

April 26, 2021

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 111-N

Dear Senator Billinger and Representative Waymaster:

The items contained in this memo, Governor's Budget Amendment No. 3, amend the budget that I submitted to you in January. The items reflect current issues that have arisen or changes that can be made based on current information. Total adjustments to revenues and expenditures are shown below.

<b>Revenues</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ (11,683,643)	\$ (12,743,407)
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ (11,683,643)	\$ (12,743,407)
<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ (173,650,235)	\$ (130,546,200)
All Other Funds	<u>(149,832,043)</u>	<u>(125,147,281)</u>
All Funds	\$ (323,482,278)	\$ (255,693,481)

**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 2021 and FY 2022 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, 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 2021 estimate for all human service caseloads is \$3.8 billion from all funding sources, including \$1.0 billion from the State General Fund. The FY 2021 estimate is a change from the amount approved by the 2021 Legislature, reflecting an all funds decrease of \$353.7 million and a State General Fund decrease of \$189.5 million. The FY 2022 estimate is \$4.1 billion from all funding sources, including \$1.3 billion from the State General Fund. The estimate is a change from the amount approved by the 2021 Legislature, reflecting an all funds decrease of \$268.8 million and a State General Fund decrease of \$141.6 million. For additional details on the new consensus estimate see the Spring 2021 Human Services Consensus Caseload memo.

**Kansas Department for Aging and Disability Services**

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ (47,186,580)	\$ (85,755,911)
All Other Funds	<u>(63,333,420)</u>	<u>(83,579,351)</u>
All Funds	\$ (110,520,000)	\$ (169,335,262)

**Department for Children and Families**

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ (3,350,000)	\$ 129,592
All Other Funds	<u>(9,796,000)</u>	<u>(3,620,591)</u>
All Funds	\$ (13,146,000)	\$ (3,490,999)

**Kansas Department of Health and Environment**

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ (139,000,000)	\$ (56,000,000)
All Other Funds	<u>(91,000,000)</u>	<u>(40,000,000)</u>
All Funds	\$ (230,000,000)	\$ (96,000,000)

## Kansas Lottery

### 2. Message on Lottery and Gaming Revenues

Estimates of lottery ticket sales 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 must now be decreased by \$700,000 in FY 2021 to reflect a larger percentage of lottery ticket sales that shifted to lottery ticket vending machines. The transfer adjustments from the State Gaming Revenues Fund are already accounted for in the April Consensus Revenue Estimate. The mental health transfers related to revenue generated from lottery ticket vending machines was increased in FY 2021. The Community Crisis Stabilization Centers Fund transfer was increased by \$900,000, while the Clubhouse Model Program Fund transfer was increased by \$300,000.

<b>Revenue</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ (700,000)	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ (700,000)	\$ --

The Consensus Revenue Estimating Group on Gaming Revenues met in April 2021 to revise revenue estimates from state-owned casinos. The amount of net gaming revenue that will be generated from state-owned casinos was increased in FY 2021 by \$11.4 million and in FY 2022 by \$1.1 million. 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 increased as a result of the new gaming revenue estimate, and I amend the budget to account for this change. Payments to cities and counties were increased by \$342,000 in FY 2021 and by \$33,000 in FY 2022, while payments to casino managers were increased by \$8,322,000 in FY 2021 and by \$803,000 in FY 2022.

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>8,664,000</u>	<u>836,000</u>
All Funds	\$ 8,664,000	\$ 836,000

The revised estimates for the ELARF will also affect planned transfers to the State General Fund. Appropriation language already exists for FY 2021 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 State General Fund transfer to the ELARF of \$9,757,990 in FY 2021 that was used in my original budget is now reduced to \$7,249,990, saving \$2,508,000 from the State General Fund in FY 2021 due to higher estimated ELARF revenue. This transfer will backfill approved ELARF expenditures and transfers for FY 2021. This transfer adjustment is already accounted for in the April Consensus Revenue Estimate.

<b>Revenue</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ 2,508,000	\$ 242,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 2,508,000	\$ 242,000

The contingent transfer language for FY 2022 was inadvertently left out of the budget. Including this language for FY 2022, will allow \$242,000 in additional revenues in the ELARF to be transferred to the State General Fund at the end of the fiscal year. I amend my budget to include the following language for FY 2022:

*(a) On June 30, 2022, notwithstanding the provisions of K.S.A. 74-8768, and amendments thereto, or any other statute, the director of accounts and reports shall transfer the amount of any unencumbered balance in the expanded lottery act revenues fund to the state general fund: Provided, That the transfer of such amount shall be in addition to any other transfer from the expanded lottery act revenues fund to the state general fund as prescribed by law.*

*(b) On June 30, 2022, the director of accounts and reports shall determine and notify the director of the budget if the amount of revenue collected in the expanded lottery act revenues fund for the fiscal year ending June 30, 2022, is insufficient to fund the appropriations and transfers that are authorized from the expanded lottery act revenues fund for the fiscal year ending June 30, 2022, in accordance with the provisions of appropriation acts. The director of the budget shall certify to the director of accounts and reports the amount necessary to be transferred from the state general fund to the expanded lottery act revenues fund in order to fund all such appropriations and transfers that are authorized from the expanded lottery act revenues fund for the fiscal year ending June 30, 2022. Upon receipt of such certification, the director of accounts and reports shall transfer the amount of moneys from the state general fund to the expanded lottery act revenues fund that is required in accordance with the certification by the director of the budget under this section. At the same time as the director of the budget transmits this certification to the director of accounts and reports, the director of the budget shall transmit a copy of such certification to the director of legislative research.*

### State Treasurer

#### 3. Unclaimed Property Production System Replacement

The Office of the State Treasurer indicates that its current unclaimed property production system that it has used for the last 16 years uses software that will become out-of-date and unsupported in 2022. I amend my budget to provide an additional \$451,661 from the Unclaimed Property Expense Fund in FY 2022 for the first year's expenses to replace the unclaimed property production system. The new unclaimed property system will employ new security and fraud detection features and would adhere to the new standards from the National Association of Unclaimed Property Administrators. The State Treasurer indicates that the new security upgrades will allow the Office to continue to help protect and secure personally identifiable information associated with unclaimed property claims.

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ --	\$ --
All Other Funds	--	<u>451,661</u>
All Funds	\$ --	\$ 451,661

## Insurance Department and Department of Administration

### 4. Securities Act Fee Fund Lawsuit

A lawsuit was filed against the State of Kansas regarding securities fee fund sweeps to the State General Fund. K.S.A. 17-12a601 creates a securities fee fund, comprised of money paid to the securities commissioner for securities licenses each year. Subsection (a)(4) requires that any fee funds in excess of \$50,000 be transferred to State General Fund at the end of each fiscal year. Usually there is about \$13.0 million excess each year that is transferred to State General Fund. The plaintiffs contend that state and federal constitutional provisions prohibit using regulatory fee funds for expenses other than regulating the relevant industry or activity. A settlement agreement is pending with the plaintiff to reimburse \$6.0 million of transfers that have occurred and to cease future transfers. K.S.A. 17-12a-601 will need to be amended in the Omnibus budget bill to reflect that for FY 2021 and FY 2022, no moneys shall be transferred from the Securities Act Fee Fund to the State General Fund. I amend my budget to reflect a reduction in State General Fund revenue from transfers by \$13,491,643 in FY 2021 and \$12,985,408 in FY 2022.

<b>Revenue</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ (13,491,643)	\$ (12,985,407)
All Other Funds	<u>          --</u>	<u>          --</u>
All Funds	\$ (13,491,643)	\$ (12,985,407)

I also amend my budget to increase the expenditures limitation of the Securities Act Fee Fund by \$700,000 in FY 2022. In accordance with the settlement the agency will increase expenditures to review and update the receipts into the fund and the rates for broker dealers, investment securities, and security registration.

### Insurance Department

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$           --	\$           --
All Other Funds	<u>          --</u>	<u>      700,000</u>
All Funds	\$           --	\$       700,000

I also amend my budget to add \$6.0 million from the State General Fund for the Department of Administration for payment of the monetary settlement.

### Department of Administration

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ 6,000,000	\$           --
All Other Funds	<u>          --</u>	<u>          --</u>
All Funds	\$ 6,000,000	\$           --

## Kansas Bureau of Investigation

### 5. Increased Telecommunication Costs

I amend my budget to increase expenditures for the Kansas Bureau of Investigation by \$86,552 from the State General Fund in FY 2022 for increased telecommunication costs. The Office of Information and Technology Services (OITS) created a new rate structure that will go into effect in FY 2022 which will increase expenditures for the KBI.

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ --	\$ 86,552
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 86,552

## Kansas Department of Health and Environment

### 6. State Loan Repayment Program

The State Loan Repayment Program (SLRP) offers eligible healthcare professionals an opportunity to receive assistance with the repayment of qualifying educational loans in exchange for a service commitment to provide healthcare services in rural areas. The SLRP receives funding through an annual federal grant that requires a one-to-one match with state funds. The federal grant has increased from \$135,000 in FY 2019, to \$225,000 in FY 2020 and to \$315,000 in FY 2021. The Kansas Department of Health and Environment estimates the federal grant for FY 2022 will remain at the increased level of \$315,000. However, only \$135,000 from the State General Fund is available in Kansas Department of Health and Environment's budget for the SLRP. An additional \$180,000 is needed to draw down the federal funds. I amend my budget to add \$180,000 from the State General Fund in FY 2022 to ensure the state is able to make the required match for this program. Sustaining the program will help to make sure rural areas of our state have access to important healthcare services.

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ --	\$ 180,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 180,000

### 7. Children's Health Insurance Program

The enhanced federal match rate for the Children's Health Insurance Program (CHIP) will be decreasing in FY 2022. This will require an increase of the state's share of CHIP funding. The federal match rate has decreased from a high of 92.56 percent in FY 2019 to 72.03 percent in FY 2022. The increase in the state's share cannot be absorbed within the Kansas Department of Health and Environment budget and will require additional resources of \$10,054,086 from the State General Fund in FY 2022.

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ --	\$ 10,054,086
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 10,054,086

### **Kansas Commission on Veterans Affairs Office**

#### **8. Veterans Services Program**

My budget for the Kansas Commission on Veterans Affairs Office included a reduction of \$600,000 from the State General Fund in FY 2022 in the Veterans Services Program from adopting the agency's reduced resources. The reduction included holding positions open, eliminating travel to outlying areas to provide outreach services and eliminating equipment purchases. At the time my budget was presented, it was believed that rural, in-person outreach services would have to be curtailed because of COVID-19. However, as vaccinations continue to increase, outreach services can be offered while adhering to current COVID-19 safety guidance. The Kansas Commission on Veterans Affairs Office has begun to receive more requests to travel to outlying areas and anticipates offering full services in FY 2022. I amend my budget to add \$259,481 from the State General Fund in FY 2022 to partially restore the reduction to the Kansas Commission on Veterans Affairs Office. The amount reflects the original reduction to travel expenditures in the reduced resources package. Restoring these funds will allow outreach services to resume in FY 2022.

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ --	\$ 259,481
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 259,481

### **Kansas Department of Transportation**

#### **9. Transfer to the Special City and County Highway Fund**

Because of additional federal funding the agency received from H.R. 133, the Coronavirus Response and Relief Supplemental Appropriations Act, I amend my budget to transfer \$12.5 million from the State Highway Fund to the Special City and County Highway Fund in FY 2021 to restore losses in motor fuel tax revenues to local governments because of the pandemic. In addition, the following proviso language will be needed to authorize an off-cycle payment because the last payment from the Special City and County Highway Fund was made on April 15, 2021.

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>12,500,000</u>	<u>--</u>
All Funds	\$ 12,500,000	\$ --

*In addition to the other purposes for which expenditures may be made by the above agency from the special city and county highway fund (276-00-4220-4220) for fiscal year 2021,*

*expenditures maybe made by the above agency from the special city and county highway fund for fiscal year 2021 for the purposes of an additional allocation and payment to the several counties and several cities in the state: Provided, That prior to July 1, 2021, the state treasurer shall apportion and pay \$12,500,000 to the several counties and several cities in the state in the manner provided in K.S.A. 79-3425c, and amendments thereto.*

#### **10. County Equalization and Adjustment Fund Proviso**

In my budget recommendations, expenditures to the County Equalization and Adjustment Fund are recommended to be increased by \$10,094 in FY 2021 to put the fund at a zero balance. Payments to the County Equalization and Adjustment Fund occur on April 15 of each year and the proviso language below would authorize an off-cycle payment of \$10,094 in FY 2021.

*In addition to the other purposes for which expenditures may be made by the above agency from the county equalization and adjustment fund (276-00-4210-4210) for fiscal year 2021, expenditures maybe made by the above agency from the county equalization and adjustment fund for fiscal year 2021 for the purposes of an additional distribution to qualifying counties in the state: Provided, That prior to July 1, 2021, the state treasurer distribute any remaining balance in the county equalization and adjustment fund in the manner provided in K.S.A. 79-3425c, and amendments thereto.*

### **Kansas Highway Patrol**

#### **11. Energy Bills Related to February Cold Weather Event**

This request is to add \$44,835 from Kansas Highway Patrol Operations Fund in FY 2021 for the unforeseen increase in energy bills from the February cold weather event. This request includes an additional transfer of the same amount from the State Highway Fund to the Kansas Highway Patrol Operations Fund in FY 2021. The agency indicates that it expected the Troop C February and March energy bills to total approximately \$2,600, but extreme fluctuations in natural gas pricing and increased electricity usage led to energy bills totaling \$47,435.

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>44,835</u>	<u>--</u>
All Funds	\$ 44,835	\$ --

### **Department of Corrections**

#### **12. Energy Bills Related to February Cold Weather Event**

The Department of Corrections requests \$1,371,826 from the State General Fund in FY 2021 for the unforeseen increase in energy bills from the February cold weather event. The Department indicates that it expected Ellsworth, El Dorado, Hutchinson, and Topeka Correctional Facilities February energy bills to total approximately \$83,611, but extreme fluctuations in natural gas pricing led to energy bills totaling \$1,455,437.



<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ 1,371,826	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 1,371,826	\$ --

### **Board of Mortuary Arts**

#### **13. Funeral Home Inspector**

I amend my budget to finance an additional funeral home inspector at the Board of Mortuary Arts in FY 2021 and FY 2022. Of the agency's current 3.00 FTE positions, 1.00 FTE position is for funeral home inspections. However, the current inspector is on long-term leave and is not able to perform the required inspections of funeral homes. I recommend this additional temporary position in order for the agency to meet its statutory responsibilities. For FY 2022, an additional \$65,000 in expenditures is recommended for salaries and wages and other operating expenditures.

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>65,000</u>
All Funds	\$ --	\$ 65,000

### **State Hospitals**

#### **14. Energy Bills Related to February Cold Weather Event**

I amend my budget to add \$935,000 from the State General Fund in FY 2021 to the state hospital budgets for the unforeseen increase in energy bills from the February cold weather event. Under normal energy usage levels, the state hospitals expected February energy bills totaling approximately \$92,000, but extreme fluctuations in natural gas pricing led to energy bills totaling \$1,027,000. The state hospitals indicate that the energy overages cannot be handled within existing resources. The amounts requested are listed in the table below.

#### **Kansas Neurological Institute**

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ 141,000	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 141,000	\$ --

#### **Larned State Hospital**

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ 441,000	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 441,000	\$ --

**Osawatomie State Hospital**

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ 198,000	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 198,000	\$ --

**Parsons State Hospital & Training Center**

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ 155,000	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 155,000	\$ --

**Department of Agriculture**

**15. Establishment of Animal Facility Inspection Division**

I amend my budget to finance expenditures in FY 2022 related to moving the Animal Facility Inspection Program out of the Division of Animal Health in the Kansas Department of Agriculture and establishing the program as a standalone division within the agency. Total expenditures for the newly established division would be \$778,107, of this amount \$500,000 would be a new appropriation from the State General Fund and \$278,107 in fee fund expenditures would be transferred to the new division from the Division of Animal Health.

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ --	\$ 500,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 500,000

I also amend my budget to include the following proviso with the new State General Fund appropriation:

*Notwithstanding any provision of the Kansas pet animal act, K.S.A 47-1701 et seq., during fiscal year 2022, the secretary of agriculture may hire a division director in the unclassified service that reports directly to the secretary and shall oversee the animal facilities inspection program and enforce the Kansas pet animal act and any rules and regulations promulgated thereunder, except that the animal health commissioner shall retain all authority related to preventing the spread of contagious and infectious diseases among all domestic animals regulated under the act.*

### Judicial Branch

#### 16. Judicial Branch Docket Fees

Because of the pandemic, docket fee revenues have declined. I amend my budget to add \$7.4 million from the State General Fund in FY 2021 to replace lost docket fee fund revenues to the Judicial Branch. I also amend my budget to reduce expenditures from the Judicial Branch Docket Fee Fund by \$7.4 million in FY 2021.

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ 7,400,000	\$ --
All Other Funds	<u>(7,400,000)</u>	<u>--</u>
All Funds	\$ --	\$ --

### Adjutant General

#### 17. Energy Bills Related to February Cold Weather Event

I amend my budget to add \$179,519 from the State General Fund and \$668,061 from all funding sources in FY 2021 to the Adjutant General's budget for the unforeseen rate increases in energy bills from the February cold weather event. Under normal energy usage levels, the agency expected February energy bills to total approximately \$31,818 for certain facilities. The Adjutant General indicates that the energy overages cannot be handled within existing resources.

<b>Expenditures</b>	<u>FY 2021</u>	<u>FY 2022</u>
State General Fund	\$ 179,519	\$ --
All Other Funds	<u>488,542</u>	<u>--</u>
All Funds	\$ 668,061	\$ --