

The People's Budget

Fiscal Year 2027



Submitted by:
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Presented By:

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Agenda

- Budget Priorities
- Successes Over Past Several Years
- People's Budget Tour
- Total Revenues and Spending
- Federally Required Spending
- Policy and Funding Adjustments
- Appendix

Strong Partnership Has Led to Fiscal House Clean-Up

~Continue Working Together to Build Upon These Successes for Long Term Stability~

- Paid down > \$2.0bil in debt
- Paid cash for capital projects, avoiding costly interest payments
- Reduced taxes by > \$1.0bil per year
- Closed the Bank of KDOT
- Opened budget stabilization fund
- Reversed funding swaps that used non-SGF resources to cover operating expenses
- Fully funding public education
- Fully funding water plan
- Fully funding KPERS
- Eliminated accounting gimmicks and budget maneuvers
- Improved credit rating and outlook

The PEOPLE'S BUDGET Listening Tour



People's Budget Listening Tour

Listening to Kansans

~Meet Kansans Where They Are to Hear Their Priorities~

- Governor Kelly held eight townhalls across Kansas
 - Nearly 820 Kansans attended and provided feedback
 - Goal was to seek input from Kansans about their budget priorities
 - Many of the themes/requests are contained in Governor's Budget Recommendation



People's Budget Listening Tour

Listening to Kansans

~Meet Kansans Where They Are to Hear Their Priorities~

- Several key themes emerged:
 - Fully fund K-12 education – both general education and special education
 - Continue investments in mental health services and community-based programs
 - Restore full funding for the State Library's State Grants-in-Aid program
 - Restore full funding for the Arts Commission
- Most important / frequent theme:
 - Do not go backwards on progress made restoring fiscal health

Revenue and Topline Spending Changes

Consensus Revenue Estimates – Adjusted for Gov Rec

Consensus Revenue Estimate As Adjusted for Governor's Recommendations <i>(Dollars in Thousands)</i>						
	FY 2025 Actual		FY 2026 Gov. Rec.		FY 2027 Gov. Rec.	
	Amount	% Change	Amount	% Change	Amount	% Change
Income Taxes:						
Individual	\$ 4,675,736	3.8 %	\$ 4,945,000	5.8 %	\$ 5,105,000	3.2 %
Corporation	1,313,558	(7.4)	1,145,000	(12.8)	1,040,000	(9.2)
Financial Institutions	48,986	5.2	43,000	(12.2)	44,000	2.3
Total	\$ 6,038,280	1.2 %	\$ 6,133,000	1.6 %	\$ 6,189,000	0.9 %
Sales & Use Taxes:						
Retail Sales	\$ 2,581,699	(3.6) %	\$ 2,540,000	(1.6) %	\$ 2,590,000	2.0 %
Compensating Use	893,761	3.8	945,000	5.7	975,000	3.2
Total	\$ 3,475,460	(1.1) %	\$ 3,485,000	0.3 %	\$ 3,565,000	2.3 %
Other Excise Taxes:						
Cigarette	\$ 82,238	(8.7) %	\$ 77,000	(6.4) %	\$ 72,000	(6.5) %
Tobacco Products	10,291	(2.1)	10,300	0.1	10,300	--
Liquor Gallonage	23,946	(3.1)	24,300	1.5	24,300	--
Liquor Enforcement	82,831	(1.1)	83,000	0.2	83,000	--
Liquor Drink	15,333	0.7	15,400	0.4	15,500	0.6
Gas Severance	3,491	315.9	5,900	69.0	6,000	1.7
Oil Severance	23,003	(11.3)	19,300	(16.1)	19,300	--
Total	\$ 241,133	(3.0) %	\$ 235,200	(2.5) %	\$ 230,400	(2.0) %
Other Excise Taxes:						
Insurance Premium	\$ 217,237	(1.6) %	\$ 223,000	2.7 %	\$ 227,000	1.8 %
Motor Carrier	11,761	(0.2)	11,700	(0.5)	11,700	--
Corporate Franchise	11,052	34.4	8,800	(20.4)	9,000	2.3
Miscellaneous	5,245	(8.2)	4,900	(6.6)	4,900	--
Total	\$ 245,294	(0.4) %	\$ 248,400	1.3 %	\$ 252,600	1.7 %
Total Taxes	\$ 10,000,167	(0.0) %	\$ 10,101,600	1.0 %	\$ 10,237,000	1.3 %
Other Revenues:						
Interest	\$ 392,447	(0.8) %	\$ 289,800	(26.2) %	\$ 212,000	(26.8) %
Net Transfers	(503,423)	(35.6)	(300,900)	40.2	(415,400)	(38.1)
Agency Earnings	132,847	19.6	133,800	0.7	124,800	(6.7)
Total Other Revenue	\$ 21,871	(83.9) %	\$ 122,700	461.0 %	\$ (78,600)	(164.1) %
Total Receipts	\$ 10,022,038	(1.2) %	\$ 10,224,300	2.0 %	\$ 10,158,400	(0.6) %

Totals may not add because of rounding.

Minimize New Spending

Keep FY 2027 Spending as Close to Flat as Possible
~Total FY27 SGF 1.6% Increase Over FY26 Legislative Approved~

SGF Expenditures	FY26 Legislative Approved	FY27 Governor Recommended	Increase / (Decrease)	
			\$	%
General Government	382.6	356.3	(26.3)	-6.9%
Judiciary	230.2	236.2	6.1	2.6%
Human Services	1,310.4	1,417.9	107.5	8.2%
Health/Human Service Caseloads	1,815.7	1,804.1	(11.6)	-0.6%
K-12 Education	5,001.8	5,050.3	48.4	1.0%
Higher Education	1,207.4	1,180.4	(27.1)	-2.2%
Public Safety	658.0	702.5	44.5	6.8%
Agriculture & Natural Resources	23.1	20.0	(3.1)	-13.2%
State Employee Pay Plan		33.0	33.0	0.0%
Total	10,629.4	10,800.7	171.3 *	1.6%

Base expenditures represent a 1.3% increase over FY26 approved budget, in line with forecasted increase in total taxes

* Includes \$34.8mil of one-time expenditures

Federal Requirements

New Federal Requirements

Shifting Federal Guidance and Funding Creates Gaps in Core Services

~State Adding Funding to Cover Shortfall~

- Federal H.R. 1 shifted significant costs to states to administer the SNAP program
 - \$12.1mil SGF to cover incremental state share of administrative cost (will increase in FY28)
 - \$4.0mil SGF across FY26/FY27 for new costs related to increased work requirements
- FEMA shifted guidance for Emergency Management Performance Grants (EMPG)
 - Moved timeframe for allowable expense reimbursement, after expenses already incurred
 - \$5.0mil SGF to reimburse EMPG account

Education

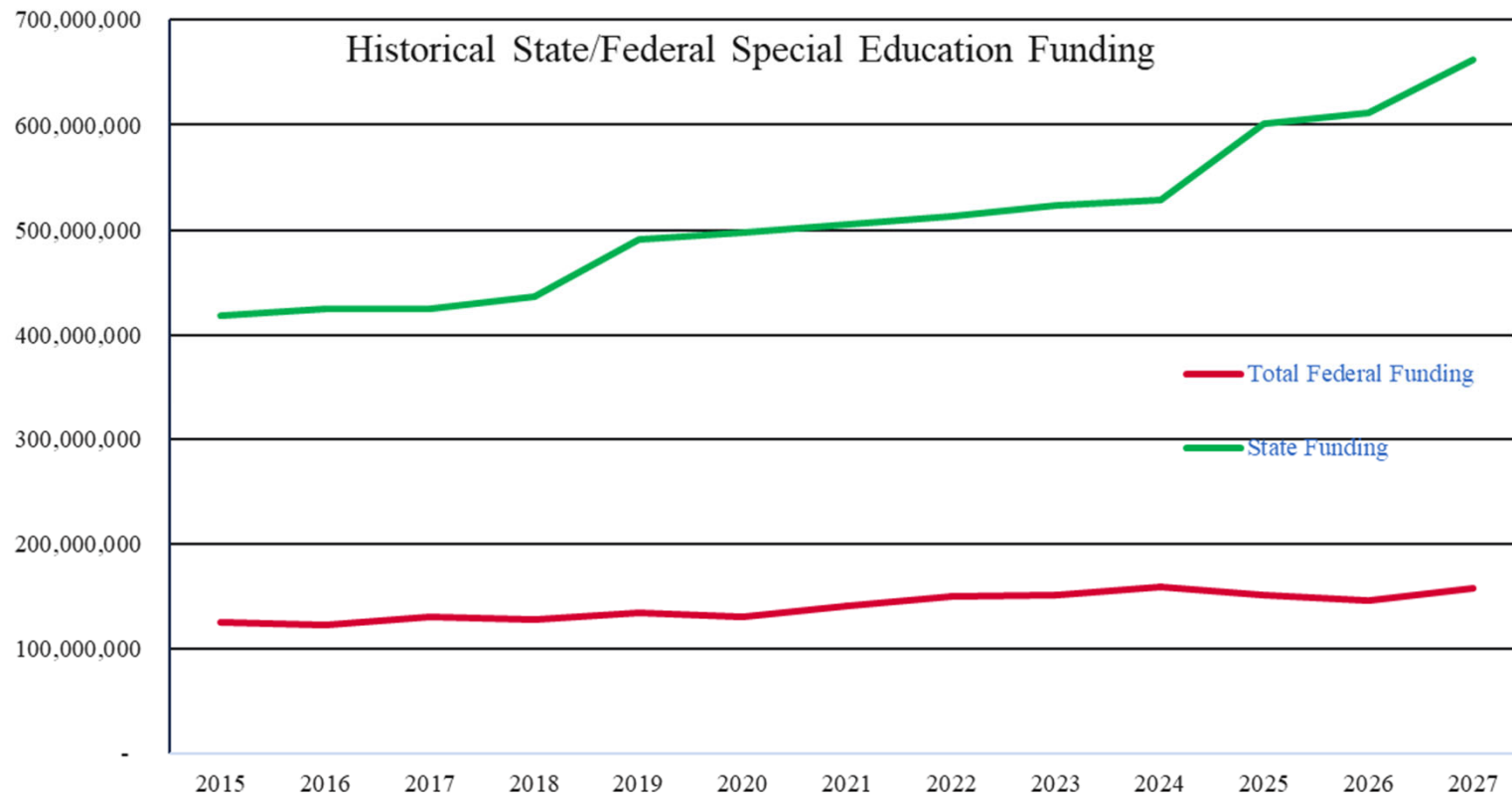
Continue to Fully Fund K-12 at Constitutional Levels *~Marks the 8th Consecutive Year of Fully Funding K-12~*

- Recommending full funding for FY27 and FY28
 - Allows for predictability for school districts when extending contract offers
 - Maintains current funding formula for FY28
- \$2.5mil SGF to eliminate co-payments for students on reduced lunch
 - Will provide access to free meals to more than 34k students who currently receive reduced price meals
- Restore funding that was lapsed during 2025 Legislative Session
 - \$1.8mil for Professional Development State Aid
 - \$1.3mil for Mentor Teacher Program
 - \$0.4mil for National Board Certification Scholarships

Special Education Funding Is a Federal / State Shared Responsibility *~Governor Asking Federal Government to Meet Their Funding Obligation~*

- Recommending incremental \$50.6mil of Special Education funding for FY27
 - Improves funding to 70.0% of excess costs
 - Still well below the 92.0% outlined in statute
 - State has not met the 92.0% requirement for 15 years
- Governor Kelly is again calling on the federal government to meet their obligation and increase their funding
 - Federal government is supposed to fund up to 40.0% of total costs
 - Federal funding has remained relatively flat over the past decade
 - Current federal funding only accounts for 12.0% of special education costs
- In contrast, the state has increased its funding by >\$240.0mil during the same timeframe

Special Education – State and Federal Funding



Year	State	Federal	% of Excess Costs
FY 2015	418,360,566	125,333,155	82.2%
FY 2027 (Proposed)	661,629,375	158,012,154	70.0%
Difference	243,268,809	32,678,999	-12.2%

Special Education – Impact of Federal Dollars

\$50.6mil additional SGF, No Additional Fed \$

Excess Cost Computation--FY 2027:

Projected Total Expenditures	\$ 1,361,321,785
Less Cost of Regular Education	(189,351,101)
Less LOB attributable to SPED	(62,485,863)
Less SPED Federal Aid	(124,000,000)
Less Medicaid Reimbursements	(40,000,000)
Less State Hospitals Administrative Costs	(300,000)
Projected SPED Excess Costs	<u>\$ 945,184,821</u>
State Aid at 92.0% of Excess Costs	\$ 869,570,036
SGF SPED Appropriation (w/Additional \$50.6m)	\$ 661,794,609
State (Shortfall)/Overage from 92.0%	<u>\$ (207,775,427)</u>
Percentage of Federal Funding for SPED	12.0%

- No new federal dollars
- Add \$50.6mil SGF
- SPED funding still \$207.8mil short

\$50.6mil additional SGF, Feds Cover Balance up to 92%

Excess Cost Computation--FY 2027:

Projected Total Expenditures	\$ 1,361,321,785
Less Cost of Regular Education	(189,351,101)
Less LOB attributable to SPED	(62,485,863)
Less SPED Federal Aid	(349,842,855)
Less Medicaid Reimbursements	(40,000,000)
Less State Hospitals Administrative Costs	(300,000)
Projected SPED Excess Costs	<u>\$ 719,341,966</u>
State Aid at 92.0% of Excess Costs	\$ 661,794,609
SGF SPED Appropriation (w/Additional \$50.6m)	\$ 661,794,609
State (Shortfall)/Overage from 92.0%	<u>\$ --</u>
Percentage of Federal Funding for SPED	28.6%

- Feds increase funding to 28.6%
- Add \$50.6mil SGF
- SPED fully funded at 92.0% of excess costs

In this scenario (desired outcome), federal funding increase from 2015 to 2027 now matches that of state's increase

Water

Investing in the State's Water Supply

Continue to Make Water a Priority

~Statewide Effort to Preserve and Increase Both Quantity and Quality~

- Fully fund State Water Plan Fund for fourth year in a row (\$6.0mil of SGF and \$2.0mil of EDIF)
 - Still recovering from years of underfunding
 - Recommendation includes \$35.0mil of SGF from 2023 HB 2302
- Full funding is now established as standard operating procedure

SGF & EDIF Transfers to the State Water Plan Fund

	SGF	EDIF
FY 2015	\$ --	\$ 750,000
FY 2016	\$ --	\$ --
FY 2017	\$ --	\$ --
FY 2018	\$ 1,400,000	\$ --
FY 2019	\$ 2,750,000	\$ 500,000
FY 2020	\$ 4,005,632	\$ 500,000
FY 2021	\$ 6,000,000	\$ 913,325
FY 2022	\$ 4,005,632	\$ 1,719,264
FY 2023	\$ 6,000,000	\$ 2,000,000
FY 2024	\$ 41,000,000	\$ 2,000,000
FY 2025	\$ 51,000,000	\$ 2,000,000
FY 2026 Gov. Rec.	\$ 41,000,000	\$ 2,921,417
FY 2027 Gov. Rec.	\$ 41,000,000	\$ 2,000,000

State Water Plan Fund

	FY 2025 Actual	FY 2026 Gov. Rec.	FY 2027 Gov. Rec.
Beginning Balance	\$ 28,620,859	\$ 24,484,350	\$ 2,709,589
Released Encumbrances	2,627,101	--	--
Adjusted Balance	\$ 31,247,960 \$-	\$ 24,484,350 \$-	\$ 2,709,589
Revenues			
State General Fund Transfer	51,000,000	41,000,000	41,000,000
EDIF Transfer	2,000,000	2,921,417	2,000,000
State Treasurer (Milford/Perry Interes	--	7,000,000	--
Water Technical Assist. Fund Transfe	(7,500,000)	(5,500,000)	(5,000,000)
Water Projects Grants Fund Transfer	(19,500,000)	(12,500,000)	(12,000,000)
Fee Revenue	13,162,452	13,566,727	13,500,727
Total Available	\$ 70,410,412	\$ 70,972,494	\$ 42,210,316
Expenditures			
Agency Expenditures	45,926,062	68,262,905	42,209,713
Ending Balance	\$ 24,484,350	\$ 2,709,589	\$ 603

Investing in the State's Water Supply

Develop Strategic 10-Year Plan for Priority Investments

~Goal is to Establish Permanent Funding Source for Water~

- Governor Kelly would like to again partner with the Legislature to develop sustainable water programming
 - Develop a 10-year roadmap, similar to how Transportation projects are developed
- Key focus this session is to partner with Water Program Task Force to identify a permanent and sustainable funding source to address the state's long-term water needs
- As we work toward 10-year plan and permanent funding, address immediate needs
 - Conserve and extend High Plains Aquifer
 - \$250k for water resources cost share program, leading to upgrades of 10 – 20 irrigation systems/yr
 - Improve water quality
 - \$2.3mil to remediate chloride contamination of the Equus Beds Aquifer
 - Improve resiliency
 - \$1.1mil for water planning and project development across watersheds

Human Services

Home and Community Based Waivers

Continue Providing Funding for HCBS Waivers

~Stand-Up New Community Support Waiver, Avoid Waitlist on TA Waiver~

- Funding to fully implement Community Support Waiver (CSW)
 - \$3.6mil SGF / \$9.0mil AF in FY 27
 - Will provide options for individuals that do not require the full menu of services on the I/DD waiver
 - Goal is to free up slots for I/DD waiver
- Funding to address increased demand for TA waiver
 - \$2.8mil SGF / \$7.3mil AF in FY 27
 - Provides funding for home-based services for children under 21 who require life-sustaining medical equipment and technology
 - Avoids prolonged hospitalization and institutionalization for this population

Add Funding Across the System to Address Capacity and Staffing Shortages *~Add Capacity to State's Mental Health Hospital System~*

- Add funding to fund first year of operations for South Central Regional Mental Health Hospital
 - \$30.9mil all funds will allow a fully staffed facility to open in FY27
 - Will add 104 beds of capacity to the state's system
- Capital improvements at KNI to create 15 – 30 behavioral health beds for children
 - \$3.0mil SIBF (fund maintains healthy ending balance)
- One time funding to assist local hospitals with behavioral health beds prior to opening of new hospital
 - \$5.0mil distributed formulaically across six hospitals
 - Funding will no longer be sent to these facilities once the new hospital in Wichita opens (Jan 2027)
- Nursing shortages persist, specifically in Larned and Osawatomie
 - \$32.2mil to fund contract nursing in Larned (FY26 and FY27)
 - \$5.0mil to fund contract nursing in Osawatomie in FY27 (down from \$7.0mil in FY26)

State Employee Pay

Recognize State Employee Contributions with 2.5% Statewide Pay Adjustment *~Continue to Keep Pace With Strong Labor Market~*

- Apply statewide 2.5% pay adjustment for Executive Branch state employees ¹
 - \$33.0mil SGF, and \$88.4mil all funds budget impact
- Excludes professional staff in Legislative Branch
 - Legislature's budget submission proposes a 10.0% for these employees (\$1.6mil)
- Excludes professional staff in Judicial Branch
 - Judicial budget submission proposes targeted pay increases, averaging 2.5% for these employees (\$3.3mil)
 - By statute, Governor cannot modify Judicial budget submission

¹ Excludes elected officials, Teachers at KSSB and KSSD, and employees on an approved career progression plan

Budget Bill and GBR Volumes 1 and Volume 2

Budget Bill and GBR Volume 1 & 2

Budget Bill and Accompanying Analysis

~Detailed Analysis of GBR Available on DOB Website~

- Legislation to enact the Governor's Budget is ready for introduction to committees
 - RS number for each chamber
 - Satisfies requirement for part three of GBR, as described in KSA 75-3721(b)(3)
- GBR Volumes 1 and Volume 2 have been published
 - Will be posted on DOB website by 1:00 p.m., 01/14/26
 - Placing hard copies of both on each legislator's chamber desk
 - Nearly 900 pages of analysis on GBR by agency/division/program

Appendix

SGF Outlook

State General Fund Outlook

(Dollars in Millions)

	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Gov. Rec.</u>	<u>Gov. Rec.</u>
Beginning Balance	\$ 2,094.8	\$ 1,834.7	\$ 2,410.4	\$ 3,220.7	\$ 2,933.2	\$ 2,230.6
Revenues						
Taxes	9,758.1	10,180.2	10,039.8	10,000.2	10,101.6	10,237.0
Interest	2.8	200.5	395.8	392.4	289.8	212.0
Agency Earnings	89.7	116.6	111.1	138.2	133.8	124.8
Transfers						
School Capital Improvement Aid ¹	(200.7)	(196.6)	--	--	--	--
Highway Fund	66.9	--	--	--	--	--
Budget Stabilization Fund	(969.1)	(613.0)	--	--	--	--
PMIB Bridge Funding	(66.1)	--	--	--	--	--
KPERS	(853.7)	(271.1)	--	--	--	--
All Other Transfers	<u>107.8</u>	<u>(113.7)</u>	<u>(371.2)</u>	<u>(503.4)</u>	<u>(300.9)</u>	<u>(415.4)</u>
Total Revenues	\$ 7,935.8	\$ 9,302.8	\$ 10,175.5	\$ 10,027.4	\$ 10,224.3	\$ 10,158.4
Total Available	\$ 10,030.6	\$ 11,137.5	\$ 12,585.9	\$ 13,248.1	\$ 13,157.5	\$ 12,389.0
Expenditures						
General Government	584.8	403.8	324.0	369.7	442.2	356.3
Judiciary	138.0	172.5	186.5	211.3	230.2	236.2
Human Services	711.0	977.7	1,114.9	1,307.1	1,528.1	1,417.9
Health/Human Service Caseloads	1,134.7	1,217.4	1,412.4	1,663.3	1,777.3	1,804.1
K-12 Education	4,133.9	4,388.8	4,569.8	4,760.3	4,879.3	5,050.3
Higher Education	902.3	1,012.7	1,149.4	1,280.1	1,376.4	1,180.4
Public Safety	498.3	535.3	581.4	678.7	670.1	702.5
Agriculture & Natural Resources	92.9	19.0	26.8	44.4	23.2	20.0
State Employee Pay Plan	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>33.0</u>
Total Expenditures	\$ 8,195.9	\$ 8,727.1	\$ 9,365.2	\$ 10,314.9	\$ 10,926.9	\$ 10,800.7
Ending Balance	\$ 1,834.7	\$ 2,410.4	\$ 3,220.7	\$ 2,933.2	\$ 2,230.6	\$ 1,588.3
As Percentage of Expenditures	22.4%	27.6%	34.4%	28.4%	20.4%	14.7%
Budget Stabilization Fund Balance	\$ 969.2	\$ 1,610.3	\$ 1,687.1	\$ 1,890.2	\$ 1,976.0	\$ 2,035.3
One-Time Expenditures/Adjustments	\$ 1,048.5	\$ 1,055.1	\$ 37.8	\$ 476.5	\$ (25.6)	\$ 34.8

Totals may not add because of rounding.

Revenues for FY 2026 & FY 2027 Recommendations reflect the November 2025 Consensus Revenue Estimate as adjusted by the Governor.

Expenditures for the Recommendations reflect the November 2025 Human Services Consensus Caseload Estimate.

¹ Capital Improvement Aid shifted from a revenue transfer to become a demand transfer in FY 2024, thus moving from revenues to expenditures

SGF Expenditures

FY 2026 State General Fund

(Dollars in Millions)

Beginning Balance	\$ 2,933.2
Revenue:	
November Consensus Revenue Est.	10,226.8
Governor's Transfer Adjustments	(2.5)
Total Available	\$ 13,157.5
Expenditures:	
FY 2026 Budget-Total Expenditures	\$ 10,926.9
Key Adjustments Included in Total:	
Reappropriations	\$ 517.8
Health/Human Service Caseloads	(68.9)
K-12 Caseloads	(119.1)
BIDS Assigned Counsel Caseload	0.8
DOC Lapse Evidence Based Prog. Reappr.*	(23.6)
Sentencing Commission Lapse Reapprop.**	(2.4)
KDADS Counties/Hospital Reimbursements	(1.0)
DOC Food Service Contract	0.4
BIDS Expert Witness & Cell Phones	1.1
Disaster Relief Funding	3.4
DCF Initiatives (\$0.4**)	5.3
State Hospital Contract Nursing Services	39.2
All Other Expenditure Adjustments	0.1
Ending Balance	\$ 2,230.6

Totals may not add because of rounding.

**Represents one-time expenditures or adjustments

FY 2027 State General Fund

(Dollars in Millions)

Beginning Balance	\$ 2,230.6
Revenue:	
November Consensus Revenue Est.	10,132.9
Governor's Transfer Adjustments	25.5
Total Available	\$ 12,389.0
Expenditures:	
FY 2027 Budget-Total Expenditures	\$ 10,800.7
Key Adjustments Included in Total:	
K-12 Caseloads	\$ (114.6)
Special Education to 70% Excess Costs	50.6
K-12 Initiatives	10.7
Higher Education Initiatives	16.6
State Library Initiatives	0.5
Historical Society (\$0.2**)	0.7
Health/Human Service Caseloads	19.3
KDHE Health Initiatives (\$6.7**)	29.4
KDHE Environment Initiatives**	0.3
Office of Early Childhood Operations	1.3
Dept. for Children & Families Initiatives	21.9
KDADS Counties/Hospital Reimbursements	(1.0)
KDADS HCBS Programs	6.4
State Hospital Contract Nursing Services	37.2
New State Hospital Operating	28.9
DOC Initiatives (\$0.8**)	16.3
Disaster Relief Funding	2.0
KHP Troop Relocation**	26.8
KBI Initiatives	0.7
BIDS Assigned Counsel Caseload	4.5
BIDS Expert Witness, Salaries & Cell Phone	2.9
All Other Expenditure Adjustments	0.4
State Employee Pay Plan	33.0
Ending Balance	\$ 1,588.3

Totals may not add because of rounding.

**Represents one-time expenditures or adjustments

Spending by Bucket

Hold FY27 Expenditures in Check

Largest Buckets of Funding	SGF \$
SPED	50.6
Contract Nursing	37.2
One-Time Expenditures	34.8
State Employee Pay Plan	33.0
South Central Regional Mental Health Hospital	28.9
New Federal Requirements	18.9
CHIP Caseload Increase	15.0
Blueprint for Literacy	8.6
Waivers	6.4

One-Time Expenditures

Item	FY26 SGF	FY26 AF	FY27 SGF	FY27 AF
KHP- Relocation of Troops C & S (Salina)	-	-	26.8	28.8
KHP- South Olathe Scale House Replacement (SHF)	-	-	-	4.7
KHP- Relocation of KHP General Headquarters (SHF)	-	2.0	-	2.0
KHP- IT Infrastructure (SHF)	-	0.2	-	-
DOC Victim Information and Notification Everyday (VINE)	-	-	0.2	0.2
DOC- TCF Nursery	-	-	0.4	0.4
KDHE- Behavioral Health Beds	-	-	5.0	5.0
KDHE- National Council for Prescription Drug Programs Rule	-	-	1.0	4.0
KDHE- Interoperability Rule	-	-	0.3	1.3
KDHE- Vital Statistics	-	-	0.4	0.4
KDHE- Operator Exam Updates	-	-	0.3	0.3
KDHE- SWPF - Nonpoint Source Program	-	-	-	0.1
DCF- Employment Verification Services Contract Changes	0.4	0.9	-	-
KSD- Capital Projects (SIBF)	-	-	-	3.0
KSB - Capital Projects (SIBF)	-	-	-	0.7
KWO- Water Planning & Project Development	-	-	-	1.1
KHS- Shawnee Indian Mission West Building Rehab	-	0.2	0.2	0.6
KHS- Emergency Repairs	-	-	0.2	0.2
DofA- Cedar Crest	-	-	0.0	0.0
Total	0.4	3.3	34.8	52.9



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