

April 24, 2023

The Honorable Rick Billinger, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S

and

The Honorable Troy Waymaster, Chairperson
House Committee on Appropriations
Statehouse, Room 112-N

Dear Senator Billinger and Representative Waymaster:

The items contained in this memo, Governor's Budget Amendment No. 1, amend the enrolled budget in HB 2184. The items reflect current issues that have arisen or changes that can be made based on current information. Total adjustments to expenditures are shown below.

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$5,197,479,733	\$4,647,995,359
All Other Funds	<u>2,432,621,347</u>	<u>2,255,992,870</u>
All Funds	\$7,629,903,581	\$6,903,988,229
 Revenues	 <u>FY 2023</u>	 <u>FY 2024</u>
State General Fund	\$ 4,162,000	\$ 1,428,000
All Other Funds	<u>992,000</u>	<u>6,916,000</u>
All Funds	\$ 5,154,000	\$ 8,344,000

**Department for Aging and Disability Services, Department for Children
and Families, and Department of Health and Environment**

1. Human Services Consensus Caseload

I amend my FY 2023 and FY 2024 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 Kansas Department for Aging and Disability Services (KDADS), the Department for Children and Families, the Kansas Department of Health and Environment, the Legislative Research Department, and the Division of the Budget. The caseload estimates include expenditures for Temporary Assistance to Families, the Reintegration/Foster Care Contracts, KanCare Regular Medical Assistance and KDADS Non-KanCare Services. The FY 2023 estimate for all human service caseloads is \$4.8 billion from all funding sources, including \$1.2 billion from the State General Fund. The FY 2023 estimate is a change from the amount approved by the 2023 Legislature, reflecting an all funds increase of \$57.7 million, and a State General Fund decrease of \$53.8 million. The FY 2024 estimate is \$5.0 billion from all funding sources, including \$1.5 billion from the State General Fund. The estimate is a change from the amount approved by the 2023 Legislature, reflecting an all funds increase of \$61.4 million, and a State General Fund decrease of \$30.5 million. For additional details on the new consensus estimate see the Spring 2023 Human Services Consensus Caseload memo.

Kansas Department for Aging and Disability Services

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ (31,460,000)	\$ (13,100,000)
All Other Funds	<u>(6,440,000)</u>	<u>(7,800,000)</u>
All Funds	\$ (37,900,000)	\$ (20,900,000)

Department for Children and Families

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ 5,640,000	\$ 867,444
All Other Funds	<u>1,945,000</u>	<u>2,200,000</u>
All Funds	\$ 7,585,000	\$ 3,067,444

Kansas Department of Health and Environment

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ (28,000,000)	\$ (18,282,680)
All Other Funds	<u>116,000,000</u>	<u>97,505,068</u>
All Funds	\$ 88,000,000	\$ 79,222,388

Department of Education

2. K-12 Education Budget Reinstated & Spring 2023 Education Consensus K-12 Education Budget Reinstated

The Legislature has failed to include my original budget for the Department of Education for FY 2023, FY 2024, and FY 2025 in HB 2184. My K-12 education budget contains the required appropriations for school finance, as well as appropriations to begin a five-year plan to increase Special Education Services State Aid to 92.0 percent of excess costs by FY 2028 by committing an additional \$72.4 million from the State General Fund each year, beginning in FY 2024. The Department of Education's budget needs to be included in the omnibus funding bill without holding the education budget hostage with extraneous policies that should stand alone in separate bills. I also want to emphasize that my original recommendations include FY 2025 appropriations for State Foundation Aid that extends the sunset for the High-Density At-Risk Weighting through FY 2025, and I would strongly encourage the Legislature to concur with my recommendations, and to move the K-12 education budget back into the Omnibus budget.

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$4,417,165,165	\$4,722,602,099
All Other Funds	<u>2,292,422,077</u>	<u>2,083,207,382</u>
All Funds	\$6,709,587,242	\$6,805,809,481

Spring 2023 Education Consensus

Adjusting from amounts above, I amend my budget to include amounts agreed by the Division of the Budget, Kansas Legislative Research Department, and the Department of Education during the 2023 Spring Education Consensus. These consensus estimates account for revised student counts, revenues from property taxes, as well as a revised Base Aid for Student Excellence estimated according to current law with the latest inflation estimates. Because my original recommendation includes making the funding source for Capital Improvement State Aid as a demand transfer from the State General Fund instead of a revenue transfer beginning in FY 2024, my recommendations below include this policy for the adjusted education consensus estimate. The FY 2025 changes only reflect state aid adjustments funded from the State General Fund.

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ (9,421,617)	\$ (61,199,516)
All Other Funds	<u>(1,304,000)</u>	<u>38,475,120</u>
All Funds	\$ (10,725,617)	\$ (22,724,396)
	<u>FY 2025</u>	
State General Fund	\$ (58,052,659)	
All Other Funds	<u>--</u>	
All Funds	\$ (58,052,659)	

Kansas Lottery

3. Message on Lottery and Gaming Revenues

Lottery ticket sale estimates provided by the Kansas Lottery indicate that the State Gaming Revenues Fund transfer amounts to the State General Fund that were used in my original budget can now be increased by \$4,250,000 in FY 2023 to reflect higher estimated lottery ticket sales. The transfer adjustment from the State Gaming Revenues Fund is already accounted for in the April Consensus Revenue Estimate. The mental health transfers related to revenue generated from lottery ticket vending machines were also increased in both FY 2023 and FY 2024. For both fiscal years, the Community Crisis Stabilization Centers Fund transfer was increased by \$750,000, while the Clubhouse Model Program Fund transfer was increased by \$250,000.

Revenue	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ 4,250,000	\$ --
All Other Funds	<u>1,000,000</u>	<u>1,000,000</u>
All Funds	\$ 5,250,000	\$ 1,000,000

The Consensus Revenue Estimating Group on Gaming Revenues met in April 2023 to revise revenue estimates from state-owned casinos. The amount of net gaming revenue that will be generated from state-owned casinos was decreased by \$400,000 in FY 2023 and increased by \$600,000 in FY 2024. Expenditures through the statutory formula to make payments to local cities and counties where the casinos are located and to the casino managers must now be adjusted because of the new gaming revenue estimate, and I amend the budget to account for this change. Payments to cities and counties were decreased by \$12,000 in FY 2023 and increased by \$18,000 in FY 2024, while payments to casino managers were decreased by \$292,000 in FY 2023 and increased by \$438,000 in FY 2024.

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>(304,000)</u>	<u>456,000</u>
All Funds	\$ (304,000)	\$ 456,000

The revised estimates for the Expanded Lottery Act Revenues Fund (ELARF) will also affect planned transfers to the State General Fund. Appropriation language already exists for both FY 2023 and FY 2024 that allows that any additional revenues in the ELARF to be transferred to the State General Fund at the end of the fiscal year. Appropriation language also allows the State General Fund to transfer to the ELARF if revenues at the end of the fiscal year are not sufficient to make all approved expenditures and transfers. The ELARF transfer to the State General Fund of \$1,782,000 in FY 2023 that was used in my original budget is now reduced to \$1,694,000 due to slightly lower estimated ELARF revenue. It is now estimated that \$132,000 would be transferred from the ELARF to the State General Fund at the end of FY 2024, which represents the excess revenues not needed to fund the ELARF budget. The transfer to the Problem Gambling and Addictions Grant fund is estimated to be reduced by \$8,000 in FY 2023 and increased by \$12,000 in FY 2024.

Revenue	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ (88,000)	\$ 132,000
All Other Funds	<u>(8,000)</u>	<u>12,000</u>
All Funds	\$ (96,000)	\$ 144,000

The Consensus Revenue Estimating Group on Gaming Revenues also revised the estimates for sports wagering revenue for both FY 2023 and FY 2024. The amount of sports wagering revenue that will be generated was increased by \$32.0 million in FY 2023 and by \$40.0 million in FY 2024. Expenditures through the statutory formula to make payments to casino managers for sports wagering must now be increased by \$28.8 million in FY 2023 and by \$36.0 million in FY 2024.

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>28,800,000</u>	<u>36,000,000</u>
All Funds	\$ 28,800,000	\$ 36,000,000

The revised estimates for sports wagering revenue will also increase the amounts that will be transferred through the statutory formula in FY 2024. The full state share of sports wagering revenue generating in FY 2023 will be included in the FY 2024 distributions. For FY 2024, the Department of Commerce's Attracting Professional Sports to Kansas Fund is estimated to receive an additional \$5,760,000, while the Problem Gambling and Addictions Grant Fund at the Kansas Department of Aging and Disability Services is estimated to receive an additional \$144,000. The Lottery Operating Fund will retain an additional \$1,296,000 that will ultimately be transferred to State General Fund at the end of the fiscal year. This State General Fund transfer adjustments is already accounted for in the April Consensus Revenue Estimate.

Revenue	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ --	\$ 1,296,000
All Other Funds	<u>--</u>	<u>5,904,000</u>
All Funds	\$ --	\$ 7,200,000

Office of Information Technology Services

4. Vendor Contract

The Office of Information Technology Services has been working on a contract extension with the vendor that runs the Data Center as a Service contract for the agency. The negotiations resulted in a cost increase and the agency has no way of covering the increase through a rate increase for state agencies in FY 2024. Because of the increased costs to the contract, I amend my budget to include funding from the State General Fund.

Expenditure	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ --	\$ 2,500,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 2,500,000

Board of Indigents Defense Services

5. Ethical Caseloads Staffing

For FY 2024, I amend my budget to include expenditures totaling \$1.8 million from the State General Fund that will support an additional 15.00 FTE positions, including 13.00 FTE Public Defender positions and 2.00 FTE administrative staff positions. The request will support the agency's priority staffing needs in areas with the highest caseloads and refusal of cases that lead to assigned counsel, which costs the state more to defend cases.

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ --	\$ 1,781,626
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 1,781,626

Hearing Instruments Board of Examiners

6. Operating Expenditures

For FY 2023, I amend my budget to increase the expenditure limitation for the Hearing Instruments Board of Examiners by \$2,500 from the agency's fee fund. The Board had an unexpected cost increase for renting meeting space. Additional website development costs were originally planned to start in FY 2024 but have now begun in the current year. The Board fee fund has sufficient revenues to cover the increased expenditures.

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>2,500</u>	<u>--</u>
All Funds	\$ 2,500	\$ --

Office of the Governor

7. Governor's Grants Office—Grant Program Enhancements

Included in my FY 2024 budget recommendations are enhancements totaling \$7.5 million for domestic violence and sexual assault programs, Child Advocacy Centers (CACs), and Court-Appointed Special Advocate (CASA) programs. The Legislature included these additional funds in HB 2184 and will be used to partially to offset projected substantial federal award reductions to the federal Victim of Crime Act Victim Assistance grant program. These enhanced funds only replace federal funds that are being reduced and do not expand any services provided by domestic violence and sexual assault programs. While these some of these programs have received some additional ARPA funds to address critical issues created by the pandemic, most of these funds have been restricted to direct services and have not been flexible enough to meet the needs created not only by the pandemic but also by the extreme inflation, high gas and transportation costs, and

workforce issues. The COVID-19 health emergency and the economic conditions have forced adaptations to assure safety, confidentiality, and privacy while addressing conditions.

To address these additional costs and to expand services, I amend my budget to include an additional \$9.6 million from the State General Fund in FY 2024. Of this total, \$8.4 million would be for domestic violence and sexual assault programs, \$754,173 would be for CACs, and \$450,000 would be for CASA. These funds will be needed on an on-going basis to provide program stability and support in order to assure strong victim services in Kansas.

For domestic violence prevention programs, some of the ongoing challenges that would be addressed with this enhanced funding include additional food and transportation costs; increased hospital advocacy, where sexual assault forensic exams are performed; enhancing congregate living (safe shelters); and addressing staffing issues with program personnel who are being paid at the same or lower rate than fast-food workers.

For CACs, the enhanced funding would be used to ensure statewide access to CAC services in rural areas of the state; increase staff to meet services needed from increase caseloads; enhance advanced training for CAC staff; purchase and maintain quality recording equipment for forensic interviews; and increase availability and access to therapy services.

For CASA, the enhanced funding would be used to support children who are abused and neglected in the judicial system, including enhancing staff retention, increasing the number of CASA programs so that every judicial district in Kansas has a viable program, and enhancing training and technical assistance for local programs through the Kansas CASA Association.

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ --	\$ 9,604,173
All Other Funds	--	--
All Funds	\$ --	\$ 9,604,173

Kansas Department for Aging and Disability Services

8. Expansion of the Program of All-Inclusive Care for the Elderly (PACE)

I amend my budget to include \$2,500,000 from the State General Fund for FY 2023 for expansion of PACE. The additional funding will support the expansion of the PACE program into Johnson, Miami, and Franklin Counties. The proposal for \$2.5 million in one-time funding would help offset the estimated \$10.6 million needed to build a new PACE Center in Olathe to serve the three counties. A PACE Center includes an adult day center, therapy gym and physician clinic and serves as the hub for the counties served. The three-county service area is the largest market in Kansas currently unserved by a PACE program.

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ 2,500,000	\$ --
All Other Funds	--	--
All Funds	\$ 2,500,000	\$ --

9. Additional State Institutions Building Funds (SIBF) for the Spruce Cottage Remodel at Parsons State Hospital (PSH)

I amend my budget to include \$715,000 from the SIBF for FY 2023 for the additional costs of remodeling the Spruce Cottage at PSH. The approved budget to remodel the kitchen and bathroom, configure the space for a central nursing station and update the exterior windows was \$1,285,000 from the SIBF in the FY 2020 five-year capital improvement plan. During the progression of the COVID-19 pandemic, construction material and supply costs inflated to a point where the project had to be put on hold. The project was put out for bid in September 2022 with no bidders. After updating the design documents, the project was put out again for bid in February 2023. In March 2023, one bidder withdrew because there were no mechanical and electrical contractors that would agree to do the work and the expected costs for materials was higher than the approved project budget. KDADS believes that increasing the project budget to \$2.0 million will increase the probability of getting bidders for the project.

Spruce Cottage is being remodeled to accommodate the needs of children that meet criteria for admission to Parsons State Hospital. There are five children on the wait list for admission. Children wait for admission because Birch Cottage is the only other cottage on the Parsons campus serving children. The mix of ages and genders limits the number of children that can be served in the current cottage. Having Spruce Cottage available for children would allow for better management of their needs and allow for additional admissions to serve children needing state hospital levels of care.

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>715,000</u>	<u>--</u>
All Funds	\$ 715,000	\$ --

10. Kansas Neurological Institute (KNI) Increase Fee Fund Limit for Generator Repair

I amend my budget to include \$176,357 from the KNI fee fund for FY 2023 for the additional costs of repairing a generator on the campus. Foley Equipment submitted two proposals, one for \$122,147 and one for \$176,357. The second proposal is if the generator needs a rewind.

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>176,357</u>	<u>--</u>
All Funds	\$ 176,357	\$ --

11. Larned State Hospital (LSH) Contract Nurse Staffing Costs

I amend my budget to include \$10,360,000 for FY 2023 all from the State General Fund to address the LSH funding shortfall for contract nurse staffing. The additional funding will cover

the estimated costs of contracted Registered Nurse, Licensed Practical Nurse, and Certified Nurse Aide staffing during the remainder of FY 2023. LSH submitted a \$34.1 million supplemental request in the revised FY 2023 budget based on the projected costs for contract staffing during FY 2023. Through February 2023, LSH has spent \$30,227,973 for an average of 217 agency staff per month. As of March 2023, LSH projects to spend \$43,882,085 for contract staffing in FY 2023.

LSH had \$9.5 million in the approved FY 2023 based on the FY 2022 contract expenditures before adjusting for the FY 2022 GBA. That leaves a shortfall of \$34,160,000 in FY 2023 compared to the approved budget. The table below shows the LSH and KDADS use of existing funds to close this gap. Those resources include COVID relief funds, Title XIX revenue that is available over the budgeted expenditures for this fiscal year, some State General Funds unspent by KNI and Parsons State Hospital and carry over funds from KDADS. The remainder is what is included in this budget amendment.

	<u>FY 2023</u>
Projected Shortfall	\$ 34,160,000
Additional Funds Available	
COVID-19 Enhanced Title XIX Revenue	\$ (6,000,000)
Projected Savings from KNI and PSH	(2,600,000)
Additional Disproportionate Share LSH	(3,200,000)
KDADS One-Time Funding	<u>(12,000,000)</u>
Total Other Funding	\$(23,800,000)
Funding Shortfall	\$ 10,360,000

Expenditures	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ 10,360,000	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 10,360,000	\$ --

Kansas Department of Labor

12. Appeals Backlog

I amend my budget to include \$890,000 from the State General Fund in FY 2024 to address the unemployment insurance and pandemic unemployment assistance appeals backlogs. The effects of the pandemic continue to impact the appeals process as staff and federal support have been reduced. The additional funding will allow the agency to contract and hire qualified legal support staff to assist current staff in reducing the backlog. Tasks for the temporary staff would include conducting hearings, placing witnesses under oath, questioning claimants to ascertain facts, recording testimony, and collecting evidence. The estimated timeline for this project is three months.

Expenditure	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ --	\$ 890,000
All Other Funds	--	--
All Funds	\$ --	\$ 890,000

Department of Corrections

13. Improved Mail Handling Process

I amend my budget to add \$1,124,113 from the State General Fund for FY 2024 to improve the mail handling process in the correctional facilities. The Department of Corrections reports a nearly four-fold increase in residents being found in an altered state due to the ingestion of illicit substances. Under the program, incoming mail would be photocopied and provided to the resident and the originals destroyed. Legal and other privileged mail would be opened in front of the resident, screened but not read, photocopied by the resident, and the originals destroyed. The amount will fund 12.50 FTE positions, operating costs, and equipment.

Expenditure	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ --	\$ 1,124,113
All Other Funds	--	--
All Funds	\$ --	\$ 1,124,113

14. Natural Gas Bills

I amend my budget to add \$285,272 from the State General Fund in FY 2023 for energy costs for the correctional facilities. In December 2022, the Winfield Correctional Facility (WCF) and the Hutchinson Correctional Facility (HCF) received energy bills with significant increases compared to the prior month. The increases were the result of cash-out charges levied by a natural gas transporter due to energy usage being higher than originally contracted. The natural gas transporter has indicated such charges are allowed under Kansas Corporation Commission (KCC) regulations. The Department has filed a complaint with the KCC; however, there is no timeline on when this process will be completed. My budget amendment includes \$57,895 for WCF and \$227,377 for HCF from the State General Fund in FY 2023 to cover these additional charges in the event a resolution cannot be reached by the end of the fiscal year.

Expenditure	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ 285,272	\$ --
All Other Funds	--	--
All Funds	\$ 285,272	\$ --

Adjutant General

15. Kansas City Readiness Center Flood Repair

The Kansas City Readiness Center's first floor and basement flooded over the Christmas holiday resulting from a sprinkler head that froze and broke because of cold temperatures and record wind chills. I amend my FY 2023 budget to add \$821,827 from all funding sources, including \$410,913 from the State General Fund, for these additional costs. For FY 2024 I add \$5,657,400 from all funding sources, including \$1,208,100 from the State General Fund.

Expenditure	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ 410,913	\$ 1,208,100
All Other Funds	<u>410,914</u>	<u>4,449,300</u>
All Funds	\$ 821,827	\$ 5,657,400

Kansas Department of Wildlife and Parks

16. KP&F – KPERS Unfunded Liability Payment

To satisfy the legacy actuarial cost associated with HB 2196 and the affiliation of certain employees employed by the Kansas Department of Wildlife and Parks transferring into the Kansas Police and Firemen's (KP&F) Retirement System on July 1, 2023, I amend my FY 2024 budget to include expenditures totaling \$1,500,000 from all funding sources, including \$1,050,750 from the Wildlife Fee Fund and \$449,250 from the Parks Fee Fund. These expenditures will pay for the first year of the total actuarial legacy cost of \$2,733,769 for the remaining KPERS unfunded liabilities for the law enforcement employees. For the second and final payment, my budget next year for FY 2025 will include \$1,233,769 for this same purpose.

Expenditure	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>1,500,000</u>
All Funds	\$ --	\$ 1,500,000

Department of Administration

17. Kansas Resident Income Tax Rebate

I amended my budget to add \$820.0 million from the State General Fund in FY 2023 for a one-time tax rebate of \$450 to all Kansas residents who timely filed a tax return in calendar year 2022. Resident tax filers who are married and filing jointly will be eligible for a \$900 direct payment. All other filing types will be eligible for a \$450 direct payment. The Governor's tax rebate will be paid for with the state's current budget surplus and will provide relief to tax filers who are Kansas residents. As a one-time payment, this will have no impact on the state's ongoing

ability to collect revenues that fund critical services. Nearly 1.3 million Kansas resident taxpayers will be eligible for the Governor's tax rebate plan.

Expenditure	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ 820,000,000	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 820,000,000	\$ --


Department of Commerce

18. World Cup Planning and Area Improvements

I amend my budget to add \$10.0 million from the State General Fund to provide funding for infrastructure and other required improvements in advance of the World Cup Games to be played in the Kansas City metropolitan area in 2026. These improvements will be made in Western Wyandotte County, in the area surrounding the home of the Sporting Kansas City soccer club. The planned improvements will also allow for enhanced economic activity in the region well after the World Cup concludes its activities in the area.

Expenditure	<u>FY 2023</u>	<u>FY 2024</u>
State General Fund	\$ 10,000,000	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 10,000,000	\$ --

Sincerely,



Laura Kelly
Governor