

MEMORANDUM

TO: Governor Sam Brownback and Legislative Budget Committee

FROM: Kansas Division of the Budget and Kansas Legislative Research Department

DATE: April 19, 2013

SUBJECT: Consensus Caseload Estimates for FY 2013, FY 2014 and FY 2015

The Division of the Budget, Department for Children and Families, Department of Health and Environment, Department for Aging and Disability Services, Department of Corrections /Juvenile Justice Authority, and the Legislative Research Department met on April 17, 2013, to revise the estimates on caseload expenditures for FY 2013, FY 2014 and FY 2015. The caseload estimates include expenditures for KanCare medical programs, Non-KanCare programs including Nursing Facilities for Mental Health (state only) and Frail Elderly/Physical Disability Waiver Assessments, Temporary Assistance to Families, the Reintegration/Foster Care Contracts, and Out of Home Placements.

As the starting point for the current estimate, the group used the Governor's budget recommendation as adjusted by the Governor's Budget Amendment No. 1. A chart summarizing the estimates for FY 2013, FY 2014 and FY 2015 is included at the end of this memorandum. The estimate for FY 2013 is a decrease of \$97.4 million from all funding sources, including \$37.6 million from the State General Fund. The new estimate for FY 2014 is a decrease of \$24.6 million from the State General Fund and \$21.1 million from all funding sources. The estimate for FY 2015 is a decrease from the Governor's budget recommendation of \$10.9 million, including \$5.6 million from the State General Fund. **The combined decrease for all human services caseloads for all three years is an all funds decrease of \$129.5 million and a State General Fund decrease of \$67.8 million.**

As a part of Medicaid reform, the Governor proposed a realignment of state agencies to administer the newly integrated KanCare program through Executive Reorganization Order Number 41. The realignment, approved by the 2012 Legislature, consolidated Medicaid fiscal and contract management in the Kansas Department of Health and Environment's (KDHE) Division of Health Care Finance and program management in the Kansas Department for Aging and Disability Services (KDADS). In addition, on January 1, 2013 the state implemented its integrated care model KanCare, in which three managed care organizations began coordinating health care for nearly all Medicaid beneficiaries. The administration of KanCare within the state

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is accomplished by KDHE maintaining financial management and contract oversight, while KDADS administers the Medicaid Waiver programs for disability services, mental health and substance abuse services, and the State Hospitals.

FY 2013

For FY 2013, the estimate for all human services caseloads is an all funds decrease of \$97.4 million, including \$37.6 million from the State General Fund, as compared to the Governor's recommended budget. The new estimate for the Temporary Assistance to Families Program reflects a reduction in beneficiaries that has resulted from program policies and decreasing unemployment in Kansas. The reduced estimate for the Juvenile Justice Authority's Out of Home Placements reflects fewer children in the system and a temporary loss of some special revenue funding utilized in the program. The Foster Care Contract is estimated to increase in the current year. More children are estimated in this program as the result of an increase in referrals and a decrease in permanent placements.

The major difference in the current estimate from the prior one is in the KanCare program. The reduction of \$97.8 million from all funding sources is attributable to several factors including fewer than previously expected beneficiaries, particularly beneficiaries that receive high cost services. In addition, certain costs associated with converting to the new KanCare program have not been as high as previously estimated and the timing of those costs have been different than was previously expected.

FY 2014

For FY 2014, the estimate for all human services caseloads is a decrease of \$21.1 million from all funding sources and \$24.6 million from the State General Fund. These adjustments include a decrease of \$4.1 million for the Temporary Assistance to Families program which reflects new program policies and the expectation that the Kansas economy will continue to improve. The estimate for Foster Care is reduced by \$4.4 million, including \$3.7 million from the State General Fund. The savings are expected to result from new contracts that will go into effect on July 1, 2013. A switch from five regions to four will reduce fixed costs in the system. Although overall costs are estimated to decrease with the new contracts, the estimate is based on higher number of children in the program. Conversely, the new estimate for the Department of Corrections/Juvenile Justice Out of Home Placements reflects fewer children in the system and estimated savings of \$676,669.

The FY 2014 estimate for KanCare refines expectations for the new program and reflects a decrease of \$14.8 million from all funding sources and \$23.7 million from the State General Fund. The larger reduction to the State General Fund is mainly due to a temporary increase in payments to primary care physicians that is fully funded with federal Medicaid dollars. The effects of this policy change were not included in the prior estimate.

FY 2015

For FY 2015, the estimate for all human services caseloads is a decrease of \$10.9 million, including \$5.6 million from the State General Fund, as compared to the Governor's recommended budget. The estimate for the Temporary Assistance to Families is a decrease of \$5.2 million all in federal funds. As was the case for the FY 2013 and FY 2014 estimates, the number of families is expected to decrease as economic conditions improve. Foster Care and Department of Corrections/Juvenile Justice Out of Home Placements are also decreased in the new estimates. The Foster Care estimate reflects savings of \$7.1 million resulting from the new contracts and the Juvenile Out of Home Placements estimate reflects savings of \$1.2 million resulting from fewer children in the program. The total estimate for the KanCare program in all agencies in FY 2015 reflects an increase of less than \$1.0 million or 0.03%. The FY 15 KanCare estimate is also impacted by the anticipated change in the Federal Medical Assistance Percentage (FMAP) rate which changed from 43.19 to 43.02 and lowered the state share by .17 percent ,or approximately \$4.4 million for FY 15.

April 2013 Consensus Caseload Estimates

		FY 2013			FY 2014			FY 2015		
		Governor's Budget Recommendation	Revised Estimate	Difference from GBR	Governor's Budget Recommendation	Revised Estimate	Difference from GBR	Governor's Budget Recommendation	Revised Estimate	Difference from GBR
Temporary Assistance to Families	SGF	10,580,290	10,580,290	--	8,137,508	8,137,508	--	8,137,508	8,137,508	--
	AF	31,302,000	29,500,000	(1,802,000)	29,637,000	25,500,000	(4,137,000)	29,000,000	23,800,000	(5,200,000)
Foster Care Contract	SGF	77,865,288	79,685,238	1,819,950	74,593,912	70,921,075	(3,672,837)	78,235,135	71,000,000	(7,235,135)
	AF	140,193,271	142,855,991	2,662,720	137,510,931	133,147,105	(4,363,826)	140,353,739	133,283,000	(7,070,739)
Juvenile Justice KanCare	SGF	1,950,979	2,071,241	120,262	1,941,987	2,265,243	323,256	2,070,158	2,358,990	288,832
	AF	4,496,380	4,775,409	279,029	4,496,380	5,244,832	748,452	4,793,141	5,483,472	690,331
Out of Home Placements	SGF	21,849,836	21,249,440	(600,396)	22,059,052	21,960,608	(98,444)	22,501,000	21,960,608	(540,392)
	AF	24,450,924	23,612,080	(838,844)	24,661,912	23,985,243	(676,669)	25,155,150	23,985,243	(1,169,907)
KDHE KanCare	SGF	612,420,000	612,420,000	--	618,320,000	642,790,000	24,470,000	659,129,120	659,129,120	--
	AF	1,590,120,000	1,590,120,000	--	1,617,390,000	1,702,390,000	85,000,000	1,724,137,740	1,724,137,740	--
KDADS KanCare	SGF	307,442,737	267,604,747	(39,837,990)	312,239,878	263,721,459	(48,518,419)	329,242,652	329,242,652	--
	AF	768,479,456	670,386,104	(98,093,352)	761,614,976	661,026,416	(100,588,560)	811,719,577	811,719,577	--
KDADS Non-KanCare	SGF	22,645,754	23,589,641	943,887	12,633,883	15,524,641	2,890,758	13,668,937	15,524,641	1,855,704
	AF	34,342,882	34,706,279	363,397	13,228,288	16,119,048	2,890,760	14,263,342	16,119,046	1,855,704
Total SGF		\$ 1,054,754,884	\$ 1,017,200,597	\$ (37,554,287)	\$ 1,049,926,220	\$ 1,025,320,534	\$ (24,605,686)	\$ 1,112,984,510	\$ 1,107,353,519	\$ (5,630,991)
Total AF		\$ 2,593,384,913	\$ 2,495,955,863	\$ (97,429,050)	\$ 2,588,539,487	\$ 2,567,412,644	\$ (21,126,843)	\$ 2,749,422,689	\$ 2,738,528,078	\$ (10,894,611)

SGF - State General Fund
AF - All Funding Sources

fil 2013 Consensus Estimates
Includes Sen. Sub. for HB 2143 - Senate Appropriations Bill
Senate Ways and Means Revenue and Expenditure Adjustments
Individual and Corporate Income at 5 percent and Sales at 3.75 percent growth rate
Includes Senate Sub. for HB 2059 (Tax Bill) - Maintains Sales Tax at 6.3 Percent,
Phased Reduction of Select Itemized Deductions, Adoption Credit, Basis and
Subchapter S Adjustments, and a Phased Reduction in Income Tax Rates -
Tax Year 2014 Bottom Rates from 3.0 Percent to 2.5 Percent, Tax Year 2015
Bottom Rate from 2.5 Percent to 1.9 Percent and Tax Year 2017 Top Rate from 4.9 Percent to 3.5 Percent.

STATE GENERAL FUND PROFILE
FY 2011-FY 2018
(Dollars in Millions)

	Actual FY 2011	Actual FY 2012	Estimated FY 2013	Estimated FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017	Estimated FY 2018
Beginning Balance								
Consensus Revenue Estimate (April 19, 2013)	\$ (27.1)	\$ 188.3	\$ 502.9	\$ 624.6	\$ 522.8	\$ 435.9	\$ 407.7	\$ 250.6
Governor's Transfer Revenue Adjustments*	5,892.1	6,412.7	6,199.0	5,454.3	5,636.4	5,885.9	6,148.4	6,421.8
Senate Revenue Adjustments	-	-	70.5	117.9	106.2	110.3	110.4	110.5
Maintain Sales Tax Rate at 6.3 Percent	-	-	15.0	14.0	(1.0)	(14.2)	-	-
Phased Reduction of Itemized Deductions	-	-	-	257.6	291.6	302.5	313.9	325.7
Adoption Credits	-	-	-	103.8	119.7	147.0	232.2	307.7
Personal Income Tax Rate Reduction	-	-	-	(1.5)	(1.5)	(1.6)	(1.6)	(1.7)
Total Available Revenue	\$ 5,855.0	\$ 6,601.0	\$ 6,787.4	\$ 6,532.9	\$ 6,546.1	\$ 6,861.2	\$ 6,698.7	\$ 6,406.6
Expenditures								
State General Fund Expenditures Shifted from FY 2012	\$ 5,667.0	\$ 6,098.1	\$ 6,170.6	\$ 6,182.9	\$ 6,009.9	\$ 6,110.2	\$ 6,273.5	\$ 6,448.1
Human Services Caseloads	-	-	27.2	(27.2)	85.3	68.6	71.4	76.1
School Finance General State Aid Adjustments	-	-	(56.4)	12.9	(34.2)	52.2	53.2	54.3
KPERS State and School	-	-	21.3	-	39.0	42.5	50.0	50.0
Governor's Expenditure Adjustments*	-	-	0.2	(86.6)	(7.5)	-	-	-
Senate Ways and Means Adjustments (As of 4/15/2013)	-	-	-	(52.1)	17.7	-	-	(221.9)
Total Adjusted Expenditures	\$ 5,667.0	\$ 6,098.1	\$ 6,162.9	\$ 6,009.9	\$ 6,110.2	\$ 6,273.5	\$ 6,448.1	\$ 6,406.6
Ending Balance	\$ 188.3	\$ 502.9	\$ 624.6	\$ 522.8	\$ 435.9	\$ 407.7	\$ 250.6	\$ -
Ending Balance as a Percentage of Expenditures	3.3%	8.2%	10.1%	8.7%	7.1%	6.5%	3.9%	0.0%
Receipts in Excess of Approved Expenditures	\$ 215.2	\$ 314.7	\$ 121.6	\$ (101.7)	\$ (86.9)	\$ (28.2)	\$ (157.1)	\$ (250.6)
* Includes Governor's Budget Amendment No. 1			\$ 6,200.5	\$ 6,034.5	\$ 6,115.8			

- Assumptions:**
1. November 6, 2012 Consensus Revenue estimates for FY 2013 and FY 2014.
 2. FY 2013 expenditure adjustments include: \$27.2 million expenditure authority shifted from FY 2012; a reduction of \$18.8 million for the Human Services Consensus estimates; and \$21.3 million for revisions to School Finance.
 3. FY 2013 Governor's revenue adjustments include \$25.0 million for medical resident FICA refund, \$22.7 million for Bioscience Authority transfer reduction, \$16.1

4. FY 2014 Governor's revenue increases include \$115.7 million including \$27.0 million by eliminating the LAVTR transfer, \$25.0 million by capping the Bioscience Authority transfer at \$10.0 million, \$16.1 million change Fees for some portion Special Education retirement, \$15 million from Highway Fund for RTA consolidation of functions and \$14.7 million suspend Severance Tax Oil and Gas Valuation Depletion Trust Fund payment.
5. Senate Sub. for HB 2059 includes maintaining sales tax rate at 6.3 percent (\$257.6 million) phasing out certain itemized deduction (\$103.8 million), allowed adoption credits (\$1.5 million), adjusted basis and subchapter S corporations (\$10.5 million), and income tax rate reduction (-\$57.9 million).
6. Governor's FY 2014 expenditure adjustments include savings of \$107.3 million by funding student transportation with State Highway Funds, additional expenditures of \$17.2 million for Judiciary, and expenditures of \$7.0 million for Dept. of Admin. debt services.
7. Governor's FY 2015 projected revenue and expenditures reflect similar amounts as FY 2014 with expenditures for social services caseloads, KPERS retirement employer contributions and BSAPP funded at \$3,852. up from \$3,838.
8. FY 2015 and forward estimated revenue includes income tax projected growth of 4.0 percent and sales tax growth of 3.75 percent.

File: Profile w Sen Sub HB 2059 tax plan swam.xlsx

