

April 23, 2020

The Honorable Carolyn McGinn, 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 McGinn and Representative Waymaster:

The items contained in this memo, Governor's Budget Amendment No. 1, 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 expenditures and FTE Positions are shown below.

Expenditures	<u>FY 2020</u>	<u>FY 2021</u>
State General Fund	\$ (135,086,946)	\$ 65,470,922
All Other Funds	<u>62,446,024</u>	<u>(159,496,088)</u>
All Funds	\$ (72,640,922)	\$ (94,025,166)

**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 2020 and FY 2021 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 2020 estimate for all human service caseloads is \$3.7 billion from all funding sources, including \$1.2 billion from the State General Fund. The FY 2020 estimate is a change from the amount approved by the 2020 Legislature, reflecting an all funds increase of \$12.4 million and a State General Fund decrease of \$106.1 million. The FY 2021 estimate is \$4.1 billion from all funding sources, including \$1.4 billion from the State General Fund. The estimate is a change from the amount approved by the 2020 Legislature, reflecting an all funds decrease of \$21.8 million and a State General Fund increase of \$65.2 million. For additional details on the new consensus estimate see the Spring 2020 Human Services Consensus Caseload memo.

Kansas Department for Aging and Disability Services

Expenditures	<u>FY 2020</u>	<u>FY 2021</u>
State General Fund	\$ (27,500,000)	\$ 7,838,480
All Other Funds	<u>22,200,000</u>	<u>90,608,937</u>
All Funds	\$ (5,300,000)	\$ 98,447,417

Department for Children and Families

Expenditures	<u>FY 2020</u>	<u>FY 2021</u>
State General Fund	\$ 11,600,000	\$ 8,600,000
All Other Funds	<u>1,100,000</u>	<u>(2,800,000)</u>
All Funds	\$ 12,700,000	\$ 5,800,000

Kansas Department of Health and Environment

Expenditures	<u>FY 2020</u>	<u>FY 2021</u>
State General Fund	\$ (90,200,000)	\$ 48,800,000
All Other Funds	<u>95,200,000</u>	<u>(174,800,000)</u>
All Funds	\$ 5,000,000	\$ (126,000,000)

Department for Aging and Disability Services

2. Home and Community Based Service Adjustments

In the past, the home and community-based service (HCBS) waiver programs were not considered entitlements and are not included in the consensus caseload estimate. However, the Centers for Medicare and Medicaid Services (CMS) has interpreted these services as entitlements for the past several years. My recommended amendment includes an all funds reduction of \$6.2 million, including a reduction of \$29.0 million from the State General Fund when compared to the approved amount for waiver programs in FY 2020. This adjustment includes a revised estimate of the cost of these services for FY 2020 and to account for the Families First Coronavirus Response Act which provided states a temporary 6.2 percentage-point increase to the Federal Medical Assistance Percentage (FMAP). There is no reduction in the number of persons served. My recommended amendment for FY 2021 includes an all funds increase of \$6.6 million, with a \$232,442 increase from the State General Fund. This adjustment reflects, changes to HCBS waiver programs for FY 2021, including a 5.0 percent increase for Intellectual Developmental Disability waiver rates, and a Technology Assisted waiver increase from \$31.55 to \$37.00 for the Specialized Medical Care (T1000) service code. The adjustment amounts are listed in the table below.

Expenditures	<u>FY 2020</u>	<u>FY 2021</u>
State General Fund	\$ (28,986,946)	\$ 232,442
All Other Funds	<u>22,751,760</u>	<u>6,365,221</u>
All Funds	\$ (6,235,186)	\$ 6,597,663

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 must now be decreased by \$1.9 million in FY 2020 and by \$5,160,000 in FY 2021 based on lower estimated ticket sales. The transfer adjustments from the State Gaming Revenues Fund are already accounted for in the April Consensus Revenue Estimate. The Kansas Lottery has also delayed the purchase of the second round of lottery ticket vending machines that will reduce expenditures from the Lottery Operating Fund by \$3,773,736 in FY 2020. I amend my budget to reflect these lower expenditures in FY 2020. The mental health transfers related to revenue generated from lottery ticket vending machines were also reduced in both FY 2020 and FY 2021. The Community Crisis Stabilization Centers Fund transfer was reduced by \$1.8 million in FY 2020 and by \$3,750,000 in FY 2021, while the Clubhouse Model Program Fund transfer was reduced by \$600,000 in FY 2020 and by \$1,250,000 in FY 2021.

The Consensus Revenue Estimating Group on Gaming Revenues met in April 2020 to revise revenue estimates from state-owned casinos. The amount of net gaming revenue that will be generated from state-owned casinos was decreased in FY 2020 by \$98.8 million and in FY 2021 by \$103,850,000. 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 decreased 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 reduced by \$2,964,000 in FY 2020 and by \$3,115,500 in FY 2021, while payments to casino managers were reduced by \$72,068,000 in FY 2020 and by \$75,754,500 in FY 2021.

Expenditures	<u>FY 2020</u>	<u>FY 2021</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>(78,805,736)</u>	<u>(78,870,000)</u>
All Funds	\$ (78,805,736)	\$ (78,870,000)

The revised estimates for the ELARF will also affect planned transfers to the State General Fund. Appropriation language already exists for FY 2020 and 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 ELARF transfers to the State General Fund of \$2,090,000 in FY 2020 and \$2,750,000 in FY 2021 that were used in my original budget must now be eliminated, and to backfill approved ELARF expenditures and transfers, the ELARF will now receive transfers from State General Fund of \$19,702,000 in FY 2020 and \$20,153,000 in FY 2021. These transfer adjustments are already accounted for in the April Consensus Revenue Estimate.