommendation	\$ 9,491,277,660	\$ 24,127,003,783	44,372.0
SWAM Rec. FY 2024 Budget	<u>9,420,576,479</u>	<u>23,201,455,443</u>	<u>44,365.5</u>
<i>Difference From Governor's Recommendation</i>	<u>\$ (70,701,181)</u>	<u>\$ (925,548,340)</u>	<u>(6.5)</u>
Two -Year Change from Gov. Rec.	\$ (71,285,423)	\$ (926,154,590)	

STATE GENERAL FUND RECEIPTS, EXPENDITURES, AND BALANCES
Senate Ways and Means Profile
As of Monday, March 13, 2023

	<u>Actual FY 2022</u>	<u>SWAM Rec. FY 2023</u>	<u>SWAM Rec. FY 2024</u>
Beginning Balance	\$ 2,094.8	\$ 1,834.5	\$ 2,296.2
Receipts (November 2022 Consensus)	7,935.9	9,701.2	10,124.4
Governor's Revenue Adjustments	-	(770.0)	183.0
Legislative Tax Adjustments	-	-	(591.6)
Legislative Receipt Adjustments	-	770.0	10.2
Adjusted Receipts	<u>7,935.9</u>	<u>9,701.2</u>	<u>9,726.0</u>
Total Available	\$ <u>10,030.7</u>	\$ <u>11,535.7</u>	\$ <u>12,022.2</u>
Less Expenditures	<u>8,196.2</u>	<u>9,239.5</u>	<u>9,420.6</u>
Ending Balance	<u>\$ 1,834.5</u>	<u>\$ 2,296.2</u>	<u>\$ 2,601.6</u>
Ending Balance as a Percent of Expenditures	22.4%	24.9%	27.6%

**State General Fund Revenue Adjustments
Senate Ways and Means Committee
As of Monday, March 13, 2023**

Transfers

FY 2023:		
Budget Stabilization Fund	\$	500,000,000
Infrastructure Leveraging Fund		220,000,000
State Match Fund		50,000,000
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Total FY 2023	\$	770,000,000

FY 2024:		
Clubhouse Lottery Transfer	\$	(1,000,000)
Special City County Highway Fund		(4,226,614)
STAR Bond Food Sales Tax Transfer		15,400,000
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Total FY 2024	\$	10,173,386

Legislative Tax Adjustments

FY 2024:		
SB 33 SenateTax (exempt SS, retirement income, standard deduction etc.)	\$	(280,200,000)
SB 169 SenateTax (4.75 percent single rate)		(170,400,000)
SB 248 SenateTax (exempt all food sales tax)		(115,500,000)
SB 96 SenateTax (pregnancy center tax credit)		(10,000,000)
SB 83 Low Income Student Scholarship		(3,500,000)
SB 91 Film Incentives		(12,000,000)
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Total FY 2024	\$	(591,600,000)

Total FY 2023 through FY 2024	\$	<u>188,573,386</u>
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