

August 20, 2010

To Members of the Legislative Coordinating Council and the Legislative Budget Committee:

Recent Congressional action will provide approximately \$85 million for a two-quarter extension of the increased Federal Medical Assistance Percentage (FMAP), and also \$92.5 million in increased aid for education through the Education Jobs Fund. This aid is critical for Kansas to not only maintain our balanced budget, but continue with our economic recovery. The Legislature adopted an FY 2011 budget that included \$131 million in continued aid from the federal government. Thanks to the recent actions by Congress, Kansas will receive approximately \$40-\$50 million more than what was anticipated for the budget.

Staff from the Division of the Budget, Legislative Research Department, and the various Medicaid agencies will meet this fall to update Medicaid caseload estimates, at which time, the FMAP extension can be factored in estimates, along with up to date program enrollments. These new estimates should then be incorporated into a revised FY 2011 budget to be enacted by the 2011 Legislature so that Medicaid programs can be funded as anticipated.

For the Education Jobs Fund grant, the state must demonstrate maintenance of effort, but to the extent that the state complies with maintenance of effort requirements, the state may reduce what it has budgeted from the State General Fund for aid to the school districts, to use this additional federal funding. School districts will realize no program reductions from this funding switch. I will issue an executive directive this fall that will allow the State Department of Education to receive and spend this money. However, the corresponding reduction to the State General Fund must be incorporated in a revised FY 2011 budget.

Should revenues be less than estimated for FY 2011, then the additional funding Kansas is set to receive from the federal government can be used to help manage the budget. We will continue to monitor revenues closely, as we expect to have the normal ups and downs of month-to-month revenue collections coming out of this recession. However, with this new federal aid, the Kansas FY 2011 budget is balanced.

Sincerely,



Mark Parkinson
Governor of the State of Kansas