

Senator Jay Emler

Kansas Senate District 35



From the Desk of Jay Scott Emler

Week of March 30 to April 3, 2009

Budget Update

FY 2010 Mega Budget - Senate Substitute for HB 2354

The FY 2010 Mega Budget is one of the most difficult budgets the state has had to face in decades.

Difficult decisions must be made when state revenues drop as drastically as they have.

This is a compromise bill that accepts many of the governor's recommended cuts. There are spending cuts in this bill that no legislator likes. But we must do the responsible thing and reduce state spending.

According to Legislative Research, March revenues are down approximately \$57 million. There is great concern among many legislators that these reductions will not be enough to address the current revenue shortfall and deeper cuts will have to be made in the Omnibus budget bill.

Spending Levels

- FY 2010 State General Fund budget totals \$5.76 billion, a decrease of 6.8% below the revised FY 2009 budget.
- FY 2010 All Funds budget totals \$13 billion, a decrease of 3.8% below the revised FY 2009 budget.

Mega Budget Bill Summary

- Includes and uses all **federal stimulus funding** for Medicaid, K-12 Education and Higher Education.
- **K-12 Education** remains a top priority for the Legislature.
 - Receives least amount of SGF funding reduction.
 - Base State Aid Per Pupil in FY 2010 is \$4,367 compared to \$4,374 in FY 2008.
 - \$71 million in additional Title 1 funding will put approximately five school districts over their previous funding levels for the 2008-2009 school year.
- **Higher Education** increases \$10.2 million with federal stimulus funding included.
- 1% base salary increases and longevity bonus payments to **State Employees**. Self-funded by agencies through existing funds.

- **Below market pay** increase for classified state employees fully funded at \$8.5 million
- Transfers \$5 million to the **Special City and County Highway Fund** for repair of local roads and bridges. This means jobs for local economies.
- Second-half of FY 2009 Slider payment still will be made on June 1st. Funding for the FY2010 **Business and Machinery Tax Slider** will be reconsidered during Omnibus.
- Additional \$4 million to the Home and Community Based Services **Physically Disabled waiver**.
- \$1.2 million to from a KEY fund transfer to the SGF to increase **State Children's Health Insurance Program** qualifier to 250% above the federal poverty guidelines.
- Additional \$328,465 from a KEY fund transfer to the SGF for **primary care/safety net clinics**.
- Additional \$355,000 SGF for **Pregnancy Maintenance Initiative**.
- Makes all federal funding for **family planning services** subject to a competitive grant process.
- Agencies will decide how reductions to their budgets will be implemented. They are in the best position to decide what is best for the Kansans they serve.

Omnibus Budget Challenges

- Legislative researchers estimate the state faces a nearly \$800 million budget shortfall based on the November Consensus Revenue Estimates.
- We will receive an update on the state's financial picture in mid-April. We expect the state's finances to worsen and the projected shortfall to grow from the November Consensus Revenue Estimates. This will govern how the Legislature proceeds with the Omnibus budget bill.
- We hope to be able to maintain the proposed funding level for K-12 Education but reductions may be necessary based on the April revenue update.
- By trying to hold K-12 harmless, other state agencies and programs must carry more of the burden and absorb deeper cuts. While most must cut their budgets 6% - 9%, some agencies will be required to reduce their spending 10-20%.
- Some have suggested tax increases are the answer to the state's tight budget. Now is not the time to raise taxes on Kansans and businesses who are struggling to make ends meet.
- Instead of raising taxes, the state should set budget priorities - funding necessary programs and services and delaying or eliminating new ones. Agencies are carefully reviewing what they do. Eliminating ineffective or outdated programs and services is a priority.

Ways and Means Committee Update

This week was spent in conference committees and in session. The committee did meet briefly on Thursday to hold a hearing on HB 2331. HB 2331 would amend current law to establish a minimum interest rate of 0.50 percent (if the market rate is below 2.0 percent) for remediation loan linked deposits, agricultural loan linked deposits, and housing loan linked deposits. Under the current law, deposits are placed with lending institutions at a rate of 2.0 percent below market rate. Because the current market rate is below 2.0 percent, the minimum interest rate is 0.0 percent and no interest is earned on these deposits. A representative from the State Treasurers' office testified in support of the

bill. HB 2331 was recommended favorably for passage.

The Senate and House will not be in session the next three weeks. However, the Senate Ways and Means committee will meet for an Omnibus budget session beginning April 22. The House Appropriations committee will begin meeting on April 21. The new Consensus Revenue Estimate will be released on April 17. These new estimates will guide the drafting of the Omnibus budget. If revenue estimates drop significantly, it is possible that further cuts will be necessary at Omnibus.

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