

January 26, 2012

The Honorable Marc Rhoades, Chairperson  
House Committee on Appropriations  
Statehouse, Room 351-S  
Topeka, Kansas 66612

Dear Representative Rhoades:

**SUBJECT:** Fiscal Note for HB 2442 by House Committee on Social Services Budget

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2442 is respectfully submitted to your committee.

HB 2442 would establish bidding preferences for certified businesses. Rather than choosing the lowest competitive bid, the Director of Purchases and other state agencies would award bids to certified businesses as long as their bids are not more than 10.0 percent higher than the lowest competitive bid. HB 2442 would allow bidders to deduct the cost of purchases from their bids for the purpose of determining the lowest possible bid, with the deduction not to exceed 10.0 percent of the original bid.

The bill defines “certified business.” The Secretary of Administration and the Secretary of Social and Rehabilitation Services would be required to issue rules and regulations necessary to implement the provisions in HB 2442. In addition, both agencies would be required to issue annual reports beginning on January 1, 2014, related to the number of businesses certified, the number of certified businesses awarded contracts, the number of individuals with disabilities removed from or reinstated to services under a home and community based services program as a result of full-time employment with a certified business, and savings resulting from the removal of individuals with disabilities from services under a home and community based services program as a result of full-time employment with a certified business.

Certified businesses would be required to submit a report every six months beginning on or before January 1, 2014, to the Director of Purchases that includes the number of contracts awarded, the number of full-time employees employed during the previous six months, the number of full-time employees with disabilities employed during the previous six months, and other matters relating to certified businesses that the Secretary of Administration considers appropriate. The bill also includes provisions related to immediate reinstatement of home and community based services if an individual is unable to maintain full-time employment and files a timely request for reinstatement.

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	--	--
Expenditure	--	--	(\$363,720)	(\$894,300)
FTE Pos.	--	--	--	--

The Department of Social and Rehabilitation Services indicates that demand for home and community based services will decrease over the long term as a result of the numbers of persons with disabilities who obtain employment from this initiative. However, no immediate savings are projected for home and community based service programs because any waiver slot vacated from employment would be initially filled by a person from the waiting list. Administrative and reporting requirements in the bill would be completed by existing staff. The agency anticipates that the home and community based services caseloads and/or waiting lists would eventually decline in the out-years because of greater employment among waiver participants.

The Kansas Department of Health and Environment indicates that shifting medical expenses from Medicaid to employer-based health insurance coverage would decrease state and federal Medicaid expenditures. If the number of individuals with disabilities with employer-based health care coverage increased each year, savings to the state and federal government would result from the lower Medicaid expenditures. The agency estimates capturing savings for 100 members during the second half of FY 2013 and for a full year in FY 2014, at the average cost per member reflected below. The following is based on average 2010 Medicaid expenditures (non-waiver) per member per cost of \$14,639, and a 7.5 percent increase per year:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
25 people	\$365,975	\$393,423	\$422,929	\$454,649	\$488,748
100 people	\$1,463,900	\$1,573,693	\$1,691,720	\$1,818,599	\$1,954,994
250 people	\$3,659,750	\$3,934,231	\$4,229,298	\$4,546,495	\$4,887,482

The Department of Administration indicates the state’s accounting system (SMART) contains reporting elements in vendor profiles that would need to be modified to include a new “business type” for reporting purposes. The one-time cost for planning, programming, and testing the system changes is estimated at \$10,000. The ongoing efforts to certify vendors, to follow-up with certified vendors, and to prepare reports is estimated to cost \$5,000 per year. All expenditures from for the Department of Administration would come from the agency’s Purchasing Fees Fund.

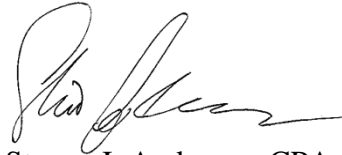
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There could be a fiscal effect to local governments, to the extent that cities, counties, or schools are required to purchase from state-use contracts, and if successful bidders have costs that are 10.0 percent higher than the otherwise lowest bids. The extent of this effect cannot be estimated. The bill would take effect on January 1, 2013, and after its publication in the statute book. Any fiscal effect associated with HB 2442 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA  
Director of the Budget

cc: Marilyn Jacobson, Administration  
Jackie Aubert, SRS