



Office of State Budget Director

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Jennifer Hays, Committee Staff Administrator
Appropriations and Revenue Committee
Capitol Annex Building
Frankfort, Kentucky 40601

Dear Jennifer:

Attached are updated responses to the list of questions provided by you after the January 8th Appropriations and Revenue Committee:

1. Please provide the structural imbalance of the Governor's budget.
The structural imbalance within the Governor's fiscal year 2022 budget recommendation is 1.7%. The structural imbalance of the enacted fiscal year 2020 budget was 1.7%. The amount could be lower based on the prospect of lower Medicaid enrollment in the 2022-24 biennium compared to the current biennium.
2. You refer to the \$126 million as one-time funds, but isn't this just part of the new growth estimated by the CFG this past December for FY 2021? These should be reoccurring revenues every year from now on as long as growth is not negative.
They are one-time funds because the \$126 million is surplus to the FY 2021 enacted budget that would become a part of the ending balance for the year. Ending balances are one-time money.
3. Do you expect the teacher raises to just become part of the base funding in future budgets that will have to continue to be sent to school districts or will school districts have to pay the new salaries from their available resources in future years?
Yes, it is considered part of the base funding of the SEEK appropriation unit such that successive fiscal year budgets will include sufficient funds to pay for the continued costs.
4. You have added \$73.2 million to go towards the State share of the TRS Medical in FY 2022, but all contributions combined far exceed the necessary funding identified by the TRS actuaries. In fact, in FY 2020 the actuarially recommended total contribution from all sources was \$44

million, but the Health Plan received \$185 million. Given the excess funding received, how is there an estimated “shortfall” of TRS Health Funds that required an increase in FY 2022 as seen in the Governor’s budget document?

The \$73.2 million is to comply with KRS 161.550(2) relating to the Commonwealth’s portion of the Shared Responsibility plan.

5. Can KCNA or KY Wired provide last mile services? If so, would they qualify to receive some of the \$50 million in funds proposed by the Governor’s budget?

The statute governing the Broadband Deployment Fund, KRS 212A.1121(11), excludes KCNA from being a recipient of the funds.

6. How much is going to the Center for Rural Development for the KY Wired project?

\$2,000,000 annually during fiscal years 2021 and 2022.

7. The budget bills do not set an employer contribution rate for the KY Non-hazardous retirement system and instead gives that authority to the State Budget Director to do by May 2021.

- a. Can you explain the process you intend to use to create this rate?

The process is outlined for all participating entities in House Bill 8, Section (1), 1, (d), (1) and (2).

- b. Will the rate be the same for all state agencies?

Yes, for executive branch state agencies.

- c. Will this affect our ability to use federal funding to help pay pension costs as we do currently?

No, as the Executive branch will elect to convert the fixed allocation to a uniform rate consistent with House Bill 8, Section (1), 1, (d), (2). Office of the Controller has been a part of the discussion.

8. You are adding additional Medicaid waiver slots. Do you know if all the slots we currently have are actually filled?

Of the Michelle P program 10,226 of the 10,500 slots are filled/being assigned. For the Supports for Community Living program 4,914 of the 4,941 slots are filled. Some open SCL slots are reserved for individuals who apply for emergency status to accommodate transitions from facilities or individuals who lost natural supports and are in need of immediate services. Michelle P slots are assigned every 60 days to give time for some required medical reviews until 50 slots remain and those 50 are left open for individuals who lose services through no fault of their own and are reasonably expected to come back to the waiver.

9. How was the total amount of funding you have budgeted for quasi and university retirement supplements actually calculated? Are you using a percent of pay, estimated liabilities, or something else?

See attached calculations from data provided by KERS’ actuaries, and as provided to LRC’s Office of Budget Review in late December.

10. What do you expect the KLEFPF balance to be after you increase the stipend and pay for the debt service on the \$23 million bond?

\$22,973,000

11. Can you provide a comparison of what the current KSP Road Fund appropriation is versus what you believe would be a more ideal appropriation level?

Don't understand the question.

12. Are the raises for KSP based just on CPI for everyone or is this a raise to the entire scale?

The raises are based upon the statutory salary schedule in KRS 16.052 as it was leading into fiscal year 2021.

13. Can you explain the timing and process in which you foresee the federal Unemployment Insurance loan to be repaid? To include:

- a. How long does the Governor's budget delay the implementation of any surcharge? **HB 191 suspends the surcharge to pay interest on federal advances for calendar year 2022.**
- b. What portion of the loan would a future surcharge cover, principle and interest? **The interest amounts will be determined based on the balance of federal advances outstanding and the applicable interest rate.**
- c. How much of the principle will the Governor's budget pay down versus just the interest? **It is anticipated that nearly all of the \$252.9 million will be used to reduce the principal as the Unemployment Insurance Administration Fund is expected to have sufficient funds to pay most of the potential interest costs for calendar year 2021.**

14. Related to UI Claims, how many are still outstanding? If all of the outstanding claims were approved, what would be the cost associated with these claims? Is this cost considered within the Governor's budget proposal?

There are approximately 58,000 initial UI claims pending from March through November that could be obligations of Kentucky's UI Trust Fund. The costs are not considered within the Governor's budget proposal. The number of outstanding claims is higher when including pending claims against the 100% federally fund programs. Of this larger figure, there are about 23,000 claims with a verification of the claimant's identify. It is expected that a large portion of the 23,000 carry no obligation from the UI Trust Fund, but are obligations of the 100% federally funded programs.

From this information the current estimates of the outstanding federal loan balance at the end of calendar year 2021 ranges from \$700 to \$800 million. This assumes the additional \$100.9 million from HB 191.

15. Please reiterate the qualifications for a person to receive the \$1,000 unemployment benefit.

Individuals that have filed claims between March and October 31, 2020, whose identity has been verified and whose claim has not been flagged as potentially fraudulent, and who have not received unemployment insurance benefits related to the filed claim. It is estimated that 24,000 claimants are eligible.

- a. Most of the people visiting with legislators are the ones that aren't eligible.

- b. How many people do you think will qualify for the \$1,000 payment and what is the dollar amount associated with this expense?
16. How will it be determined which of the 24,000 UI claimants get the \$1,000? Almost 1 million Kentuckians filed a claim and approximately 80,000 claims are unresolved.
See response to question #15.
1. What is the goal of these \$1,000 payments? **The goal of the payments was to provide some financial relief to claimants who have been waiting for assistance for at least two months and have verified identification.**
- a. How can we ensure we get money to people we've had trouble getting money to? **Governor Beshear has proposed a General Fund appropriation for the Office of Unemployment Insurance to increase staffing of 90 employees who will be assigned to the 12 Career Centers to work with claimants to assist in the processing of their respective claims.**
17. The one-time source of \$613 M funds does not equal your one-time expenditures ("relief" and "investment") of \$661 M based on your slide presentation. Please explain.
The one-time uses expressed in both the Executive Summary of Volume I of the Governor's budget recommendation and the Powerpoint presentation to the Joint Committee of the Appropriations and Revenue Committees add up to \$613 million. The other \$48 million was a description of other relief to individuals the Governor has decided to provide from the federal CARES Act's Coronavirus Relief Fund.
18. It is not clear the total amount of additional money being spent on programs as well as what is continuing money. Please explain detailing these amounts.
See attached information.
19. Please explain the core reason of the increase in revenue based on CFG excluding CARES Act money.
The Consensus Forecasting Group met on December 4, 2020. The federal relief bill was signed on December 27, 2020. The November national economic forecast underlying the revenue estimate excluded an assumption of additional federal relief, presumably because there was little indication of a political agreement in Congress at the time, which was eight months after the CARES Act was passed.
20. The Special Appropriations Bill allows for payments to be made to new businesses that just started in October 2020. Why was that date chosen?
This date was selected generally to ensure preference for businesses that are ongoing. An earlier date can be substituted without any great concern.
21. The Special Appropriations Bill requires that for businesses to receive funds they have to agree to follow all Executive Orders. What happens if they violate that? Will they have to repay those funds?
The language neither mandates nor prohibits the possible consequences of a business being found in violation after receipt of the assistance.