

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 A.M. on April 20, 2005, in Room 514-S of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Amy VanHouse, Legislative Research Department
Reagan Cussimano, Legislative Research Department
Michele Alishahi, Legislative Research Department
Amy Deckard, Legislative Research Department
Audrey Dunkel, Legislative Research Department
Julian Efird, Legislative Research Department
Debra Hollon, Legislative Research Department
Susan Kannarr, Legislative Research Department
Becky Krahl, Legislative Research Department
Carolyn Rampey, Legislative Research Department
Leah Robinson, Legislative Research Department
Matt Spurgin, Legislative Research Department
Robert Waller, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Others attending:

See attached list.

Budget Committee Reports on:

- Attachment 1 Legislative Post Audit
- Attachment 2 Department of Administration
- Attachment 3 Department of Corrections
- Attachment 4 Department of Social and Rehabilitation Services (SRS)
- Attachment 4 SRS Hospitals
- Attachment 5 Board of Nursing
- Attachment 5 Department on Aging
- Attachment 6 School for the Blind
- Attachment 6 School for the Deaf
- Attachment 7 Kansas Corporation Commission
- Attachment 7 Abandoned Oil and Gas Well Transfer
- Attachment 8 State Universities and Board of Regents
- Attachment 9 Kansas Public Employees Retirement System (KPERS)
- Attachment 9 Department of Revenue
- Attachment 10 Lottery
- Attachment 10 Racing and Gaming Commission
- Attachment 11 Information on Kansas Sports Hall of Fame
- Attachment 12 Department of Wildlife and Parks
- Attachment 12 Securities Commissioner
- Attachment 13 Kansas Technology Enterprise Corporation (KTEC)
- Attachment 14 Department of Health and Environment - Health (KDHE-Health)
- Attachment 15 Department of Health and Environment - Environment (KDHE-Environment)
- Attachment 16 Proviso on KDHE-Environment
- Attachment 17 State Fire Marshall
- Attachment 18 Board of Cosmetology
- Attachment 19 Juvenile Justice Authority

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- Attachment 20 Kansas Parole Board
- Attachment 21 Adjutant General
- Attachment 21 Kansas Highway Patrol
- Attachment 22 Sentencing Commission
- Attachment 22 Kansas Bureau of Investigation
- Attachment 23 Secretary of State
- Attachment 23 Insurance Department
- Attachment 23 Department of Labor
- Attachment 24 Board of Tax Appeals
- Attachment 25 State Library
- Attachment 25 Kansas Arts Commission
- Attachment 26 State Treasurer
- Attachment 26 Kansas Human Rights Commission
- Attachment 26 Kansas Dental Board
- Attachment 27 Judicial Council
- Attachment 28 Board of Indigents' Defense Services
- Attachment 29 State Historical Society
- Attachment 30 Kansas Commission on Veterans' Affairs
- Attachment 31 Department of Animal Health
- Attachment 31 State Conservation Commission
- Attachment 31 Kansas Water Office
- Attachment 31 State Water Plan Fund
- Attachment 32 Attorney General
- Attachment 33 Judicial Branch
- Attachment 34 Department of Education
- Attachment 35 Information and Proviso on State Vehicles

MORNING SESSION

Mike Corrigan, Revisor of Statutes, explained that a technical error in **SB 225**, which has been signed by the Governor, requires legislation to correct the effective date of the FY 2005 supplemental appropriations.

Representative Feuerborn moved to strike the language from **SB 273** and insert language into **House Substitute for SB 273**, to indicate the effective date of the FY 2005 supplemental appropriations in **SB 225** will be effective upon publication in the Kansas Register. The motion was seconded by Representative Landwehr. Motion carried.

Chair Neufeld requested that the Revenue, Judicial, Transportation and Retirement Budget Committee develop proviso language which can be used in the Omnibus bill to address the use of flexible fuels in vehicles owned and operated by the state of Kansas.

The meeting was recessed at 9:20 a.m. to allow Budget Committees to continue work on the items for omnibus consideration.

AFTERNOON SESSION

The meeting was reconvened at 1:30 p.m.

(For purposes of clarity, the "Items for Omnibus Consideration" report, prepared by Legislative Research Department, is brought into these minutes to which is added the actions of the full Committee. Discussion and action taken by the Appropriations Committee is entered after each state agency in the report.)

Items for Omnibus Consideration

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MINUTES OF THE House Appropriations Committee at 9:00 A.M. on April 20, 2005 in Room 514-S of the Capitol.

Legislature

A. SB 244 The 2010 Commission (Law). SB 244 creates the "2010 Commission" to monitor the implementation and operation of school finance legislation to ensure that the public school system is maintained in a manner that promotes constant and improved levels of measurable student achievement. The Commission becomes effective July 1, 2005, and terminates December 31, 2010.

Duties and responsibilities of the Commission include items such as: determining whether the relationship between the costs and assigned weighting system are fair and equitable, determining if there should be additional weights, evaluating the reform and restructuring components of public education in Kansas and in other states, examining the availability of revenues, examining school district efficiencies and use of best practices, and examining the impediments to school district consolidation.

The 2010 Commission is required to make reports to the Legislature, Governor, and the State Board of Education on or before December 1 of each year. The Commission is not authorized to introduce legislation, but would be able to include recommendations for legislative changes in its reports.

SB 244 provides that legislative members of the Commission receive their regular legislative per diem and travel expenses. Members who are not legislators would receive travel expenses. The Division of the Budget estimates that, if the 11 members of the Commission met for 15 days, the fiscal impact would be \$65,115 from the State General Fund.

B. Computers for Legislators (Conference Committee). The Senate in FY 2006 added \$380,000 from the State General Fund and 2.4 FTE positions to provide every legislator with a tablet computer. This funding would provide for 165 tablet computers to be leased to provide each legislator with a computer and the necessary support staff for the equipment. Legislative secretaries and staff are already provided with leased computers. The House did not consider this item. In Conference Committee the funding was deleted and referred to Omnibus, along with possible discussion of replacing Corel (WordPerfect) software and GroupWise with Microsoft software.

Note:

The Legislative Branch Budget Committee took no further action on the Legislature.

Division of Post Audit

A. HB 2247 New Duties for Legislative Division of Post Audit (Law). HB 2247, the school finance bill, creates a new role for the Legislative Division of Post Audit with regard to oversight of school district costs and expenditures. The bill directs the Division to make a professional cost study analysis to determine the costs of delivering the kindergarten and grades one through 12 curriculum, related services, and other programs that are mandated by state statute in accredited schools. The study is to be conducted under the direction of the Legislative Post Audit Committee and is to result in a detailed report to be submitted to the Legislature on or before the first day of the 2006 Session. However, if the Post Auditor needs additional time to complete the report, a partial report may be submitted and the Legislature may grant the Post Auditor additional time to complete the report. In conducting the study, the Post Auditor is authorized to enter into contracts for consultants.

HB 2247 directs the Post Auditor to include in the cost analysis the cost to school districts to make reasonable estimates of the costs of providing programs and services that are required by state statute, including costs for instruction, administration, support staff, supplies, equipment, and buildings. Other items to be part of the analysis include a study of factors which contribute to variations in costs incurred by school districts of various sizes and in various regions of the state when providing services or programs required by state statute.

HB 2247 also would establish the "School District Audit Team" within the Legislative Division of Post Audit. The estimated needs in FY 2006 of the audit team are an additional 5.0 FTE positions and \$462,090 from the State General Fund. The request includes \$314,196 for salaries and wages, \$114,488 for contractual services, \$4,152 for commodities, and \$29,254 for capital outlay.

Representative Neufeld, Chair of the Legislative Branch Budget Committee, presented the Budget Committee report on the Division of Post Audit and moved for the adoption of the Budget Committee recommendation (Attachment 1). The motion was seconded by

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Representative McLeland. Motion carried.

Department of Administration

A. Funding for 3.0 New Long-Term Care Ombudsman Positions (House Committee and Conference Committee). For FY 2006, the Governor recommended the addition of \$210,000 (including \$105,000 from the State General Fund and \$105,000 from non-reportable federal funds) for 3.0 new Long-Term Care Ombudsman positions. Currently, there are 6.0 FTE Long-Term Care Ombudsmen, including one who works half-time training other Ombudsmen. In testimony before the Senate Subcommittee, the Long-Term Care Ombudsman indicated that she would like to have one Ombudsman for each of the 11 Area Agency on Aging Planning Service Area (PSA) regions. The addition of 3.0 FTE positions would provide for one-half of that funding and staffing level. According to the Long-Term Care Ombudsman, the 3.0 positions would be utilized in Hays, Dodge City, and Pittsburg. The House Committee deleted the funding and positions recommended by the Governor for review at Omnibus, and the Conference Committee on SB 225 concurred with the House Committee's recommendation.

B. Additional Funding for the Public Broadcasting Council (House Committee and Senate Committee) and GBA No. 2, Item 5, Page 4. The House and Senate Committees both noted that the Public Broadcasting Council has been offered a federal grant of \$1.4 million from the Corporation for Public Broadcasting to assist it with digital conversion of public radio. The grant requires a match of \$1.2 million. Both Committees recommended that the Council ask the Governor for consideration of a Governor's Budget Amendment for the matching funds which could be considered at Omnibus.

C. GBA No. 2, Item 1, Page 2 - New Federal Grants.

D. GBA No. 2, Item 2, Page 2 - Transfer of Funds for the Long Term Care Ombudsman.

E. GBA No. 2, Item 3, Page 3 - Business Health Partnership.

F. GBA No. 2, Item 4, Page 3 - Generic Drug Program for Low Income Kansans.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Department of Administration and moved for the adoption of the Budget Committee recommendation (Attachment 2). The motion was seconded by Representative Lane.

Note:

During Committee discussion on GBA No. 2, Item 3, Page 3 - Business Health Partnership, the Committee was reluctant to concur with the GBA. Reasons included:

- Funding only for last quarter of FY 2006.
- Underwriting mechanisms not in place.
- Cost still in question.

Representative Schwartz moved for a substitute motion to amend the Budget Committee report by requesting that the Department of Administration, in conjunction with the Insurance Department, present a business plan on the Business Health Partnership to the Legislature at the beginning of the 2006 Legislative Session. The motion was seconded by Representative Landwehr. Motion carried on a 12-10 vote.

Representative Pottorff renewed the motion to adopt the Budget Committee report on the Department of Administration as amended. The motion was seconded by Representative Lane. Motion carried.

Department of Corrections

A. FY 2005 Capital Improvements (Senate Committee and Conference Committee). The Senate Committee deleted FY 2005 capital improvements of \$13,343,328, including \$7,778,303 from the

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State General Fund, and recommended review at Omnibus. The Conference Committee on SB 225 restored the FY 2005 capital improvements funding and recommended additional review at Omnibus.

The Joint Committee on State Building Construction recommended a reduction of \$14,993 from the Correctional Institutions Building Fund in FY 2005 due to revised estimated expenditures for a greenhouse construction at Topeka Correctional Facility.

B. FY 2006 Capital Improvements (Senate Committee and House Committee). The House Committee deleted the language that provides bonding authority for a 100-bed minimum housing unit at Ellsworth Correctional Facility and recommended review at Omnibus. The Senate Committee deleted all of the FY 2006 capital improvements funding of \$10,155,170, including \$4,719,303 from the State General Fund, and the language deleting the bonding authority for the 100-bed housing unit at Ellsworth Correctional Facility with a recommendation to review at Omnibus. The Conference Committee on SB 225 concurred with the Senate position and did not add the funding.

C. Bed Space Contract (House Committee and Conference Committee) and GBA No. 2, Item 27, Page 14. The House Committee deleted \$1,460,000 from the State General Fund for the bed space contract in FY 2006 and recommended a review at Omnibus. This is the bed space trigger to be utilized only if medium and maximum bed space reaches a population of 6,061 inmates. The Conference Committee on SB 225 concurred with the House position. The maximum and medium inmate population totaled 5,846 on March 31, 2005. The Department of Corrections requests that \$730,000 of the \$1,460,000 be restored as the inmate population is beginning to increase.

D. Reentry Programs in Sedgwick and Wyandotte Counties (Senate Committee and House Committee). Both the House and Senate Committees recommended Omnibus review of the possibility of funding reentry programs in Sedgwick and Wyandotte counties in FY 2006. The Sedgwick County inmate reentry program would service high risk offenders selected from the approximately 1,850 offenders that are released to Sedgwick County annually. Both the Sedgwick County Commission and the City of Wichita have authorized the program. The total budget is to be shared between Sedgwick County, the City of Wichita, and the Department of Corrections with each funding one-third of the \$825,000 required for the program. The Department of Corrections obligation for one-third of the funding would be \$275,000 from the State General Fund.

The Wyandotte County inmate reentry program would service approximately 150 moderate to high risk offenders. The annual budget for the Department of Corrections would be \$938,525 from the State General Fund. Services include a number of emergency transitional beds, access to housing options, transportation, treatment, emergency food, clothing, and medications. According to the agency, this would constitute the first significant investment of state dollars in Wyandotte County (comparable to the investments in Shawnee and Sedgwick Counties for day reporting centers) that target this offender population.

E. Girl Scouts "Beyond Bars" Program (Senate Committee and House Committee). Both the House and Senate Committees recommended Omnibus review of the Girl Scouts "Beyond Bars" program for inmates at the Topeka Correctional Facility. Currently, 100 girls and 71 incarcerated mothers from all across Kansas participate in the program designed to cushion the trauma of parental separation. The program provides girls a bi-weekly opportunity to visit their incarcerated mothers and take part in a mother/daughter Girl Scout meeting. The program is currently facing a \$90,000 shortfall in FY 2005. The Girl Scouts are in the process of applying for a grant from the Juvenile Justice Authority to help with financing the program.

F. Available Beds at Isaac Ray Building at Larned State Hospital (House Committee). The House Committee recommended Omnibus review of the availability of beds in Larned State Hospital's new Isaac Ray building to serve the Department of Corrections inmates who need inpatient mental health services and the additional costs to expand the State Security Program to serve those inmates.

G. Facility Visitor Centers (Senate Committee). The Senate Committee recommended Omnibus review of the visitor centers at the correctional facilities. Currently there is only one visitor center operating in the state, located at the Ellsworth Correctional Facility, for which the Department of Corrections has expended \$5,000 from the State General Fund. The remaining \$21,500 to operate the visitor center has been provided by the City of Ellsworth, community donations, and resources from overnight stays at the center. In the past, there have been visitor centers at Ellsworth, Lansing, Hutchinson, and Norton Correctional Facilities which the Department of Corrections financed primarily from the Inmate Benefit Fund. FY 2005 funding of \$225,000 from the Inmate Benefit Fund was vetoed by the Governor, and no FY 2006 funding was recommended.

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Larned Correctional Mental Health Facility

A. GBA No. 2, Item 28, Page 14 - Utility Increases.

Winfield Correctional Facility

A. GBA No. 2, Item 28, Page 14 - Utility Increases.

Representative Light, Chair of the Public Safety Budget Committee, presented the Budget Committee report on the Department of Corrections and moved for the adoption of the Budget Committee recommendation (Attachment 3). The motion was seconded by Representative Pilcher-Cook.

Representative Weber moved for a substitute motion to amend the Budget Committee report by requesting a review of the prison telephone contract during the interim before the 2006 Legislative Session. The motion was seconded by Representative Pottorff. Motion carried.

Representative Light renewed the motion to adopt the Budget Committee recommendation on the Department of Corrections as amended. The motion was seconded by Representative Sharp. Motion carried.

Social and Rehabilitation Services

A. HB 2331 Transfer of School Records of Children in Foster Care or Adoption (Governor). HB 2331, as amended, would incorporate the changes made by the U.S. Congress in the federal Individuals with Disabilities Education Act into state statutes. The Conference Committee on HB 2331 added the provisions of HB 2247 (the school finance bill) which would require the Secretary of Social and Rehabilitation Services to transfer pupil records of children in foster care or adoption as soon as possible once a child is moved from one school to another. In addition, an annual report would be required detailing the number of pupils who were transferred and the number of days elapsed between the day the request for the records transfer was submitted and the day the new school received the records, on December 31 for two years. The agency indicates administrative costs of \$43,797, including \$25,293 from the State General Fund and an additional 1.0 FTE position in FY 2006.

B. Unaddressed FY 2005 Deferral Amounts (House Committee). The House Committee recommended Omnibus review of the deferrals that the Department of Social and Rehabilitation Services (SRS) has been experiencing. The total cumulative amount of deferrals for the child welfare program for the agency is \$38.6 million. A portion, \$13.4 million, was addressed in FY 2004 with funding added by the 2004 Legislature. Expenditures from the Social Welfare Fund have been budgeted to address \$9.5 million of the deferrals from one-time pharmaceutical rebate payments. In addition, \$5.5 million of the deferrals have been settled with the Centers for Medicare and Medicaid Services (CMS), leaving \$10.3 million unaddressed through FY 2005. The agency anticipates an additional settlement of \$5.5 million from CMS in FY 2006, resulting in a total unpaid cumulative deferrals of \$4.7 million. Prior estimates for the unpaid deferrals totaled \$6.1 million, which has been adjusted for additional settlement with CMS. This item was addressed in the Spring 2005 Consensus Caseload estimates.

C. Child Welfare Funding Shift (House Committee). The House Committee noted that under the new child welfare contracts, which are Medicaid fee-for-service, the agency believes several Medicaid encounters claimed in the past will be disallowable for Medicaid funding and will need to be replaced by state dollars totaling \$4.1 million in FY 2005 and \$10.0 million in FY 2006. The House Committee recommended Omnibus review of the funding for the child welfare contracts. These funding shifts were addressed in the Spring Consensus Caseload Estimates.

D. Review Increasing Medicaid and State Children's Health Insurance Program (SCHIP) Rates Compared to Medicare Rates (House Committee and Conference Committee). Proviso language was included in 2005 SB 225 requiring the agency to report to the Legislature regarding increasing the rates paid for Medicaid and SCHIP to the Medicare rate. Increasing the Medicaid and SCHIP rates to 100.0 percent of the Medicare rate would cost a total of \$52.6 million. A portion of this amount, \$28.6 million, would be paid from the Health Care Access Improvement Fund from provider assessments. An additional \$9.0 million

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from the State General Fund and \$15.0 million from other funds would be required to fund the entire increase.

E. Utilization of State General Fund to Replace Other State Fees Fund for the Home and Community Based Services/Traumatic Brain Injury (HCBS/TBI) Waiver (House Committee). The House Committee noted that the agency requested enhanced FY 2006 funding of \$500,000 from the State General Fund for the Traumatic Brain Injury (TBI) waiver to replace Other State Fee Funds in order to continue the enhanced funding originally added by the 2004 Legislature for FY 2005. The Governor did not recommend the FY 2006 enhancement. The House Committee noted that the TBI waiver had no waiting list at the time of reviewing the agency budget, and recommended a reassessment of the program at Omnibus. The agency indicated that as of April 7, 2005, there is no waiting list for the TBI waiver, and that additional funding will not be necessary for FY 2006.

F. Administrative Services Contracts for Medicaid and SCHIP Dental Programs (House Committee). The House Committee noted that the Governor recommends a reduction of \$1.2 million, including \$480,000 from the State General Fund, to eliminate separate administrative services contracts for the Medicaid dental program. Currently, Doral Dental is the managed care organization (MCO) for the State Children's Health Insurance Program (SCHIP)-HealthWave Title XXI. Doral manages all administrative aspects of the program, including recruitment and enrollment of dentists, referral of beneficiaries, claims adjudication, and claims payment to dentists. The Department of Social and Rehabilitation Services currently contracts with Doral to provide administrative services for the Title XIX Medicaid providers and beneficiaries. Doral receives all dental claims, adds prior authorization for required services, and answers enrollment and billing questions. Another contractor, Electronic Data Systems (EDS), performs other functions including claims processing, the issuance of payments to dentists, and customer services. This split has caused concerns in the dental community, prompting the agency to make changes. The elimination of the separate contract would make Doral Dental responsible for dental administrative services for the Medicaid program, including claims payments. The agency will make payments to Doral based on the Medicaid Management Information System (MMIS) verification of validated claims. This is necessary because all claims must be validated through the MMIS system. The House Committee expressed concern about this change and its impact on dental service providers, and requested an Omnibus update on the dental contract change, with process charts for both the current system and the system after the change.

G. Sexual Offender Treatment for Juveniles (House Committee). The House Committee noted that United Methodist Youthville (UMY) has a sexual offender treatment program at their Dodge City Level VI program. They also have a Sexual Issues program for boys who have had sexual conduct problems, but are not necessarily adjudicated for the problem. UMY indicates the sexual offender program has a long waiting list at this time. The House Committee requested the agency report back prior to Omnibus on the costs and the number served in these programs, as well as other programs that provide treatment for these children.

H. Medicaid Fraud and Abuse Prosecution (House Committee). The House Committee requested the agency provide for Omnibus the number of fraud cases prosecuted and the amount recovered before the implementation of the new Medicaid Management Information System (MMIS) and after the implementation of the system, including pending cases. The Service Utilization Review (SUR) unit within Medicaid sends information to the Attorney General's Medicaid Fraud Control Unit (MFCU) upon requests from the Attorney General's Office and after reviews reveal evidence of possible fraudulent activity. The Attorney General's Office is then responsible for all investigation and prosecution of fraud cases.

I. Home and Community Based Services/Developmental Disability (HCBS/DD) Waiver Reimbursement Rates (House Committee). The House Committee noted that the Governor's FY 2006 recommendation includes \$7.5 million, including \$3.0 million from the State General Fund, to fund developmental disability waiver reimbursement rate enhancement. A rate study of reimbursement rates paid for community Developmental Disabilities (DD) services is required bi-annually by the DD Reform Act. The 2003 reimbursement rate study demonstrated the need for rate increases for many of the services funded through the home and community based services waiver for persons with a developmental disability (DD waiver). The agency requested \$15.8 million, including \$6.2 million from the State General Fund, to increase FY 2006 reimbursement rates to the levels recommended by the study. The House Committee recommended review of this item at Omnibus.

J. Graduate Medical Education (GME) Program (House Committee). The House Committee requested the agency report at Omnibus on the status of the Graduate Medical Education (GME) program that is funded from Medicare and Medicaid, patient care revenue and state primary care support. In FY 2003, the Department of Social and Rehabilitation Services reduced funding for the program by \$1.5 million from the State General Fund, which in turn reduced federal Medicaid funding by \$2.2 million as part of the

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2003 budget cuts. The agency worked with interested parties to develop a methodology to match the Medical School's State General Fund moneys with federal dollars through certified match. Ten hospitals currently participate in the GME program, which will cost an estimated \$8.0 million in FY 2005. The University of Kansas (KU) receives funding through appropriations by the Legislature for graduate medical education. KU contracts with the Wichita Center for Graduate Medical Education (WCGME) to administer all residency programs in Wichita hospitals. The Wichita hospitals receive funds from the WCGME to offset costs for resident salaries and benefits. Medicaid considers the funds provided by the Legislature to the KU as certified match. Although these funds do not flow thru SRS, the agency is able to draw down the federal share for the Wichita hospitals. In the past, SRS paid for GME with the standard state and federal match. A more recent change involves other funding appropriated to the University of Kansas for graduate medical education which goes to Salina. The agency has revised the State Plan to increase the payment rates to allow it to use these other funds for certified match as well.

K. FY 2006 Child Welfare Contracts (House Committee). The House Committee noted with concern the change in the contracts for Family Preservation, Adoption, and Foster Care in FY 2006. The new contracts are designed to eliminate the need to transition children between the foster care and adoption contractors. Both the child/family's case management services and the reintegration/foster care services are to remain with the contractor receiving the original referral throughout the duration of the case. The adoption contractor is responsible for recruiting, training, and preparing adoptive families statewide. The adoption contractor will provide training and support to the adoptive family, while the original referral contractor continues its involvement in the case as a child is referred to adoption services. Along with a change in the practices relative to the child welfare contracts, there is a change in payment methodology. Payment for family preservation services will occur three times: at the point of referral; on the 45th day of service; and on the 90th day of service, with a performance based system. In the case of foster care payments, a tiered structure is used. The statewide adoption contractor will be paid a flat monthly amount to recruit and train a group of families willing to adopt, and provide matching services to the family preservation and reintegration/foster care contractors. The House Committee expressed concern that the new child welfare contracts are similar to those developed when privatization began. The House Committee requested the agency report at Omnibus on the contract details regarding payment rates and methodology.

L. Funding for the Youth Leadership Forum (YLF) (House Committee). The House Committee received testimony from several youths regarding the Youth Leadership Forum (YLF). YLF is a statewide, five-day leadership training program for high school juniors and seniors with disabilities. Approximately 30 to 40 different students are selected to attend each year through a competitive application process. YLF is an intense, motivational event held on a college campus with a curriculum that addresses leadership skills, career goals, disability history and resources, advocacy and other issues related to disabilities and living independently. The forum costs between \$50,000 and \$60,000 to conduct, depending on the accommodations needed for the delegates, with funding through grants, sponsorships, and contributions. The YLF is currently operating with loaned staff and facilities, with a five-year commitment of support from the Resource Center for Independent Living. The support will phase out over the next two years. The YLF is seeking non-profit status and pursuing grants to operate independently. However, the organization indicates stable funding is its biggest challenge. YLF requested \$150,000 to cover the costs of the forum, staff and administration, which the House Committee asked to review at Omnibus. The Conference Committee on SB 225 added \$150,000, including \$30,000 from the Social Welfare Fund for this program in FY 2006.

M. Funding for the Boys and Girls Clubs of Kansas (House Committee). The House Committee noted the extensive work of the Boys and Girls Clubs of Kansas, which provide services to 28,706 children through programs like Smart Moves (alcohol, drug, and abstinence from sexual behavior in age appropriate settings), Smart Girls (health, fitness, and self esteem for girls 8-17), Passport to Manhood (responsibility and positive behavior for males 11-14), and Power Hour (academic preparation programs.) The Kansas Alliance of Boys and Girls Clubs requested \$100,000 in FY 2006 to expand their programs to more children. The Alliance suggested the Children's Initiatives Fund (CIF) could be a funding source. However, the Kansas Children's Cabinet does not recommend CIF for programs without an evaluation plan, which the 2004 Legislature required for any new funding through the CIF. The House Committee recommended review of this program at Omnibus to determine if funding is available.

N. Foster Care Performance Audit (House Committee). The House Committee recommended Omnibus review of the performance audit report, *Foster Care: Determining Whether Adoptions Are Being Finalized As Quickly As Possible, Once An Adoptive Family is Located*.

O. Child Support Collections (House Committee). The House Committee noted with concern that the average total cases for Child Support Enforcement in FY 2004 was 134,115, with only 63,831 or roughly half of these open cases with support orders. While the average support due monthly for these cases was \$14.1 million, the average support paid was \$7.8 million. The House Committee requested an update from

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the agency at Omnibus on efforts to improve child support collections in the state.

P. Funding for Florence Crittenton Services (Senate Committee). The Senate Committee noted that Florence Crittenton is the only facility in the state that provides level V residential treatment for girls who are pregnant or parenting with severe problems which include truancy, drug and alcohol abuse, trauma, abuse and neglect, and other mental health disorders. The Senate Committee recommended review at Omnibus the request for \$150,000 from the State General Fund in FY 2006 to cover the \$112,000 annual shortfall in the cost of caring for adolescent girls and the \$35,000 annual cost of providing care for infants of these girls.

Q. Blind Services Program Reduction (Senate Committee). The Senate Committee noted the Governor's FY 2006 recommendation includes a reduction of \$405,413 from the State General Fund in the Blind Services program. This program currently is financed primarily by federal grant funding and the State General Fund. A small amount from the Blind Services Enterprise Fund also is used. The reduction in the State General Fund is not shown as an overall expenditure reduction. The State General Fund financing is replaced with funding from the Blind Services Enterprise Fund. This fund currently has a balance from proceeds of the sale of the building at 6th and MacVicar in Topeka that was previously used by the program. Although the carry-forward balance partially funds the State General Fund reduction, a shortfall of \$189,444 in FY 2006 is projected. Policy changes that focus on either reducing expenditures or increasing enterprise revenues will be necessary. In the past, attempts to privatize this program have been unsuccessful. The Governor believes that, in light of the continual growth of SRS caseloads and service costs, the reductions and restrictions in federal funding, and the increasing demands on the State General Fund, this program should be self-supporting. The Senate Committee recommended review of this item at Omnibus.

R. Prior Authorization Process Change (SB 290 and HB 2107) (Senate Committee). The Senate Committee noted that the Governor's FY 2006 recommendation includes a reduction of \$3.1 million, including \$1.2 million from the State General Fund for acceleration of the approval process for placing drugs on the preferred drug list and/or requiring prior authorization. Under current law, SRS can control utilization of pharmacy expenditures by creating limitations on the amount and conditions for use of drugs through the prior authorization process. SRS also can put drugs on a preferred formulary that removes some of the prior authorization requirements for clinically equivalent drugs that are less expensive. Both of these processes require approval of the prior authorization criteria through the rules and regulation process. The agency notes this adds six to nine months to the implementation process after the decision is made to put a drug on prior authorization and also delays the receipt of supplemental drug rebates that are negotiated in the preferred drug list process. This reduction would capture the savings related to accelerated approval of utilization controls in the pharmacy program. The Senate Committee noted that 2005 SB 290 would implement the statutory revisions required to change this process, and recommended review of this item at Omnibus. SB 290 is currently in the Public Health and Welfare Committee. An identical bill, HB 2107, is currently in the House Appropriations Committee.

S. Elimination of Out of Home Services for Youth Ages 16 and Older (SB 171) and GBA No. 2, Item 14, Page 8. The Governor's FY 2006 budget recommendation includes a reduction of \$2.9 million, including \$1.9 million from the State General Fund, for the elimination of Out-of-Home services provided to youth ages 16-17 who were not abused or neglected. This program provides support to youth who have physical or mental disabilities, youth who are needing support to remain in school, or youth who are out of parental control. The statutory change required for this reduction is included in SB 171, which has not passed out of the first house, leaving the agency with a shortfall in its budget. In addition, the Governor's recommendation includes a reduction of \$879,482, including \$576,389 from the State General Fund, for the elimination of Out-of-Home services for youth over the age of 18 who were in foster care prior to age 18. This program provides support to youth and young adults who are physically or mentally disabled or who are needing additional support while they complete their education. The statutory change required for this reduction is also included in SB 171, which has not passed out of the first house, leaving the agency with a shortfall in its FY 2006 budget.

T. Spring Consensus Caseload Estimates and GBA No. 2, Item 13, Page 7. Representatives of the Division of the Budget, the Legislative Research Department, the Department of Social and Rehabilitation Services, and the Department on Aging met on April 13, 2005, to revise the FY 2005 and FY 2006 Consensus Caseload estimates made in October 2004. The Spring Consensus Caseload Estimates for FY 2005 are an increase of \$8.8 million from all funds, including \$19.5 million from the State General Fund, from the currently approved budget. The all funds increase is offset by a reduction in special revenue funds from the Health Care Access Improvement Program. The approved budget includes increased rates to providers for a full year, assuming approval of the program in April 2005. These increases are not included in the April estimate, because the agency has not yet received approval for the Health Care Access Improvement Program. In addition, a shift in funding from federal funds to State General Fund for the Foster Care and Adoption contracts have increased State General Fund expenditures. FY 2005 increases occur

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in the programs as follows:

| Program | FY 2005 | |
|---|---------------------|----------------------|
| | All Funds | SGF |
| Nursing Facilities | \$ 8,200,000 | \$ 3,033,680 |
| Nursing Facilities - Mental Health | 50,000 | (58,910) |
| Temporary Assistance for Needy Families | (600,000) | 0 |
| General Assistance | 100,000 | 100,000 |
| Regular Medical Assistance | 1,500,000 | 12,585,000 |
| Foster Care | 248,191 | 2,915,846 |
| Adoption | (688,769) | 936,373 |
| TOTAL | \$ 8,809,422 | \$ 19,511,989 |

The Spring Consensus Caseload Estimates for FY 2006 are a reduction of \$1.6 million from all funds and an increase of \$38.9 million from the State General Fund from the currently approved budget. The largest State General Fund increases fall in Regular Medical (\$17.6 million) and Foster Care/Adoption/Reintegration (\$17.9 million). The all funds budget would have increased without reductions related to the federal Medicare Drug Bill (\$43.4 million all funds) and a shift in funding sources from federal funds to State General Fund in the Foster Care/Reintegration contract. FY 2006 increases occur in the programs as follows:

| Program | FY 2006 | |
|---|-----------------------|----------------------|
| | All Funds | SGF |
| Nursing Facilities | \$ 5,500,000 | \$ 3,499,200 |
| Nursing Facilities - Mental Health | 350,000 | 193,690 |
| Temporary Assistance for Needy Families | (600,000) | 0 |
| General Assistance | (300,000) | (300,000) |
| Regular Medical Assistance | (24,783,837) | 17,584,763 |
| Foster Care | 42,927,731 | 30,575,775 |
| Adoption | (24,741,656) | (12,699,156) |
| TOTAL | \$ (1,647,762) | \$ 38,854,272 |

U. GBA No. 2, Item 15, Page 8 - Child Care.

V. GBA No. 2, Item 16, Page 8 - MMIS System Modifications.

Representative Landwehr, Chair of the Social Services Budget Committee, presented the Budget Committee report on the Department of Social and Rehabilitation Services (SRS) and moved for the adoption of the Budget Committee recommendation (Attachment 4). The motion was seconded by Representative Ballard. Motion carried.

Representative Sawyer moved for a substitute motion to amend the Social Services Budget Committee report on SRS to fund the GBA No. 2 in Item U in the amount of \$2 million. The motion was seconded by Representative Henry. Motion failed on a 8-10 vote.

Note:

With regard to GBA No. 2 in Item U, the Budget Committee indicated that the Child Care program needs more consideration, noting that the program has grown considerably in the last few years. The Committee voiced concern that the failure to expand the program would be detrimental to low-income single mothers who are trying to secure employment and child care and would cost the state more because of their inability to secure child care. The Budget Committee noted that they will continue to look at the program.

SRS Hospitals

A. Parsons State Hospital and Training Center – FY 2005 Expenditure Reduction (House Committee). The House Committee reduced State General Fund expenditures by \$28,103 in FY 2005 at Parsons State Hospital and Training Center to reflect expenditures approved by the 2004 Legislature

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pending review at Omnibus. The Conference Committee on SB 225 restored funding for this item.

B. Larned State Hospital – FY 2005 Expenditure Reduction (House Committee). The House Committee reduced FY 2005 expenditures by \$270,149 from the State General Fund to reflect the amount approved by the 2004 Legislature pending review at Omnibus. The Conference Committee on SB 225 concurred with the reduction.

C. Larned State Hospital – Remove Enhanced Funding for the Sexual Predator Treatment Program (House Committee). The House Committee removed enhanced funding of \$308,552 from the State General Fund in FY 2006 for the Sexual Predator Treatment Program pending review at Omnibus. The Conference Committee on SB 225 restored funding for this item.

D. Larned State Hospital – Staffing of the Sexual Predator Treatment Program and State Security Program (Senate Committee and House Committee) and GBA No. 2, Item 18, Page 9. The Senate Committee noted that the agency may request a Governor’s Budget Amendment (GBA) for FY 2006 to address staffing issues at the State Security Hospital and in the Sexual Predator Treatment Program and recommended review of this item at Omnibus.

In addition, the House Committee recommended Omnibus review of the availability of beds in Larned State Hospital's new Isaac Ray building to serve the Department of Corrections inmates who need inpatient mental health services and the additional costs to expand the State Security Program to serve those inmates.

E. Agency Plan to Address Mental Health Service Needs (Senate Committee). The Senate Committee requested the agency report at Omnibus on a plan to address increases in mental health service needs when they exceed the maximum capacity of the state mental health hospitals. Due to the significant increase in admissions in the first two months of FY 2005 the Secretary of SRS, pursuant to K.S.A. 59-2968, issued August 13, 2004 a notice of Temporary Suspension of Admissions to Osawatomie State Hospital (OSH) and Rainbow Mental Health Facility to assure the safety of patients and staff. The notice stated "... no patients will be admitted when the OSH patient census level reaches 190" The freeze in admissions was not implemented, and the notice has been revoked. The Senate Committee requested the agency explore alternatives to freezing admissions to address census growth in the future.

F. Direct Care Worker Salaries (House Committee and Conference Committee). The House Committee removed enhanced funding in FY 2006 of direct care staff salaries pending review at Omnibus as follows:

| State Hospitals | | | |
|--|------------|------------------|---------------------|
| Direct Care Worker Salary Increase | | | |
| Hospital | SGF | | All Funds |
| Kansas Neurological Institute | \$ | 486,635 | \$ 486,635 |
| Larned State Hospital | | 336,946 | 938,262 |
| Osawatomie State Hospital | | 103,199 | 303,199 |
| Parsons State Hospital and Training Center | | 220,211 | 330,211 |
| Rainbow Mental Health Facility | | 0 | 45,473 |
| TOTAL | \$ | 1,146,991 | \$ 2,103,780 |

The Conference Committee on SB 225 restored funding for this item.

G. Teacher Salaries. The Department of Education estimates an average statewide salary increase for teachers of 2.75 percent in FY 2005 and 5.0 percent in FY 2006. The education contracts in the FY 2005 and FY 2006 budgets reflect no teacher salary increases for Parsons State Hospital and Training Center and Larned State Hospital from FY 2004. The Kansas Neurological Institute (KNI) and Rainbow Mental Health Facility also have education contracts, but due to the nature of the contracts, adjustments are not necessary. The following table illustrates the adjustments necessary to provide uniform salary increases across the institutions:

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| Percent Increase | Larned State Hospital | Parsons State Hospital and Training Center | TOTAL |
|------------------|-----------------------|--|----------|
| 0.50% | \$ 3,827 | \$ 2,477 | \$ 6,304 |
| 0.75 | 5,740 | 3,715 | 9,455 |
| 1.00 | 7,654 | 4,953 | 12,607 |
| 1.25 | 9,567 | 6,192 | 15,759 |
| 1.50 | 11,480 | 7,430 | 18,911 |
| 1.75 | 13,394 | 8,668 | 22,062 |
| 2.00 | 15,307 | 9,907 | 25,214 |
| 2.25 | 17,221 | 11,145 | 28,366 |
| 2.50 | 19,134 | 12,383 | 31,518 |
| 2.75 | 21,047 | 13,622 | 34,669 |
| 3.00 | 22,961 | 14,860 | 37,821 |
| 3.25 | 24,874 | 16,098 | 40,973 |
| 3.50 | 26,788 | 17,337 | 44,125 |
| 3.75 | 28,701 | 18,575 | 47,276 |
| 4.00 | 30,614 | 19,814 | 50,428 |
| 4.25 | 32,528 | 21,052 | 53,580 |
| 4.50 | 34,441 | 22,290 | 56,732 |
| 4.75 | 36,355 | 23,529 | 59,883 |
| 5.00 | 38,268 | 24,767 | 63,035 |
| 5.25 | 40,182 | 26,005 | 66,187 |
| 5.50 | 42,095 | 27,244 | 69,339 |
| 5.75 | 44,008 | 28,482 | 72,490 |
| 6.00 | 45,922 | 29,720 | 75,642 |
| 6.25 | 47,835 | 30,959 | 78,794 |
| 6.50 | 49,749 | 32,197 | 81,946 |
| 6.75 | 51,662 | 33,435 | 85,097 |
| 7.00 | 53,575 | 34,674 | 88,249 |
| 7.25 | 55,489 | 35,912 | 91,401 |
| 7.50 | 57,402 | 37,150 | 94,553 |
| 7.75 | 59,316 | 38,389 | 97,704 |

H. Categorical Aid. For FY 2005, the budgeted school contracts for the institutions include categorical aid based on a rate of \$18,500 for Parsons State Hospital and Training Center and \$19,000 for Larned State Hospital. Due to the nature of the contract, an adjustment at Rainbow Mental Health Facility is not necessary. KNI has no expenditures for Special Education due to an agreement with the Southeast Kansas Education Services Center #609 (Greenbush) that the service center would continue to provide education programs for the students who live at KNI in exchange for the use of classrooms in the Wheatland Building for the education programs that the district provides to other Shawnee County school districts. The current FY 2005 categorical aid rate per eligible teaching unit is estimated to be \$18,600. If this rate is maintained, the school contracts for FY 2005 at the institutions would need adjustments. The table below identifies the State General Fund adjustments required:

| Institution | FY 2005 Change |
|--|-------------------|
| Parsons State Hospital and Training Center | \$ 693 |
| Larned State Hospital | (3,709) |
| TOTAL | \$ (3,016) |

The current FY 2006 categorical aid rate per eligible teaching unit is estimated to be \$19,390. If this rate is maintained, the school contracts for FY 2006 at the institutions would need adjustments. The table below identifies the State General Fund adjustments required:

| Institution | FY 2006 Change |
|--|----------------|
| Parsons State Hospital and Training Center | \$ 6,164 |

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| | |
|-----------------------|-----------------|
| Larned State Hospital | 3,616 |
| TOTAL | <u>\$ 9,780</u> |

I. GBA No. 2, Item 17, Page 9 - Sexual Predator Treatment Program - Disabled/Frail and Elderly.

J. GBA No. 2, Item 19, Page 10 - Extraordinary Medical Expenses.

K. GBA No. 2, Item 28, Page 14 - Utility Increases.

Representative Landwehr, Chair of the Social Services Budget Committee, presented the Budget Committee report on the Department of Social and Rehabilitation Services Hospitals including Parsons State Hospital and Training Center and Larned State Hospital, and moved for the adoption of the Budget Committee recommendation (Attachment 4). The motion was seconded by Representative Ballard. Motion carried.

Board of Nursing

A. Update on Excelsior College (House Committee). The House Committee requested information concerning Excelsior College nursing students and graduates. The Board of Nursing decided in December that the curriculum at Excelsior College, an out-of-state institution, does not meet the level of clinical instruction as required by statute.

In summary, Kansas students currently enrolled at Excelsior College may complete the Excelsior College Associate Degree Nursing Program and be eligible to be licensed in Kansas (assuming they meet all other qualifications) by doing either of the following:

1. Complete a clinical curriculum that meets the requirements in K.A.R. 60-2-104 and 60-2-105 and successfully pass the National Council Licensure Examination for Registered Nurses (NCLEX-RN); or
2. Become licensed as a RN in another state and document at least 1,000 hours of practice in that capacity, then apply to endorse that license into Kansas.

Several Kansas associate degree nursing programs are in the process of developing the necessary clinical component. Excelsior College also expressed interest in providing sufficient clinical learning experiences for their currently enrolled Kansas students.

B. Formalize Policies Regarding Out-of-State Colleges (House Committee). The House Committee requested that the Board of Nursing formalize their policies regarding out-of-state colleges.

The Kansas State Board of Nursing (KSBN) only has authority to approve in-state schools. KSBN does not approve out-of-state schools if they are approved by another State Board of Nursing. K.S.A. 65-1119 (f) states that an applicant for licensure, who is a graduate of a school of professional or practical nursing located outside this state, must meet the requirements for licensure as stated in K.S.A. 65-1115 and 1116. K.S.A. 65-1119 (f) directs KSBN to determine whether those schools maintain standards at least equal to those of KSBN approved schools. K.S.A. 65-1119 also states that the board may send a questionnaire developed by the board to any school, of professional or practical nursing located outside Kansas, for which the board does not have sufficient information to determine whether the school meets the standards established.

Due to the increase of graduates from out-of-state non-traditional nursing programs, KSBN voted at the December board meeting to require transcripts from all initial license applicants to verify the educational programs that were attended and to see that the schools maintain standards at least equal to KSBN approved schools and that therefore the applicants would meet the requirements for licensure in Kansas.

The Board's Education Committee will be discussing the issue further at the June board meeting.

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Representative Landwehr, Chair of the Social Services Budget Committee, presented the Budget Committee report on the Board of Nursing and moved for the adoption of the Budget Committee recommendation (Attachment 5). The motion was seconded by Representative Bethell. Motion carried.

Department on Aging

A. Information Regarding the \$3.6 Million Reduction in the Home and Community Based Services/Frail Elderly (HCBS/FE) Waiver in FY 2005 (House Committee). The House Committee requested additional information from the Department regarding the reason behind the \$3.6 million reduction in the Home and Community Based Services/Frail Elderly (HCBS/FE) waiver.

According to the Department, the \$3.6 million in expenditures are not needed. As the waiting list was reduced, some of the clients, upon whom the funding estimate was based, no longer needed services. In addition, the needs of some clients were less than anticipated given their plans of care and historical trends. Therefore, actual expenditures have been less than originally anticipated. The HCBS/FE waiver waiting list has been eliminated and is not anticipated to reoccur in FY 2006.

B. Report on the Issuance of Special Checks Required (Senate Committee). The Senate Committee requested that the Department report on the number of checks, amount of the checks, and the number of providers affected by the issuance of special checks which are needed when there are problems with payments from Electronic Data Systems Corporation (EDS).

According to the Department, no special payments have been required since early calendar year (CY) 2004 as a result of the transition to the EDS Medicaid payment system contract. Following the implementation of the contract in October 2003, 115 special payments were made involving 100 vendors. The payments totaled just over \$5 million. More than 90 percent of the special payments were completed before the end of CY 2003.

EDS payment problems continue to have an impact on KDOA's ability to reliably estimate program expenditures. For example, in March 2005, it was discovered that Targeted Case Management services were incorrectly charged to the HCBS Frail Elderly program. Errors such as this have contributed to uncertainty in funding estimates since the EDS conversion.

C. Details of the Consensus Agreement Reached on Variance from the 85 Percent Occupancy Rate Rule (House Committee). The House Committee requested details of the consensus agreement reached by the Nursing Facilities Reimbursement group regarding the policy on variance from the 85 percent occupancy rate rule for reimbursement of fixed costs.

The Department on Aging (KDOA) has indicated that detailed consensus agreements are not available from the group meetings. Instead summary minutes are captured and provided to group participants.

At the Nursing Home Medicaid Reimbursement Advisory Committee on July 27, 2004, an overview of the rate setting methodology was provided to the group by KDOA staff, including changes to the 85 percent rule. However, discussion focused on redesigning of the current incentive package so all homes, including rural homes, would have an opportunity to receive additional reimbursement as a result of providing quality incentive outcomes.

The incentive plan focuses on a point system that rewards homes based upon their performance in five different areas: nurse staffing ratios, operating expenses, staff retention/turnover, survey data, and occupancy.

In response to Legislative recommendations, KDOA conducted an analysis of the 85 percent rule. The rule that formerly applied to all costs was changed in FY 2003 to exempt direct health care costs (nurses, nurse aides, nursing consultants and supplies), food, and utilities.

Using the 2001 base year cost reports, the review conducted by KDOA found that 51 of the 360 nursing homes had 40 or fewer beds. All but one of the 51 homes were considered rural. Of the 51 homes, 24 of them or 47 percent, had an occupancy rate below 85 percent. The estimated additional cost to the Department on Aging for removing the rule from the homes with 40 or less beds was \$255,000 all funds, including \$100,572 from the State General Fund.

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The review also found that 126 of the 360 nursing homes, or 35 percent, regardless of bed size, had an occupancy rate below 85 percent. Further, 36 percent of the rural nursing homes and 33 percent of the urban homes regardless of bed size had an occupancy rate less than 85 percent. The estimated additional cost to the Department on Aging for removing the rule from all homes was \$1.8 million all funds, including \$709,920 from the State General Fund.

D. Update on Security and Integrity of Computer Systems (House Committee). The House Committee noted that the Department had been directed by the 2004 Legislature to provide an update on the security and integrity of the computer systems to the 2005 Legislature. Because this did not occur during the Budget Committee process, the Committee requested that the Department provide the information for review at Omnibus.

To manage the potential risks and to ensure integrity of the data and computer systems, the Department on Aging employs a variety of security precautions and practices to protect its computers and computer systems. These include: backups, physical access controls, computer and network access control, authentication, authorization, firewalls, anti-virus software, and encryption of data.

In addition, the Department's security policies and procedures are included in the employee handbook, and are explained in more detail in a supplemental KDOA Information Systems Guide.

The Department conducts orientation training of new users of KDOA systems and monitors system performance and logs to detect problems.

E. Current Status of the Spend Down Procedures for the HCBS/FE Waiver (House Committee). The House Committee requested additional information from the Department regarding the current status of the spend down procedure for the HCBS/FE waiver. The Committee was following up on an item of interest from the 2004 Session.

Federal rules prohibit the Medicaid program from requiring a potential Medicaid applicant to only spend assets on the costs of care. With some exceptions, a Medicaid applicant cannot be penalized for purchasing items in which he or she has ownership interest. If the purchased item is considered an exempt asset, it will not be counted in the eligibility determination. Although exempt items, Kansas Medicaid encourages people to purchase burial contracts and other small personal items which may be needed in the nursing facility.

However, Medicaid also attempts to discourage persons from purposely depleting resources rapidly to obtain Medicaid eligibility. Although many questions are raised by potential Medicaid recipients and their families, eligibility workers do not provide advice to those asking for direct estate planning assistance. According to the agency, this practice was reinforced last summer during staff teleconference training.

Policies regarding certain resources, such as annuities and contracts for care, have been strengthened over the past year. In addition, further definition has also been provided on such issues as joint ownership of resources and legal impediment/availability of resources to ensure staff recognize potential problems.

F. Possible Funding Sources for Expansion of the Program for All-inclusive Care for the Elderly (PACE) (Senate Committee and House Committee). The Senate Committee and the House Committee expanded the Program for All-inclusive Care for the Elderly (PACE) by 150 slots in FY 2006 to be divided between the existing program in Wichita and a new program in Topeka. These slots were to be funded within existing resources. In addition, the Committees requested that the Department report back concerning other possible funding sources for the additional slots.

The Department on Aging indicated that the PACE program is included as a service option in the Kansas Medicaid State Plan. Therefore, an expansion would not require a waiver. A new PACE program will involve a four party agreement with a specified upper limit on the number of funded slots. The parties include the service provider, for example, Via Christi with the Help Outreach Program for the Elderly (HOPE), KDOA, Department of Social and Rehabilitation Services (SRS) and the federal Center for Medicare and Medicaid Services (CMS). Program funding comes from KDOA, SRS and CMS.

The Department has indicated that they have not identified any alternative funding sources for the PACE program. The gross estimated cost of 150 PACE slots using the current funding source is \$3,285,000, including \$1,314,000 from the State General Fund. Portions of the PACE caseload would be served by other Medicaid-funded programs even if PACE was not available. The Department indicates it is difficult to establish the amount of this offset in the absence of experience.

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The 150 slots would also have a fiscal impact on SRS. Currently, 22 percent of the Medicaid budget for the PACE program is funded by SRS. The SRS share includes the PACE customers aged 55 to 64 and other medical expenses for those 65 years of age or older (*i.e.*, physicians, pharmacy, etc.). The estimated additional cost to SRS for 150 slots is \$927,538 (\$370,615 from the State General Fund). Again, the net effect of the change cannot be estimated because PACE participants would otherwise participate in Medicaid if the additional PACE slots were not added.

G. Status of Additional Federal Funding for the Rural PACE Project (Senate Committee and House Committee). The House and Senate Committees wished to review the potential for additional federal funding for a rural PACE project and requested the Department to provide an update of the status of funding for the project.

The Evangelical Lutheran Good Samaritan Society has expressed strong interest in starting a rural PACE site covering 18 counties in northwest Kansas. The Department on Aging's staff will continue to monitor the status of the federal Senate Bill 2369, the Community Options for Rural Elders (CORE) Act of 2004, sponsored in part by Senator Brownback. The CORE Act of 2004 provides waivers to the PACE statutes that will assist a rural project in meeting program requirements, provides up to \$750,000 per program for start-up costs, provides technical assistance, requires an evaluation of the provider and provides additional reimbursement for medical outlier expenses.

H. Report on the Current Status of the Assistive Technology for Kansans Project (ATK). (House Committee). The House Committee requested an update of the Assistive Technology for Kansans Project. Assistive Technology is a service offered under the HCBS/Frail Elderly waiver that is separate and apart from the Assistive Technology for Kansans Project (ATK) offered through the KU Center on Disabilities at Parsons.

With the CMS approved HCBS/FE waiver renewal effective January 2005, the definition of Assistive Technology was clarified and the limitations changed to allow the service to be more responsive to the customer's needs. Assistive Technology (AT) consists of items that improve or assist functional capabilities or home modifications that improve mobility. The previous definition allowed only for items that improved the customer's functional capabilities. New language was added to also include items that assist the customer with functional capabilities. Specific to ATK, KDOA has notified and given information to the Area Agencies on Aging on the Kansas Equipment Exchange (KEE) program which is affiliated with ATK so the KEE program may be accessed as needed for HCBS/FE waiver customers.

I. Possible Fiscal Impact of Rebasing the Medicaid Daily Rate Every Two Years vs. Not Less Than Every Seven Years (House Committee). The House Committee requested that the Department provide information concerning the possible fiscal impact of rebasing the Medicaid daily rate every two years, instead of not less than every seven years.

As review was made of the average annual increase in the Medicaid daily rate from SFY 1997 through FY 2002. During this period, rates were rebased annually. The average annual daily rate increase was 7.4 percent. Rates using SFY 2001 as the base were established in SFY 2003 and SFY 2004. The average daily rate increase in SFY 2003 was 3.7 percent and the average daily rate increase in SFY 2004 was 2.9 percent. It should be noted that the Global Insight, National Skilled Nursing Facility Market Basket Index, a recognized inflation index, was used to inflate the base year rates in lieu of using more current cost reports. The chart below summarizes the average daily rates and the percentage changes.

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Rate History

| State Fiscal Year | Average Daily Medicaid Rate | Percent Change |
|-----------------------------------|-----------------------------|----------------|
| 1997 | \$ 67.17 | N/A |
| 1998 | 71.94 | 7.1% |
| 1999 | 77.25 | 7.4% |
| 2000 * | 84.12 | 8.9% |
| 2001 * | 91.43 | 8.7% |
| 2002 | 96.02 | 5.0% |
| Average Annual Increase 1997-2002 | | 7.4% |
| 2003 ** | 99.58 | 3.7% |
| 2004 ** | 102.50 | 2.9% |

* The SFY 2000 and 2001 average rates include the wage pass-through factor.
 ** Base year rates.

If the Medicaid rates had been rebased in SFY 2003 and SFY 2004, it is anticipated the average daily rates would have increased 7.4 percent. This would have been an additional 3.7 percent in SFY 2003 and 4.5 percent in SFY 2004.

The actual Medicaid expenditures in SFY 2003 and SFY 2004 were multiplied by the additional percentage rate increase to determine the projected impact on the annual expenditures. The additional 3.7 percent increase in SFY 2003 would have resulted in a projected \$11.3 million increase in annual expenditures. The additional 4.5 percent increase in SFY 2004 would have resulted in a projected \$14 million increase in annual expenditures.

If rates were rebased every two years using the most current Medicaid cost report filed, the estimated additional annual cost in the rebase year would be between \$11 million and \$14 million.

The Department indicated that the current regulation of rebasing at least once every seven years is less predictable. If the policy was changed to every other year, it could create an incentive for providers to spend up during the cost report year to be rebased. This could result in a larger projected annual expenditure increase than reflected above.

J. Reports on Senior Care and Nutrition Programs as Specified in 2004 HB 2675 Section 100(a) (House Committee). The House Committee requested the Department on Aging report on the Senior Care Act and Nutrition programs. The Department provided the following information:

Senior Care Act (SCA) (State Fiscal Year 2004)

Purpose: Development of a coordinated system of services for people 60 years of age and older who face difficulties in self-care and independent living to prevent inappropriate or premature institutionalization of persons who have not yet exhausted their financial resources.

Expenditures: State General Fund resources expended by the 11 Area Agencies on Aging (AAAs) totaled \$6,524,659 in SFY 2004. By including local match contribution and program income, the total expenditures were \$7,834,305. The average total SFY 2004 expenditure per customer was \$1,212. Match funds come from fees collected from people served and other local funding. Customer fees are based on a sliding fee scale, which considers the customer's income, liquid assets and family size. Customers are asked for a donation or are required to pay up to 100 percent of the cost of services received.

General Profile of Customers: The Area Agencies on Aging reported that 6,462 customers received services in SFY 2004 with an average of 3,300 customers per month receiving one or more SCA services during SFY 2004. A typical SCA customer is an 81 year-old female who lives alone (68.2 percent). The largest segment of customers is 80 to 89 years of age (44.1percent), 35.5 percent are 85 or older, 36.9 percent are 65 to 79, and 3.5 percent are less than 65.

Services Provided: The AAAs determine which services are needed within their planning and service areas. Homemaker services remained the most used, accounting for 246,131 units of service, attendant care followed with 94,840 units, and case management was next at 86,793 units.

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MINUTES OF THE House Appropriations Committee at 9:00 A.M. on April 20, 2005 in Room 514-S of the Capitol.

| Service | Customers | Units Provided | Unit of Services |
|----------------------------------|-----------|----------------|------------------|
| Attendant Care | 1,589 | 94,840 | One Hour |
| Bath | 169 | 19,667 | One Dollar |
| Chore | 33 | 4,367 | One Hour |
| Case Management | 4,930 | 86,793 | 15 Minutes |
| Food Supplements | 52 | 6,421 | One Dollar |
| Homemaker | 3,788 | 246,131 | One Hour |
| Incontinence Supplies | 191 | 25,547 | One Dollar |
| Material Assistance | 134 | 55,752 | One Dollar |
| Medication Issues | 37 | 13,383 | One Dollar |
| Mobility Aids | 154 | 64,353 | One Dollar |
| Personal Emergency Response | 401 | 3,206 | One Month Rental |
| Personal Emergency Installation | 106 | 187 | One Installation |
| Respite Care | 35 | 2,878 | One Hour |
| Repairs, Maintenance, Renovation | 73 | 68,170 | One Dollar |
| Transportation | 13 | 2,982 | One Dollar |

Older Americans Act Title III-C Congregate and Home-Delivered Meals, FFY 2004

Purpose: Meals are provided to eligible participants on a contribution basis in a congregate setting (Title III-C(1)), or within a homebound individual's place of residence (Title III-C(2)).

Federal Fiscal Year (FFY) 2004 Expenditures: \$16,125,105 from all sources, and 3,362,926 meals were provided to eligible participants. Characteristics of persons receiving meals are shown in the following table:

| Characteristics | Congregate | Home Delivered |
|-------------------|------------|----------------|
| Male | 35% | 31% |
| Female | 65 | 69 |
| Lives Alone | 45 | 57 |
| Aged 64 and under | 14 | 6 |
| Aged 65 to 74 | 30 | 21 |
| Aged 75 to 84 | 39 | 41 |
| Aged 85 or older | 17 | 32 |

Number of Meals per Agency on FFY 2004 basis:

| Area Agency on Aging | Congregate Meals | Home Delivered Meals |
|-------------------------------|------------------|----------------------|
| Wyandotte-Leavenworth AAA | 88,239 | 183,862 |
| Central Plains AAA | 187,008 | 339,630 |
| Northwest Kansas AAA | 151,263 | 67,785 |
| Jayhawk AAA | 129,351 | 130,827 |
| Southeast Kansas AAA | 107,292 | 258,408 |
| Southwest Kansas AAA | 246,162 | 103,660 |
| East Central Kansas AAA | 108,974 | 119,695 |
| North Central/Flint Hills AAA | 218,923 | 195,854 |
| Northeast Kansas AAA | 97,417 | 65,126 |
| South Central Kansas AAA | 219,763 | 149,571 |
| Johnson County AAA | 52,647 | 141,469 |

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Number of Customers per Area Agency on SFY 2004 basis:

| Area Agency on Aging | Congregate Customers | Home Delivered Customers |
|-------------------------------|----------------------|--------------------------|
| Wyandotte-Leavenworth AAA | 790 | 1,217 |
| Central Plains AAA | 2,691 | 2,466 |
| Northwest Kansas AAA | 1,819 | 818 |
| Jayhawk AAA | 1,942 | 950 |
| Southeast Kansas AAA | 1,272 | 1,870 |
| Southwest Kansas AAA | 4,672 | 1,348 |
| East Central Kansas AAA | 1,989 | 733 |
| North Central/Flint Hills AAA | 5,234 | 2,043 |
| Northeast Kansas AAA | 1,871 | 667 |
| South Central Kansas AAA | 3,630 | 1,269 |
| Johnson County AAA | 1,239 | 1,114 |

K. Detailed Breakdown of Meals Served by Provider, Average Cost of the Meals, and Funding Provided by KDOA (House Committee). The House Committee requested that the Department provide a breakdown of meals served by provider, average cost of the meals and funding provided by KDOA. The Department provided the following information regarding actual costs during FFY 2004.

| Area Agency on Aging | Total Funding | Number of Meals | Cost Per Meal |
|---------------------------|----------------------|------------------|---------------|
| Wyandotte-Leavenworth | \$ 1,187,690 | 272,101 | \$4.36 |
| Central Plains | 2,750,965 | 526,638 | \$5.22 |
| Northwest KS | 1,010,160 | 219,048 | \$4.61 |
| Jayhawk | 1,415,404 | 260,178 | \$5.44 |
| Southeast KS | 1,406,213 | 365,700 | \$3.85 |
| Southwest KS | 1,592,083 | 349,822 | \$4.55 |
| East Central KS | 1,040,886 | 228,669 | \$4.55 |
| North Central Flint Hills | 2,025,266 | 414,777 | \$4.88 |
| Northeast KS | 1,010,274 | 162,543 | \$6.22 |
| South Central KS | 1,594,618 | 369,334 | \$4.32 |
| Johnson County | 1,091,546 | 194,116 | \$5.62 |
| Total | \$ 16,125,105 | 3,362,926 | \$4.79 |

L. Plan that Provides Equal Funding for Every Meal Served Statewide (House Committee). The House Committee requested that the Department develop a plan that would provide equal funding for every meal served statewide, based upon actuals from the previous fiscal year.

The Department has provided the following breakdown of what funding based upon actual number of meals served would look like.

**Kansas Department on Aging - Plan for Review
If Federal and State Funding were Based on Meals Served
(Using Expenditures and Meals for FFY04)**

| | Federal and State Funds - Meals Served | % Change from Actual | % of Total Funding | State Funds - Meals Served | % Change from Actual | % of Total Funding |
|----------------------------------|--|----------------------|--------------------|----------------------------|----------------------|--------------------|
| Wyandotte-Leavenworth | 471,541 | (17.44) | 8.09 | 86,429 | 24.87 | 8.09 |
| Central Plains | 912,644 | (19.97) | 15.66 | 167,279 | (53.71) | 15.66 |
| Northwest KS | 379,602 | 11.00 | 6.51 | 69,577 | -- | 6.51 |
| Jayhawk | 450,879 | 2.07 | 7.74 | 82,642 | (12.04) | 7.74 |
| Southeast KS | 633,745 | 9.32 | 10.87 | 116,159 | 22.00 | 10.87 |
| Southwest KS | 606,229 | 22.38 | 10.40 | 111,116 | 59.38 | 10.40 |
| East Central KS | 396,275 | 120.99 | 6.80 | 72,633 | (50.15) | 6.80 |
| North Central Flint Hills | 718,793 | (1.22) | 12.33 | 131,748 | (12.80) | 12.33 |
| Northeast KS | 281,681 | 58.90 | 4.83 | 51,629 | -- | 4.83 |
| South Central KS | 640,042 | 10.42 | 10.98 | 117,313 | 43.15 | 10.98 |

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| | | | | | | |
|-------------------|-------------------|-----------|----------------|------------------|-----------|----------------|
| Johnson Co | 336,396 | (43.33) | 5.77 | 61,658 | -- | 5.77 |
| Total | <u>5,827,826*</u> | <u>--</u> | <u>100.00%</u> | <u>1,068,182</u> | <u>--</u> | <u>100.00%</u> |

Total Federal and State Expenditures **\$ 6,896,008**

Costs per Final AAA Financial Reports for FFY 2004

Number of Meals Per Grant Monitors Report 12/30/2004 (KAMIS)

(* Federal nutrition funds are used by all Area Agencies on Aging to cover a portion of their administrative costs; remaining balances are unexpended funds that are forwarded into the next grant period.)

Funding from the Older Americans Act (OAA) requires the establishment of an Intrastate Funding Formula which must be approved by the federal Administration on Aging. Additionally, the Older Americans Act requires the Kansas Department on Aging, as the designated State Unit on Aging, provide assurance that it will give preference to providing service to older individuals with the greatest social and economic needs.

The Department has indicated they do not believe the Administration on Aging will approve a plan that shifts nutrition dollars from those with the greatest economic and social need, with particular attention to low-income, minority older individuals, to a plan that provides funding based on the capacity to provide meals. In addition, the Administration on Aging staff has indicated no State Unit on Aging distributes the federal funds based on persons served.

M. Report on the Policy on When and for Whom Access to Seniors in Nursing Facilities is Appropriate (House Committee). The House Committee requested the Department report on the policy on when and for whom access to seniors in nursing facilities is appropriate.

The Department on Aging provided a memorandum dated March 25, 2004, to Adult Care Home administrators and operators. The memorandum addressed issues related to conduct of visitors in adult care homes. Federal and state regulations require that adult care homes ensure that residents have access and can visit with any individual they wish with reasonable restriction. Residents also have the right to decide who may visit them. It is, however, the facility's responsibility to protect residents from persons who could harm them and from persons residents do not wish to see.

Most facilities will have policies that when a resident shares a bedroom with another resident, visitors are not present when direct care is being given or when the act of visiting disturbs the other resident residing in the bedroom. Visitors who do not maintain appropriate decorum should be asked to leave according to the agency.

Family members and others who display behavior that is disturbing to other residents can be restricted to areas where their behavior cannot be observed by residents.

Individuals offering services that residents may want to consider can discuss these services with residents if the resident has agreed to meet with the individuals.

Staff of each adult care home has the responsibility of informing residents about services available through the Medicare and Medicaid programs.

The facility is obligated to inform residents and their families of any new programs for which a resident may be eligible. Printed materials and posted information should be readily accessible to residents and their families. The social services staff should share information with residents who may be eligible for a new program. If the resident is interested, social service staff should assist the resident in contacting the appropriate agency.

Representatives of agencies seeking to offer services to residents of adult care homes should contact facility management to determine whether residents that may be eligible for the service wish to talk to them. If the resident indicates they do not wish to meet with the agency representative, this should be communicated to the representative.

N. Status of Waiting Lists for HCBS/FE Waiver and Senior Care Act Services (Senate Committee). The Senate Committee requested that the Department report back concerning the status of the waiting lists for the HCBS/FE waiver and the Senior Care Act services.

The Department has indicated that currently there is no waiting list for HCBS/FE waiver services. The waiting list that developed as a result of funding reductions in FY 2003 was eliminated by the end of

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FY 2004.

As of the end of February 2005, there was a waiting list of approximately 205 clients for the Senior Care Act program.

O. Spring Consensus Caseload Estimates and GBA No. 2, Item 13, Page 7. The FY 2005 Spring Consensus Caseload Estimate for Nursing Facilities is an increase of \$8.2 million, including \$3.0 million State General Fund from the approved budget. The change reflects increased costs and higher than anticipated number of individuals serviced.

The FY 2006 Spring Consensus Caseload Estimate for Nursing Facilities is an increase of \$5.5 million, including \$3.5 million State General Fund from the approved budget. The change reflects a continuation of the increased costs and number of individuals served.

These items are included in the Spring Consensus Caseload Item under the Department of Social and Rehabilitation Services.

Note:

The Budget Committee noted that the proviso offered is to be added to SB 92 rather than SB 72 as stated in the report (Attachment 5).

Representative Landwehr, Chair of the Social Services Budget Committee, presented the Budget Committee report on the Department on Aging and moved for the adoption of the Budget Committee recommendation (Attachment 5). The motion was seconded by Representative Bethell. Motion carried.

School for the Blind

A. Reduction in Salaries and Wages in the Instructional Services Program (Senate Committee). The Senate Committee included a review of adding \$100,000 from the State General Fund for salaries and wages to the Instructional Services program which had been reduced by the Governor. The Conference Committee on SB 225 added \$100,000 from the State General Fund to restore the reduced funding.

B. Comparison of Salaries and Benefits at School for the Blind and Neighboring School Districts (House Committee). The House Committee was concerned with the disparity in teacher salaries that exists between the teachers at the School for the Blind and the neighboring districts. The Committee requested that the School for the Blind provide information regarding the differences in salaries and benefits.

The School for the Blind has indicated that average base salary in Kansas City, Kansas USD 500 is \$2,905 or 7.1 percent higher than that of a teacher at the School for the Blind (based upon the average experience and education level of the teachers at the School for the Blind). After subtracting the costs of employee contributions and adding the employer paid benefits, including KPERS and employee health insurance premiums, the average salary of a USD 500 teacher is \$2,361 or 4.0 percent higher than that of a teacher at the School for the Blind.

Note:

The Education Budget Committee took no further action on the School for the Blind (Attachment 6).

School for the Deaf

A. Comparison of Salaries and Benefits at School for the Deaf and Neighboring School Districts (House Committee). The House Committee was concerned with the disparity in teacher salaries that exists between the teachers at the School for the Deaf and the neighboring districts. The Committee requested that the School for the Deaf provide information regarding the differences in salaries and benefits.

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The School for the Deaf has indicated that average base salary in Olathe USD 233 is \$4,284 or 10.0 percent higher than that of a teacher at the School for the Deaf (based upon the average experience and education level of the teachers at the School for the Deaf). After subtracting the costs of employee contributions and adding employer paid benefits, including KPERs and employee health insurance premiums, the average salary of a USD 233 teacher is \$3,492 or 10.2 percent higher than that at the School for the Deaf.

Note:

The Education Budget Committee took no further action on the School for the Deaf (Attachment 6).

Kansas Corporation Commission

A. Review Proviso Allowing Kansas Corporation Commission (KCC) to Transfer Funds in Excess of \$400,000 from the Conservation Fee Fund to the Abandoned Oil and Gas Well Plugging Fund (House Committee and Conference Committee). The House Committee recommended removing the proviso that would allow the State Corporation Commission to transfer funds in excess of \$400,000 from the Conservation Fee Fund to the Abandoned Oil and Gas Well Plugging Fund for further review at Omnibus. The Conference Committee on SB 225 concurred with the House position and removed the proviso for further review at Omnibus.

Representative Schwartz, Chair of the Agriculture and Natural Resources Budget Committee, presented the Budget Committee report on the Kansas Corporation Commission and moved for the adoption of the Budget Committee recommendation (Attachment 7). The motion was seconded by Representative Powell. Motion carried.

Abandoned Oil and Gas Well Transfer

A. Review the Statutory Transfer from the State General Fund to the Abandoned Oil and Gas Well Plugging Fund (House Committee). The House Committee requested a review of the statutory transfer from the State General Fund to the Abandoned Oil and Gas Well Plugging Fund. K.S.A. 55-192 was enacted in 1996. As a result of this statute, the Abandoned Oil and Gas Well/Remediation Fund was created for the sole purpose of providing funding to the Kansas Corporation Commission for the plugging of abandoned wells and the remediation of contamination sites related to oil and gas activities prior to July 1, 1996. The 2001 Legislature amended K.S.A. 55-193, which extended the quarterly fund transfers of \$100,000 each from the State Water Plan (SWP), State General Fund (SGF) and the Conservation Fee Fund (CFF) for seven additional years to July 1, 2009.

The last time the transfer from the State General Fund occurred was in FY 2003. The transfer is not provided for FY 2006 in SB 225.

Note:

The Agriculture and Natural Resources Budget Committee took no further action on the Abandoned Oil and Gas Well Transfer (Attachment 7).

Kansas State University – Extension Systems and Agricultural Research Program

A. Operational Funding (House Committee and Conference Committee). The House Committee and the Conference Committee on SB 225 recommended that funding of \$300,000 from the State General Fund be deleted in FY 2006 and reviewed at Omnibus. In the Governor's recommendation, this funding had been shifted from the Economic Development Initiatives Fund to the State General Fund. In addition, the Conference Committee on SB 225 concurred with the House's addition of \$300,000 from the Economic Development Initiatives Fund.

The agency's submitted budget included an enhancement request of \$979,000 from the State General Fund to address tuition generation issues. The Governor's recommendation did not provide additional funds, but did shift a portion of the funding from the Economic Development Initiatives Fund to

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the State General Fund due to the balances of the Economic Development Initiatives Fund.

Wichita State University

A. GBA No. 2, Item 26, Page 13 - Aviation Research Debt Service.

University of Kansas

A. GBA No. 2, Item 24, Page 13 - Faculty of Distinction Program Withdrawal.

Pittsburg State University

A. Funding for the Armory/Classroom/Recreation Center Project (House Committee and Senate Committee). The Senate Committee and the House Committee recommended that funding of \$4.5 million in FY 2006 for the state match portion of the Armory/Classroom/Recreation Center be reviewed at Omnibus. The Conference Committee on SB 225 recommended that bonding authority of \$1.5 million for FY 2006 be granted to the Adjutant General and bonding authority of \$4.0 million for FY 2007 and FY 2008 be granted to Pittsburg State University for this project.

University of Kansas Medical Center

A. Bonding Authority for the Ambulatory Care Center (Joint Committee on State Building Construction) and GBA No. 2, Item 25, Page 13. SB 225 included bonding authority of \$42.0 million to construct the Ambulatory Care Center at the University of Kansas Medical Center. Due to increases in construction materials, the agency requested an increase in the bonding authority of \$11.0 million for a total of \$53.0 million. The debt service on the bonds is to be funded through payments for services provided. The Joint Committee on State Building Construction recommended that the change be made and that the issue be considered as a part of Omnibus.

Board of Regents

A. SB 138 Mathematics and Science Teacher Service Scholarship Program (Law). SB 138 establishes the Mathematics and Science Teacher Service Scholarship Program. This program is in addition to the current Teacher Service Scholarship Program.

Qualified applicants would receive a scholarship of \$2,500 per semester for not more than two years. The program is limited to 50 new awards each year. In order to be eligible, a student must be a Kansas resident, enrolled in a program leading to licensure as a math or science teacher for grades six through 12, and have demonstrated scholastic ability through grade point average and other measures as determined by the Board of Regents. Preference would be given to students who have completed at least 60 hours in their course of study.

The bill requires a service obligation of the student. The individual must teach math or science in grades six through 12 in Kansas for not less than four years if teaching full-time or a period equivalent to four years if teaching part-time. If the student does not fulfill the obligation, he or she must repay the amounts received with interest.

The provisions of the bill would sunset in FY 2010 and are permissive rather than mandatory.

The fiscal note on the bill originally containing the Mathematics and Science Teacher Service Scholarship Program states that the total fiscal impact for FY 2006 would be approximately \$304,000. The scholarship itself would total \$250,000 State General Fund for FY 2006 and \$500,000 State General Fund for each year thereafter. In addition, the Board of Regents estimates that the bill would require an additional 1.0 FTE position and \$54,000 from the State General Fund for salary and wages and associated operating expenses.

B. HB 2026 KAN-ED Financing (Conference Committee). The portion of HB 2026 affecting higher education would phase out financing of KAN-ED from the Kansas Universal Service Fund over

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several fiscal years. For FY 2006, both the House and the Senate versions of the bill fund \$10.0 million for the program through the Kansas Universal Service Fund.

K.S.A. 66-2010 sets out the funding mechanism for KAN-ED. Not more than \$10.0 million per year was to be transferred from the Kansas Universal Service Fund to a special revenue fund within the Board of Regents. These provisions are set to expire June 30, 2005. HB 2026 would continue the funding from the Kansas Universal Service Fund, but would phase out that funding over several years.

The Governor's recommendation and the current Legislative approved budget for the Board of Regents assumes passage of this bill. If the bill does not pass, the program would not be funded for FY 2006.

C. Funding Recommended for the Comprehensive Grant Program (House Committee).

The House Committee recommended a review of \$1.0 million from the State General Fund which the Governor recommended in FY 2006 as an enhancement to the Comprehensive Grant Program. The funding is included in SB 225.

D. Funding Recommended for the Higher Education Coordination Act (1999 SB 345) (House Committee). The House Committee recommended a review of \$8.9 million from the State General Fund which the Governor had recommended in FY 2006 as the second year of a three-year plan to fund the Higher Education Coordination Act at the original estimates. This amount includes funding for community colleges (\$5.1 million), Washburn University (\$455,060), and salary enhancements for state university faculty (\$3.3 million). The funding is included in SB 225.

E. SB 300 Faculty of Distinction Program (Senate Committee). The Senate Committee requested a review of SB 300 which would change the method used for calculating interest earnings for the Faculty of Distinction Program. SB 300 was introduced on March 15, 2005, and referred to the Senate Ways and Means Committee.

When private donations are made for endowed professorships, the interest earned on those endowments is used to supplement the professor's salary and to provide operational support such as staff, equipment, and travel. Currently, the interest is calculated using the average net earnings rate for the Pooled Money Investment Board. SB 300 would change the method of interest calculation to use the greater of 5.5 percent or the twenty-year treasury bonds plus 4.0 percent as published by the Bond Buyer.

The fiscal note prepared by the Division of the Budget states an estimated reduction in receipts to the State General Fund of \$2.8 million.

During Committee discussion of the bill, an amendment was proposed which would change the new interest calculation to the ten-year treasury note rate plus 2.0 percent. The Committee took no action on the proposed amendment.

Representative Hutchins, Chair of the Education Budget Committee, presented the Budget Committee report on the State Universities and Board of Regents and moved for the adoption of the Budget Committee recommendation (Attachment 8). The motion was seconded by Representative McLeland. Motion carried.

KPERS

A. Investment Manager Fees (Senate Committee and House Committee) and GBA No. 2, Item 6, Page 4. Both committees recommended Omnibus review of the latest estimated fees paid to manage the KPERS investment portfolio. The agency estimates FY 2005 increases of \$1,443,589 from the KPERS Fund and \$8,280 from non-KPERS funding to pay higher than approved investment related expenses. In FY 2006, the agency estimates increases of \$2,570,964 from the KPERS Fund and \$9,298 from non-KPERS funding to pay higher than approved investment related expenses. The cost of manager fees is a function of investment performance and the higher fees indicate better than expected investment earnings for the KPERS portfolio in FY 2005 and FY 2006.

B. HB 2037 KPERS Omnibus Bill (Conference Committee). The Conference Committee has agreed to fund the KPERS death and long-term disability benefits contribution at 0.8 percent in FY 2006 and at 1.0 percent in FY 2007 by adjusting the statutory employer rate which currently is 0.6 percent. This action would match the funding included in FY 2006 and FY 2007 budgets by 2005 SB 225. The estimated costs

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for state and local government for this provision is noted below.

**Estimated Cost of Death and Disability Increases – FY 2006 and FY 2007
Contributions in Millions**

| | Current Rate 0.6% | FY 2006 Rate 0.8% | FY 2007 Rate 1.0% |
|-----------------------|----------------------|----------------------|----------------------|
| State General Fund | \$ 20.1 | \$ 26.9 | \$ 33.9 |
| State All Other Funds | 5.2 | 6.8 | 7.5 |
| Subtotal – State | \$ 25.3 | \$ 33.7 | \$ 41.4 |
| Local Governments | 6.7 | 9.0 | 11.4 |
| Total – All Units | <u>\$ 32.0</u> | <u>\$ 42.7</u> | <u>\$ 52.8</u> |

C. GBA No. 2, Item 7, Page 4 - Revised Technology Project Expenditures.

Several other provisions of HB 2037 either have potential or actual fiscal impacts, either immediately or in the future.

1. **Working After Retirement.** Would have a potential impact on state agencies, school districts and local governments, with a provision that would require KPERS participating employers who hire retired KPERS members, and if they make more than \$15,000 annually, to pay an actuarial contribution plus 4.0 percent to KPERS on the retired member’s full compensation amount.

2. **New Retirement Plan for Fire Marshal Employees.** Would allow certified law enforcement officers to elect enhanced benefits of the Kansas Police and Firemen’s (KP&F) Retirement System, with a potential cost of less than \$50,000 in FY 2006.

3. **Spouse KPERS Benefits.** Would reduce the length of service required from 15 to 10 years for a surviving spouse to be eligible for retirement benefits if a member of KPERS or the Retirement System for Judges dies before reaching normal retirement eligibility for unreduced benefits. KPERS estimates additional unfunded actuarial liability would result from this bill totaling \$951,000, of which the state share would be \$621,000 and the local cost would be \$330,000. In order to pay the actuarial costs over time, the additional first year contributions for the state would be \$41,100 and for the local units would be \$21,800.

4. **Combining State and School Contribution Rates.** Could result in long-term savings to the state in excess of \$1.0 billion to the State General Fund for state KPERS school employer retirement contributions, but would require earlier State General Fund contributions of \$613 million, beginning in FY 2010, with an initial \$4.0 million increase above the current statutory cap on state agency payments.

Representative McCreary, Chair of the Revenue, Judicial, Transportation and Retirement Budget Committee, presented the Budget Committee report on the Kansas Public Employees Retirement System (KPERS) and moved for the adoption of the Budget Committee recommendation (Attachment 9). The motion was seconded by Representative Gatewood. Motion carried.

Department of Revenue

A. SB 4 Manufactured Housing Installation and Licensure (Law). The bill would require the Director of Vehicles to license installers of manufactured housing and to develop rules and regulations for installation standards. The agency requests filling 1.0 FTE position and FY 2006 financing of \$47,534 from the fund established in the bill, including salary costs of \$34,857, annual operating costs of \$3,142, and one-time expenses of \$9,535 for computer programming and equipment. The bill also creates the State Housing Trust Fund. This bill is effective in FY 2005 with publication in the *Kansas Register*. The fund needs to be appropriated in FY 2005 and FY 2006. Estimated revenue is \$55,000 annually to the fund. Administrative costs may be paid from the Trust Fund, according to the bill. Alternately, the DOV Operating Fund could be charged for this operating expenditure, if insufficient funds were available in the new trust fund during FY 2006.

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B. HB 2215 Hazmat Fee Fund (Law). This bill is effective in FY 2005 with publication in the *Kansas Register*. The Hazmat Fee Fund needs to be appropriated in FY 2005 and FY 2006. Estimated revenue and expenditures are \$20,000 each fiscal year.

C. HB 2265 – Special Qualified Manufacturer Fund (Law). This bill is effective in FY 2005 with publication in the *Kansas Register*. The new Special Qualified Manufacturers Fund needs to be appropriated in FY 2005 and FY 2006. No estimate of revenue and expenditures was available for this fund in FY 2005 or FY 2006.

Representative McCreary, Chair of the Revenue, Judicial, Transportation and Retirement Budget Committee, presented the Budget Committee report on the Department of Revenue and moved for the adoption of the Budget Committee recommendation (Attachment 9). The motion was seconded by Representative Weber. Motion carried.

Kansas Lottery

A. Lottery Ticket Sales and Transfers (Senate Committee and House Committee). Both committees asked to review sales and transfers during Omnibus. The 2005 Legislature approved an increase of \$3.7 million from the FY 2004 approved amount for the Governor's estimated FY 2005 sales of \$219.2 million, with approximately \$2.4 million attributed to the two instant scratch games designated to benefit veterans' programs.

The agency indicates that a revision in estimated sales would suggest a decrease of \$11.2 million in FY 2005 that will reduce revenues attributed to sales of \$208.0 million this fiscal year. Transfers to the State Gaming Revenues Fund (SGRF) through March 15 totaled \$42.25 million, with approved transfers in FY 2005 expected to reach \$64.325 million this fiscal year when sales were estimated at \$219.2 million. With four transfers left to make in FY 2005, the monthly total would have to average slightly less than \$5.6 million per transfer to reach the remaining \$22.075 million this fiscal year.

The average monthly transfer amount during the first eight months was slightly less than \$5.3 million. The FY 2005 shortfall, if any, will reduce revenue to the State General Fund which in the November 2004 consensus revenue estimate is scheduled to receive \$14.325 million at the end of FY 2005 from the SGRF.

No change is suggested by the Lottery's staff in approved estimated sales of \$219.2 million in FY 2006, with SGRF transfers of \$66.0 million anticipated next fiscal year and SGF revenue of \$16.0 million.

B. Change in Ticket Distribution (Senate Committee and House Committee). Both committees recommended Omnibus review of FY 2006 operating expenditures and consideration of a proposed change in instant ticket distribution and possible adjustments in expenditures. The House Committee noted that this agency may opt to no longer deliver lottery tickets with state-owned vehicles and that a report should be made during Omnibus about any changes in distribution of lottery tickets, with the estimated impact on the FY 2006 budget.

C. Shrinkage Savings (House Committee). The House Budget Committee heard a report from the Lottery concerning a projection for expenditures to pay salaries and benefits through the end of FY 2005, and the House Budget Committee expressed concern that the \$353,100 amount of shrinkage savings in the Governor's revised recommendations will not be achieved, and that a shift of funds from other operating expenditures to pay salaries will reduce other spending amounts that the Governor recommends. The Conference Committee on SB 225 concurred with a Senate adjustment to restore \$143,950 to the Lottery Operating Fund agency operations account for a FY 2005 additional shrinkage reduction made by the Governor. The agency indicates that this additional funding will provide sufficient resources for paychecks and that funding from other operations will not be needed to meet payrolls late in the fiscal year.

Note:

The General Government and Commerce Budget Committee took no further action on the Lottery (Attachment 10).

Representative Weber moved to amend the Budget Committee report by inserting language directing the Lottery to initiate a new lottery game with the net proceeds directed to the Sports Hall of Fame (Attachment 11). The motion was seconded by Representative Light.

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Motion failed.

Kansas Racing and Gaming Commission

A. Cashflow for State Racing Fund (Senate Committee and House Committee). Both committees expressed concern about potential cashflow problems in the fund and wished to review updated estimates during Omnibus. The Legislature approved a \$200,000 State General Fund transfer in FY 2006 and eliminated a \$75,000 transfer in FY 2005 from the State Racing Fund in order to increase the cash balances in each fiscal year. Salary plan adjustments were approved in FY 2006 that reduced FY 2006 expenditures. The legislative actions provide higher ending balances in FY 2005 and FY 2006, compared with the Governor’s recommendations.

State Racing Fund Cashflow FY 2004 – FY 2006

| Resource Estimate | Actual FY 2004 | Gov. Rec. FY 2005 | Legislative Approved FY 2005 | Gov. Rec. FY 2006 | Legislative Approved FY 2006 |
|---|-------------------|-------------------|------------------------------|-------------------|------------------------------|
| Beginning Balance | \$ 456,071 | \$ 404,274 | \$ 404,274 | \$ 207,557 | \$ 282,557 |
| Net Receipts | 2,901,893 | 2,635,373 | 2,635,373 | 2,651,345 | 2,851,345 |
| Total Funds Available | \$ 3,357,964 | \$ 3,039,647 | \$ 3,039,647 | \$ 2,858,902 | \$ 3,133,902 |
| Less: Expenditures | 2,675,530 | 2,757,090 | 2,757,090 | 2,854,664 | 2,754,564 |
| Less: Transfers | 278,160 | 75,000 | 0 | 0 | 0 |
| Ending Balance | <u>\$ 404,274</u> | <u>\$ 207,557</u> | <u>\$ 282,557</u> | <u>\$ 4,238</u> | <u>\$ 379,338</u> |
| Ending Balance as a Percent of Expenditures | 15.1% | 7.5% | 10.2% | 0.1% | 13.8% |

B. Tribal Compacts Status (Senate Committee). The Senate Committee noted that the Governor had not submitted a proposed compact to the 2005 Legislature and therefore desired to review during Omnibus any actions that might be needed in responding to such a submission. The Senate Committee also noted that the State Gaming Agency and at least one tribe involved in the proposed new compact had an ongoing dispute that was in arbitration under terms of an existing compact, and an update on that situation was requested during Omnibus. According to the Executive Director of the Tribal Gaming Agency, the arbitration was settled at the end of March. It was indicated that the Executive Director did not know if the Governor would resubmit the proposed compact during the Omnibus session.

Note:

The General Government and Commerce Budget Committee took no action on the Racing and Gaming Commission (Attachment 10).

Department of Wildlife and Parks

A. Correct Posting Error (Technical Adjustment). Technical changes are needed to accurately reflect death and disability adjustments approved by the Conference Committee on SB 225.

B. Funding State Parks (Senate Committee and House Committee) and GBA No. 2, Item 40, Page 20. Both committees expressed concern about financing problems of the state parks in FY 2005 and FY 2006. The FY 2005 and FY 2006 budgets recommended in the *Governor’s Budget Report* for the state parks assumed that a third fee increase in five years would go into effect on January 1, 2005. The Kansas Wildlife and Parks Commission did not adopt the proposed fee increase and therefore the revenue to the Parks Fee Fund will be less than estimated under the Governor’s recommendation for FY 2005 and FY 2006. The Senate Committee requested for Omnibus that the agency provide monthly park fee receipts from 2000 to the present in order to evaluate the impact of fee increases in 2001 and 2003.

The agency had to secure alternative funding in order to meet payrolls in March and April 2005 due to the Parks Fee Fund balance being insufficient to make biweekly payments for park employees. The

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Conference Committee on SB 225 eliminated a \$300,000 FY 2005 State General Fund supplemental appropriation recommended by the Governor and concurred with replacement funding from a shift of \$485,000 from capital improvements to state operations for the purpose of paying employees of state parks in FY 2005. The Conference Committee recommended that the money be repaid from the Parks Fee Fund whenever sufficient funds are available. The agency will present a revised fee fund profile during Omnibus. The following profile is based on the Governor's budget submitted in January 2005, with legislative adjustments and subsequent revenue information provided by the agency in early April 2005.

Parks Fee Fund Cashflow FY 2004 – FY 2006

| Resource Estimate | Actual FY 2004 | Gov. Rec. FY 2005 | Rev. Est. FY 2005 | Gov. Rec. FY 2006 | Rev. Est. FY 2006 |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning Balance | \$ 1,480,484 | \$ 1,121,368 | \$ 1,121,368 | \$ 268,882 | \$ 444,480 |
| Net Receipts | 5,622,944 | 5,832,321 | 5,522,919 | 6,404,000 | 5,799,065 |
| Total Funds Available | \$ 7,103,428 | \$ 6,953,689 | \$ 6,644,287 | \$ 6,672,882 | \$ 6,243,545 |
| Less: Expenditures | 5,982,060 | 6,684,807 | 6,199,807 | 6,465,950 | 6,251,660 |
| Ending Balance | <u>\$ 1,121,368</u> | <u>\$ 268,882</u> | <u>\$ 444,480</u> | <u>\$ 206,932</u> | <u>\$ (8,115)</u> |
| Ending Balance as a Percent of Expenditures | 18.7% | 4.0% | 7.2% | 3.2% | (0.1)% |

The agency's revised FY 2005 estimated receipts reflect a reduction of \$309,402 based on collections to date. The agency has authority to spend \$485,000 in FY 2005 to replace financing from the Parks Fee Fund, and consequently, expenditures are reduced by that amount to keep the ending balance in FY 2005 from showing a negative \$40,520. The agency revised FY 2006 estimated receipts to reflect a reduction of \$604,935. Expenditures recommended by the Governor in FY 2006 were reduced \$214,290 in salary plan adjustments approved by the 2005 Legislature. Even if the agency spends \$485,000 in FY 2005 from its alternative funding source and carries over \$444,480 to next fiscal year, the FY 2006 ending balance would be a negative \$8,115 with the revised estimate of revenues and approved expenditures from the Parks Fee Fund.

The agency has requested a Governor's Budget Amendment to provide additional funding for parks operations in FY 2006.

C. State Park No. 24 Status and Funding (House Committee and Conference Committee).

The House Budget Committee deleted capital improvement funding totaling \$615,000 for State Park No. 24 in order to be consistent with the Governor's recommendation that deleted FY 2006 agency requested operating expenditures of \$103,505 and 1.0 FTE position for operation of the new park. The Budget Committee recommended review of this issue during Omnibus to determine if any transfer of property has taken place and if the agency has received title to the land. In addition, the Budget Committee considered an issue as to whether it is appropriate to use State Water Plan Fund financing for capital improvements at State Park No. 24. The Budget Committee also believed that a self-pay mechanism should be used to fund this park rather than for it to be used as a free park. The Senate Committee also expressed concern about free admission. The Conference Committee on SB 225 concurred to delete \$615,000 for capital improvements, including \$115,000 from the State Water Plan Fund and \$500,000 from the Access Road Fund, with review at Omnibus of State Park No. 24.

The Conference Committee on SB 225 concurred with the House Committee recommendation to add \$500,000 from the Access Road Fund originally recommended for State Park No. 24 to augment the other \$1.2 million for road and bridge work in other state parks for FY 2006, with spending to be targeted for the following designated areas in FY 2006, except in cases of emergencies or other unanticipated projects: Crawford State Park, Elk City State Park, Fall River State Park, Eisenhower State Park, Pomona State Park, Cross Timbers State Park, and Farlington Fish Hatchery.

As of early April 2005, no transfer of property had taken place, according to the agency. It is now anticipated that a transfer may occur sometime in FY 2006, the agency states.

D. River and Boating Access Funding (House Committee and Conference Committee).

The House Committee and the Conference Committee on SB 225 asked for Omnibus review of alternative funding sources for river and boating access projects, such as the one in State Park No. 24. The House

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Committee objected to the use of State Water Plan Fund money and the Conference Committee indicated that the State Water Plan Fund source of financing should not be considered during Omnibus for State Park No. 24.

The agency suggests that alternative funding sources do exist, and that the Boating Fee Fund and the Boating Fund – Federal can be used for river access projects. In addition, the Motor Boat Access program can supply funding. In all cases the access must be available for use by motorized and non-motorized craft.

E. Milford Fish Hatchery Water Line Cost (House Committee). The House Committee requested a report at Omnibus about the increased estimate for constructing a new water line for the fish hatchery at Milford Lake. The project was approved by the 2004 Legislature for \$1,227,287 in FY 2005. The original project cost was estimated at \$5.6 million by the federal agency, of which the state agency would provide \$1.4 million. The agency indicates that the revised cost estimate is \$7.3 million, of which \$2.3 million would be paid by the state agency. An alternative location has been proposed by the state agency to reduce the costs to \$5.1 million, of which \$1.3 million would be paid by the state agency. No decision has been made by the federal agency.

F. Cheyenne Bottoms Visitor Center Status (House Committee). The House Committee asked for an update at Omnibus concerning the proposed Cheyenne Bottoms Visitor Center capital improvement project and the status of a federal grant awarded for the project. The Governor withdrew the project from the budget after it was approved by the 2004 Legislature at an estimated cost of \$1,999,264 in FY 2005. The agency indicates that the revised project cost is estimated at \$4.0 million, of which the federal grant of \$1,999,264 will finance a portion of the total cost.

G. Acquiring Federal Campgrounds (Senate Committee). The Senate Committee expressed concern about the operation of federal (Corps of Engineers) parks and campgrounds in proximity to the state parks since the Corps offers free access to those parks and lower fees for camping than charged at the state parks. The Senate Committee believed that the Secretary of Wildlife and Parks should actively engage the Corps of Engineers in the Tulsa and Kansas City district offices about the transfer of federal land and facilities to the state and requested the Secretary to provide at Omnibus information about the operation of the federal parks and campgrounds in the state, including locations, costs of operation, staffing, facilities and fees for use at the different facilities.

H. GBA No. 2, Item 39, Page 19 - Circle K Ranch.

Representative Schwartz, Chair of the House Agriculture & Natural Resource Budget Committee, presented the Budget Committee report for the Department of Wildlife and Parks and moved for the adoption of the Budget Committee recommendations (Attachment 12). The motion was seconded by Representative Powell. Motion carried.

Discussion:

The Committee expressed concern about the \$717,000 shortfall which exists in salary financing within the Department of Wildlife and Parks.

Kansas Technology Enterprise Corporation

A. Shrinkage Restoration (Senate Committee). The Senate Committee recommended a review at Omnibus of reductions recommended by the Governor to increase shrinkage during FY 2005. The Subcommittee was informed that the decreased funding of \$136,714, including \$128,544 from the Economic Development Initiatives Fund (EDIF), would impair the agency's ability to contract with a particularly well qualified individual to assist the agency with commercialization efforts. The consultant was expected to be offered a contract in March but the agency indicated it would be forced to hold off indefinitely to produce the recommended savings. The Senate added \$125,000 from the EDIF in FY 2005 to partially restore the funding but it was deleted during Conference Committee negotiations on the budget bill.

Note:

The General Government and Commerce Budget Committee took no further action on the Kansas Technology Enterprise Corporation (KTEC) (Attachment 13).

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MINUTES OF THE House Appropriations Committee at 9:00 A.M. on April 20, 2005 in Room 514-S of the Capitol.

Department of Health and Environment - Health

A. HB 2503 Regulation of Abortion Clinics (Veto). HB 2503 establishes standards for the operation of abortion clinics and requires the Secretary to adopt rules and regulations applicable to these clinics. The bill requires clinics to obtain an annual license and pay applicable fees. In addition, the Secretary is required to inspect and investigate such clinics.

The agency estimates the fiscal impact of the bill at \$291,118 from the State General Fund and 1.0 FTE position for FY 2006 for the development of regulations, license inspections, surveys and monitoring of facilities. The estimate includes \$156,000 for a physician consultant, \$78,000 for a birthing consultant, \$47,620 for the 1.0 FTE administrative position and \$9,498 for other operating expenditures. The Governor vetoed the bill on April 15, 2005.

B. HB 2301 Senator Stan Clark Pregnancy Maintenance Initiative Program (Law). HB 2301 creates the Senator Stan Clark Pregnancy Maintenance Initiative Program and appropriates \$300,000 from the State General Fund in FY 2006 to support the program. The Secretary is required, subject to appropriations, to award grants to non-profit organizations to provide a variety of social services to help women carry their pregnancies to term. Grantees are required to provide a \$1 for \$1 match and are required to provide adoption related services. Entities performing, promoting, referring for or educating in favor of abortion are prohibited from receiving grants and no part of the grant can be used for political purposes. The Secretary is required to submit annual reports to the Legislature beginning in 2006. No other funding has been appropriated for this program for FY 2006.

C. Low-Birthweight and Premature Babies (Senate Committee). The Senate Committee recommended an Omnibus review of information on agency efforts to address issues raised by an October 2004 Legislative Post Audit report on low-birthweight and premature babies.

The recommendations in the report included increasing knowledge of available prenatal care programs; reducing transportation problems for women seeking prenatal services; ensuring that eligible women apply for Medicaid and receive expedited determination; determining geographic areas where particular needs are greatest, or where particular risk factors are most prevalent to better target prematurity and low birthweight; and modifying data use restrictions for survey purposes to provide better information on the level of prenatal care being provided and to allow the Kansas Department of Health and Environment (KDHE) to use a risk monitoring and query system for new mothers.

The agency reports that it has been addressing the recommendations in a variety of ways. Activities include education and technical assistance for local health departments which serve as access points for multiple KDHE and the Department of Social and Rehabilitation Services (SRS) programs; participation in outside studies and internal data analysis to pinpoint risk factors and particularly vulnerable geographic areas; analysis of appropriate risk assessment tools; investigation of available community transportation services; and collaboration with other stakeholders to seek out additional ways to decrease the prevalence of premature and low-birthweight births.

D. Child Care Regulation (Senate Committee). The Senate Committee recommended a review of agency information on the status of planning activities in response to an October 2004 Legislative Post Audit report on duplications in the regulation of child care facilities and foster homes.

To address the issue of dual initial inspections of family foster homes, the agency plans to conduct a review of the entire regulatory process for family foster homes including a review of the inspection process. Currently, both KDHE and child placing agencies conduct initial inspections but for different purposes. Family foster home regulations are being reviewed and updated as part of this process.

The second finding concerns SRS staff conducting child abuse investigations and KDHE staff conducting regulatory investigations in child care facilities. The agencies have determined the expertise of both agencies is essential when the allegations are that a child is abused or neglected in a child care facility or family day care home. To address the audit, the two agencies have focused on the need for increased coordination of inspections at the local level, provided education to providers on the roles of the two agencies, and established quarterly meetings and joint training sessions for staff of the state agencies and local health departments.

KDHE and SRS also have agreements in place to eliminate the duplication of responsibilities for regulating child care services operated by Community Mental Health Centers that was cited by the audit.

E. Allocation of Additional Tobacco Funds (Senate Committee). The Senate Committee

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recommended consideration of the allocation of additional tobacco revenues that would be generated by 2005 SB 51. The bill was passed by the Senate 30-10 on February 17 and referred to the House Appropriations Committee on February 21st. The bill remains in the House Committee.

F. Women, Infants and Children (WIC) Farmer's Market Enhancement (House Committee).

The House Committee recommended further review of an enhancement recommended by the Governor to add funding of \$439,705, including \$22,425 from the State General Fund to establish Women, Infants and Children (WIC) Farmers' Markets in Kansas in FY 2006.

The WIC Farmers' Market Nutrition Program (FMNP) was established by Congress in 1992, to provide fresh, unprepared, locally grown fruits and vegetables to WIC recipients, and to expand the awareness, use of and sales at farmers' markets. Recent changes in federal law require non-federal matching of only the administrative portion of the program. States are now required to put up a 30 percent match for administrative operating funds only. The change in the law also increased the food benefit from \$20 to \$30.

In the FMNP, WIC participants would receive coupons or checks for up to \$30 worth of locally grown fresh fruits and vegetables redeemable at approved local farmers' markets. Only farmers and/or farmers' markets authorized by the State agency may accept and redeem FMNP coupons. In addition to addressing hunger, the program is intended to address health needs, encourage good nutritional habits and reduce obesity in women and children.

Previous pilot projects, funded primarily through private donations, have successfully served a limited number of WIC participants in Topeka and Lawrence. The proposed program would include Topeka, Lawrence, Manhattan, Wamego, Wichita, Garden City, Dodge City, and Kansas City. This program would serve an estimated 12,165 WIC participants each year.

G. Four-Year-Old At-Risk Funding (House Committee). The House Committee recommended Omnibus consideration of additional information on the Four-Year-Old At-Risk Program at the Department of Education. Funding for the Four-Year-Old At-Risk program recommended by the Governor in FY 2006 is \$13.8 million with Children's Initiative Fund (CIF) funding of \$5.5 million. If the Four-Year-Old At-Risk program was funded entirely through the school finance formula, CIF funding could be utilized to supplement state support for the Infant-Toddler (Tiny K) program. Funding Tiny K on a per child basis, equal to the Four-Year-Old At-Risk program, would increase Tiny K funding by approximately \$3.0 million. The following includes the information requested and the response from the Department of Education.

Services provided. Any public school district in Kansas may apply for four-year-old at-risk funds through a competitive grant process to provide a half-day educational experience for eligible children. Districts are required to provide an appropriate educational program focusing on cognitive, language, social, emotional, physical, cultural, and aesthetic development. Services include counseling, health, transportation, and nutrition services in addition to an educational program.

Children's Initiatives Fund financing rationale. The decision to fund the Four-Year-Old At-Risk program through the CIF was based, at least partially, on a desire to find alternative funding methods for such services and protect State General Fund dollars.

Number of students funded. According to the Department of Education, the number of students being paid for during the current school year is 5,200 after accounting for enrollment shifts. The Conference Committee on SB 225 increased the funding for this program up to 5,900 students. SB 181, which would increase the cap to 5,900 students, is currently in Conference Committee.

Use of local education dollars. This program is primarily financed with the weighting provided in current law. As such, there would be a small amount of local dollars involved in funding the program but they are not broken out since the program is not a separate budget item.

H. Newborn Hearing Screening Program Funding (House Committee). The House Committee noted the agency request of \$175,000 from the State General Fund to support the Sound Beginnings Newborn Hearing Screening and Early Hearing Detection and Intervention (EHDI) program in FY 2006 and recommended a review at Omnibus. The Governor did not recommend the requested funding. The agency testified that federal funding currently supporting this program would end March 30, 2005. The EHDI program facilitates hearing screenings, tracking and referral services for every child born in Kansas. The program's goal is to identify congenital hearing loss in children before three months of age with appropriate intervention no later than six months of age. The program was established by the 1999 Legislature.

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The agency reports that it has received a federal grant award for the Newborn Hearing Screening Program for one year - through March 30, 2006. The award is part of a new two year grant cycle, but it is not clear that funding is assured for the second year since the President's proposed budget eliminates funding for the program. The agency anticipates additional information on the status of federal funding before the 2006 Legislative Session.

I. Breast Cancer Screening Program Funding (House Committee). The House Committee requested additional information on the Early Detection Works (EDW) breast cancer screening program for review and consideration at Omnibus. During budget hearings, state support of \$230,000 from the State General Fund in FY 2006 was requested to provide part of the required state match of \$1 state for every \$3 federal. The federal grant is approximately \$2.3 million, requiring a state match of approximately \$750,000. The state currently uses a combination of in-kind funding from a private foundation (\$250,000) and providers (\$500,000) as well as donations of time and facilities for educational purposes as the match to draw down federal screening grant dollars. Kansas currently provides no state support for this program.

Women age 40-64 who are at or below 250 percent of the Federal Poverty Level and who are either uninsured or under insured are eligible for screening and diagnostic services under the federal grant. If a woman is diagnosed with cancer and she is uninsured, she is referred to the Kansas Medicaid Program for automatic enrollment in a special group that has been established to treat breast cancer in women whose cancers are diagnosed through the EDW program.

The EDW program currently has fee-for service contracts with 100 Kansas providers to conduct breast and cervical cancer screening of income and age eligible women. These providers include county health departments, hospitals, physician's clinics, indigent clinics and others.

Women under age 40 are not eligible for services under the federal grant. KDHE has indicated that if the state were to provide the \$230,000 it would use those funds to provide screening services to approximately 6,000 women under age 40. The agency indicates that it receives a significant number of phone calls from women under 40 who are concerned and would like a mammogram or who had an abnormal mammogram and need diagnostic services. The private foundation currently providing support for these diagnostic services has indicated that if the state provided support, it would redirect those dollars towards education services.

The Kansas Medicaid program provides screening mammography and pap tests for women enrolled in Medicaid. Women served by EDW do not include women who otherwise qualify for Medicaid.

J. Availability of Foster Care Homes (House Committee). The House Committee noted that the agency has been working in cooperation with the Department of Social and Rehabilitation Services (SRS) to make improvements in the availability of foster care placements and requested an update on activities at Omnibus. The two agencies have been working over the last year to make operational adjustments and regulation changes to address issues impacting the availability of foster home placement opportunities.

According to the agency, the team plans to complete recommendations for regulatory revisions and have them ready to be reviewed by the Attorney General and Department of Administration by the end of Summer 2005. KDHE continues to work closely with SRS child placing agencies and foster parents to increase the availability of foster home placements for children. The intent of the regulation revision is to balance requirements for safety of children in foster care with the need for these children to have typical family life experiences; to remove unnecessary barriers to recruitment and availability and to clarify regulations that have been difficult to understand.

K. GBA No. 2, Item 20, Page 10 - HIV/AIDS Dental Program Funding Shortfall.

Representative Landwehr, Chair of the Social Services Budget Committee, presented the Budget Committee report on the Kansas Department of Health and Environment - Health and moved for the adoption of the Budget Committee recommendation (Attachment 14). The motion was seconded by Representative Ballard. Motion carried.

Department of Health and Environment - Environment

A. Additional Funding for Contamination Remediation (Conference Committee). The Conference Committee on SB 225 deleted funding added by the House for contamination remediation pending further review at Omnibus. The House added \$200,000 from the State Water Plan Fund in FY 2006

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to assist the agency in addressing additional contamination remediation sites.

B. Additional Funding for Use Attainability Analyses (UAA) (Conference Committee). The Conference Committee on SB 225 recommended an Omnibus review of the addition of funding for Use Attainability Analyses. The House added \$300,000 from the State Water Plan Fund in FY 2006 to assist the agency in completing Use Attainability Analyses of streams as required by K.S.A.82a-2004© passed by the 2001 Legislature.

The agency requested \$548,956 from the State General Fund for this project in FY 2006. The Governor did not recommend this additional funding but gave the agency authority to carry forward dollars not spent in FY 2005 from the \$557,843 appropriated for this purpose by the 2004 Legislature. The agency currently estimates that approximately \$200,000 will be carried forward from FY 2005 to FY 2006. During budget hearings the agency indicated it had redesigned its processes to accommodate the Governor's recommendation and could finish the current UAAs for recreational uses within those resources. The agency indicated that without new funding for the next phase, reviewing for aquatic life, the agency will be required to focus efforts on water segments that are on the edge for aquatic life as opposed to segments like the Kansas river, where aquatic life is certain, and rely on information from other sources. These activities must be completed by December 31, 2007. The agency originally requested expenditures of \$1,655,755 for these activities over fiscal years 2005, 2006, and 2007 in last year's budget submission.

Representative Schwartz, Chair of the Agriculture and Natural Resources Budget Committee, presented the Budget Committee report on the Department of Health and Environment - Environment (KDHE-E) and moved for the adoption of the Budget Committee recommendation (Attachment 15). The motion was seconded by Representative Powell. Motion carried.

Representative McCreary moved for a substitute motion to adopt a proviso to commission an independent hydrologist's study on the proposed Harper County landfill and require KDHE-E to contract for independent hydrologist studies for all municipal landfill permit processes (Attachment 16). The motion was seconded by Representative Schwab. Motion failed.

Note:

During discussion on the proviso, the Budget Committee noted that the Department of Health and Environment has professional staff who perform these duties and this proviso could effect a duplication of cost and services.

State Fire Marshal

A. HB 2037 Kansas Police and Firemen's Retirement System Membership (Conference Committee). The Conference Committee on HB 2037 has agreed to include the provisions of HB 2105 in the conference committee report. HB 2105 allows certain employees of the State Fire Marshal's office to join the Kansas Police and Firemen's (KP&F) Retirement System. This change would increase the required employer and employee contribution rates. KPERS estimates the fiscal impact on the agency for FY 2006 to be \$32,450 from special revenue funds assuming all eligible employees choose to move to KP&F coverage.

B. Premium Tax Levy Distribution (Senate Committee). The Senate Committee recommended that the distribution of the 1.25 percent tax levy on fire insurance premiums be reviewed at Omnibus to determine whether the current allocation between agencies is appropriate.

K.S.A. 75-1508 requires each fire insurance company doing business in Kansas to pay the Commissioner of Insurance, beginning in 1984, a levy imposed by the State Fire Marshal, not to exceed 1.25 percent of a sum equal to the gross cash receipts of such company on all fire business transacted by the company in the preceding calendar year.

The portion of the levy to support the Office of the State Fire Marshal is deposited into the Fire Marshal Fee Fund which is the main source of funding for the agency. Approximately 97 percent of revenue into this fee fund comes from the insurance premium levy.

The 2002 Legislature amended K.S.A. 76-1508 to redistribute the 1.25 percent levy to provide 1.0 percent to the Fire Marshal and 0.25 percent to the Emergency Medical Services (EMS) Board. The 2004 Legislature further amended the statute to reduce the Fire Marshal portion of the levy to 0.8 percent,

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continue a levy of 0.25 percent to support the operations of the EMS Board and directed that a 0.2 percent levy be used to support the Fire and Rescue Training Institute at the University of Kansas beginning in FY 2005. Prior to FY 2005 the Institute was supported with a transfer of \$750,000 from the Fire Marshal Fee Fund.

The table below shows anticipated FY 2005 receipts based on actual amounts for the first nine months of the fiscal year and estimates for the remaining three months based on the experience for the same period last year.

**Distributions From the 1.25 Percent Levy on Fire Insurance Premiums
FY 2005**

| | State Fire Marshal (0.8 percent) | Emergency Medical Services (0.25 percent) | KU Fire & Rescue Training Institute (0.2 percent) | Total |
|---|--|--|---|--------------|
| Budgeted Revenue Estimate ¹ | \$ 3,874,838 | \$ 1,273,387 | \$ 1,018,709 | \$ 6,166,934 |
| Revised Revenue Estimate ¹ | 3,555,624 | 1,146,236 | 838,213 | 5,540,073 |
| Total Revised Revenues ² | 3,602,670 | 1,418,311 | 1,200,000 | |
| FY 2005 Expenditures & Transfers | 4,236,244 | 2,024,574 | 1,200,000 | |
| FY 2004 Expenditures & Transfers | 4,989,566 | 854,585 | 568,780 | |
| ¹ The amount shown for the Fire Marshal is the net of the 0.8 premium tax levy collected less a transfer of 20 percent or \$200,000 to the State General Fund required by statute. Transfers to EMS and the training institute are not subject to this transfer. This reduction is also shown in the total amount. ² Includes revenues from other sources. Staff note: Receipt information was received from the Kansas Insurance Department which collects the fire insurance premium levy and distributes funds to the agencies' accounts. The revised estimate includes actual collections for July 2004 - March 2005 and estimates for April - June 2005. | | | | |

C. Agency Financial Position (Senate Committee). The Senate Committee recommended Omnibus review of the agency's financial position to determine whether budget adjustments are needed to avoid financial hardship for the agency.

During consideration of the agency budget, the Committee noted that the 2004 Legislature amended statutes to decrease the proportion of a 1.25 percent premium tax levy on fire insurance premium received by the State Fire Marshal from 1.0 to 0.8 percent. Concurrently, the Legislature also approved a transfer of \$500,000 from the Fire Marshal Fee Fund to the State General Fund for FY 2005. The agency testified that the combination of these two actions has put them in a poor financial position with regard to cash flow and having adequate revenues to meet expenses in upcoming fiscal years.

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The following table shows the status of the Fire Marshal Fee Fund using updated receipt and expenditure information:

| Fire Marshal Fee Fund Analysis Revised FY 2005 | |
|--|----------------|
| Fire Marshal Fee Fund balance as of 4/11/05 | \$ 1,092,499 |
| Additional anticipated receipts based on revised estimate | 2,079,487 |
| Total Available for Remainder of FY 2005 | \$ 3,171,986 |
| Less: | |
| Additional budgeted expenditures | \$ (1,159,563) |
| Transfer to HazMat Emergency Fund* | (225,000) |
| Discretionary transfer to State General Fund | (500,000) |
| Total Additional Expenditures & Transfers Budgeted | \$ (1,884,563) |
| Ending Balance & Amount Available for First Six Months of FY 2006 | \$ 1,287,423 |
| Approved Expenditures and Transfers for First Six Months of FY 2006+ | \$ 1,852,345 |
| Difference between ending balance and budgeted expenditures | \$ (564,922) |
| * This transfer would repay the Hazardous Materials Emergency Fund for amounts taken in May 2004 to support the Fire Marshal Fee Fund and allow the agency to pay its obligations. The appropriations bill (2005 SB 225) makes this transfer subject to the discretion of the Director of the Budget based on the agency financial position. | |
| + This amount includes adjustments by the Legislature during the 2005 Session through first adjournment. Total approved expenditures are \$3,264,893. The amount also includes a transfer of \$219,898 to the Hazardous Materials program fund that will take place on July 1, 2005 and again on January 1, 2006. | |
| Staff Note: Additional transfers may be made to the State General Fund from balances in FY 2006 as part of the \$7.8 million transfer from special revenue funds to the State General Fund from amounts not required for the pay plan, KPERS death and disability rate increase and 27 th payroll period. | |

Receipts budgeted for the State Fire Marshal for FY 2005 in the *Governor's Budget Report* were \$3,874,838. Revised receipts in FY 2005, as shown in Item B above are \$3,555,624, a decrease of \$319,214 or 8.2 percent below the original estimate used to prepare the budget. As discussed during budget hearings, the agency receives nearly all of its revenue in two installments in December and June requiring the ending balance to fund the agency for the first half of the new fiscal year. Whether this shortfall is only a temporary cash flow issue, as has happened in previous years, or a longer-term funding shortfall will be determined by the change in premium tax levy receipts change and agency expenditures.

During budget discussions, the agency suggested several options for addressing the anticipated cashflow problems in FY 2006. In general, the discussion centered around increasing receipts by eliminating or reducing transfers out of the fund or reducing agency expenditures.

Representative Light, Chair of the Public Safety Budget Committee, presented the Budget Committee report on the State Fire Marshal and moved for the adoption of the Budget Committee recommendation (Attachment 17). The motion was seconded by Representative Flower. Motion carried.

Board of Cosmetology

A. Computer Licensing Program (House Committee). The House Committee deleted \$80,000 from the Cosmetology Fee Fund in FY 2005 for the purchase of a computer licensing program for review at Omnibus. The Conference Committee on SB 225 concurred with the Senate position and did not remove the funding.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Board of Cosmetology and

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moved for the adoption of the Budget Committee recommendation (Attachment 18). The motion was seconded by Representative Schwab. Motion carried.

Juvenile Justice Authority

A. Correct Posting Error (Technical Adjustment). Technical changes are needed to accurately reflect pay plan adjustments approved by Conference Committee on SB 225.

B. Juvenile Justice Authority (JJA) Capital Improvements (Senate Committee and House Committee), GBA No. 2, Item 29, Page 15 and GBA No. 2, Item 30, Page 16. The Senate Committee and House Committee deleted FY 2005 (\$4,019,281) and FY 2006 (\$2,921,000) capital improvement expenditures recommended by the Governor from the State Institutions Building Fund. Both Committees expressed concern regarding the expenditure of funds on the Topeka Juvenile Correctional Facility due to the consolidation of the facility with the Kansas Juvenile Correctional Complex in FY 2005. The agency's FY 2005 capital improvements request included \$974,908 from the State Institutions Building Fund for rehabilitation and repair and a new generator at Topeka Juvenile Correctional Facility. The agency subsequently proposed to accelerate capital improvement projects from FY 2006 and FY 2007 to FY 2005 and lapse or reappropriate those funds not expended in FY 2005. In FY 2006, the agency request included \$740,366 from the State Institutions Building Fund for rehabilitation and repair and the razing of two buildings on the Topeka Juvenile Correctional Facility campus. The agency proposes to complete the razing project out of savings generated from eliminating other Topeka Juvenile Correctional Facility projects in FY 2006.

C. Purchase of Services for Community Program Placements (House Committee and Conference Committee). The House Committee deleted FY 2005 funding of \$1,916,154 and FY 2006 funding of \$1,999,953 from the State General Fund for the purchase of services budget. The Committee expressed concern with the steady increase in the purchase of services expenditures since FY 2002 and requested the agency provide a detailed plan identifying the cause of the increased level of expenditures, solutions that have been identified, plans to implement solutions, time frames for implementation, and anticipated results. The Conference Committee on SB 225 concurred with the House position to remove funding for further review at Omnibus.

The agency notes a number of reasons for the increased expenditures, including the fact that juvenile offenders are in placement for longer periods of time, there are geographical and service level deficiencies in the residential provider network; and the juvenile correctional facility placement matrix reduced the number of juvenile offenders served in juvenile correctional facilities. As a result, more offenders are being served in the community and in out-of-home placements.

Among solutions and strategies identified by the agency are: on-going recruitment of additional providers; better communication between providers and case managers in regard to bed availability; a detention reporting process was developed in the Spring of 2004 and is aiding in the identification of excessive detainment and alerting JJA when further technical assistance is needed to expedite the placement and movement of juveniles through the system; and the Serious and Violent Offender Re-entry Initiative (SVORI) continues to be utilized to identify best practices and programs to improve the effectiveness of re-entry when juvenile offenders transition from juvenile correctional facilities into the community setting.

D. Utilization of the Reception and Diagnostic Unit at Kansas Juvenile Correctional Complex (House Committee). The House Committee recommended review of the possibility of opening the Reception and Diagnostic Unit (RDU) at Kansas Juvenile Correctional Complex (KJCC). As of April 8, the Juvenile Justice Authority does not plan to utilize the RDU to house general population offenders transitioning from Topeka Juvenile Correctional Facility (TJCF) as previously stated. Information provided by the agency states that the cost of opening 20 RDU beds is \$1,246,265 from the State General Fund.

E. Utilization of the Infirmary at Kansas Juvenile Correctional Complex to House Pregnant Female Juvenile Offenders (House Committee). The House Committee recommended the review of the use of the infirmary at Kansas Juvenile Correctional Complex (KJCC) to house pregnant females currently placed at Beloit Juvenile Correctional Facility (BJCF). Specifically, the Committee requested the cost of labor and delivery at Florence Crittenton Services as well as the cost of staffing Juvenile Correctional Officers (JCO) at the hospital during delivery and recovery.

On average, three pregnant females enter the system per year. During the last trimester, offenders are placed in the care of Florence Crittenton Services in Topeka. The cost of housing during this

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time (typically 90 days) is \$3,834. Stormont-Vail Regional Medical Center in Topeka provides services for labor and delivery. The total estimated maximum cost for the care of three pregnant females depending on the type of delivery (including hospital, physician, and pathology costs) ranges from \$34,765 to \$55,810. Currently, costs associated with housing pregnant offenders at Florence Crittenton are Medicaid reimbursable. If services were provided by KJCC, 100 percent of those costs would be the responsibility of the Juvenile Justice Authority. Costs related to staffing of Juvenile Correctional Officers placed at the hospital during labor and delivery range from \$741 to \$2,224 on average.

Representative Light, Chair of the Public Safety Budget Committee, presented the Budget Committee report on the Juvenile Justice Authority and moved for the adoption of the Budget Committee recommendation (Attachment 19). The motion was seconded by Representative Sharp.

Representative Landwehr moved for a substitute motion to amend the Budget Committee report to request a review of the Florence Crittenton reimbursement rate and the utilization of the infirmary at Kansas Juvenile Correctional Complex to house pregnant female juvenile offenders before the 2006 Legislative Session. The motion was seconded by Representative Bethell. Motion carried.

Representative Light renewed the motion to adopt the Budget Committee report on the Juvenile Justice Authority as amended. The motion was seconded by Representative Sharp. Motion carried.

Kansas Parole Board

A. Deletion of FY 2005 State General Fund Operating Expenditures (House Committee).

The House Committee deleted \$16,344 from the State General Fund in FY 2005 to return to the amount approved by the 2004 Legislature for further review at Omnibus. The Conference Committee on SB 225 concurred with the Senate position and did not remove the funding.

B. Deletion of FY 2006 State General Fund Operating Expenditures (House Committee).

The House Committee deleted \$25,010 from the State General Fund in FY 2006 to return to the amount approved for FY 2005 by the 2004 Legislature for further review at Omnibus. The Conference Committee on SB 225 concurred with the Senate position and did not remove the funding.

Note:

The Public Safety Budget Committee took no further action on the Kansas Parole Board (Attachment 20).

Adjutant General

A. HB 2461 Limited Emergency Declarations for Utility Services (Law). HB 2461 enacts a new statute as part of the Kansas Emergency Management Act. Under the bill, the Division of Emergency Management (DEM) is authorized to declare a limited emergency related to utility services in certain circumstances. DEM could declare an emergency at the request of any utility when conditions exist that constitute an emergency as described in regulations of the Federal Motor Carrier Safety Administration of the U.S. Department of Transportation. The bill specifies that an emergency could be declared only for the purpose of exempting drivers of utility service vehicles from limitations on hours of service prescribed by regulations of the Kansas Corporation Commission (KCC). The exemption would be further limited by federal regulations pertinent to such exemptions. The Adjutant General is authorized to adopt rules and regulations to implement the bill. The Adjutant General has estimated that the number of off-duty-hours incidents per year would be 250, with the additional cost for overtime hours totaling \$16,460 for FY 2006. Further, the Adjutant General's office states that due to the complexity of the rules and regulations that would have to be adopted, a consultant would be needed at a cost of \$20,000. All expenditures would be financed by a set fee-for-services schedule that would be applied to the number of incidents. A fund would have to be established to receive funds paid entirely by the utilities through this fee-for-service arrangement.

B. Deputy Adjutant General Position (Conference Committee). The Senate Subcommittee

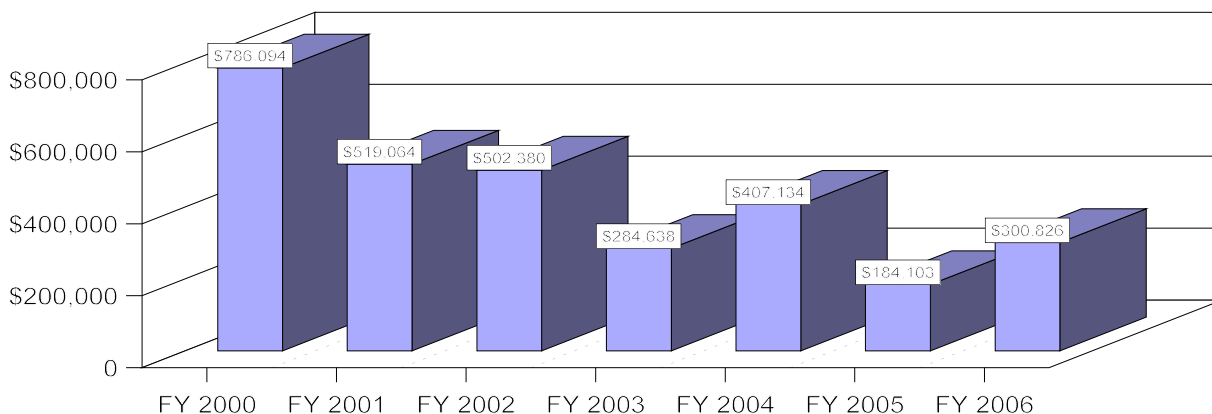
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noted the numerous duties undertaken by the Adjutant General (including Homeland Security, disaster response, and other military operations), and the lack of a Deputy Adjutant General to fulfill those duties in his absence. The Subcommittee also questioned the lack of a Deputy Adjutant General, particularly when the majority of state agencies employ a Deputy or Assistant, and recommended the item for Omnibus consideration. The full Senate Committee, noting the importance of the position, recommended the addition of \$93,809 from the State General Fund and 1.0 non-FTE Deputy Adjutant General position to provide the Adjutant General's Office with the position. However, during Conference Committee discussions on SB 225, the House and Senate conferees agreed to consider the item at Omnibus pending additional revenue received by the state, and deleted the funding.

C. Maintenance and Repair Financing (Senate Committee) and GBA No. 2, Item 35, Page 18. The Senate Subcommittee noted that in addition to \$22,000,000 in bonding authority authorized by the 2000 Legislature for improvements at the state's armories, the agency had estimated an annual amount of \$750,000 (from their operating budget) would be available to repair and maintain the armories. However, over the last six fiscal years, that funding has significantly decreased from \$786,094 in FY 2000 to \$300,826 in FY 2006. The Subcommittee recognized that the Governor's FY 2006 recommendation added \$100,000 in maintenance funds from the State General Fund, but had concerns as to the ability of the agency to repair and maintain its armories, and recommended the item for Omnibus consideration in the event that additional funding is located. The following chart provides armory maintenance and repair expenditures over the last six fiscal years.

Armories Maintenance and Repair



On April 18, 2005, the agency appeared before the Joint Committee on State Building Construction and requested additional bonding authority of \$9.0 million to help offset the identified maintenance funding shortfalls. The Joint Committee recommended the increased bonding authority.

D. Disaster Funding (Senate Committee) and GBA No. 2, Item 34, Page 17. The Senate Subcommittee was informed during testimony that on October 13, 2004, the State Finance Council authorized release of \$707,703 from the State Emergency Fund to cover state matching costs of storm related damage that occurred in Kansas between June 12 and July 25, 2004. The agency had estimated that those funds would match \$6.4 million in federal and local disaster related funding (federal funds provide 75 percent of costs, the state provides 10 percent, and local units provide the remaining 15 percent). During testimony however, the agency stated that additional matching funding was necessary because the total amount of disaster costs has increased from \$7.1 million to \$35.0 million in FY 2005. The revised estimate for the required state match for FY 2005 is \$3.5 million or \$2.8 million more than the amount approved by the State Finance Council. In addition, the estimated state match for FY 2006 totals \$1,817,984, as noted in the chart below:

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| | Disaster Funding | | | Total |
|-----------------------------------|----------------------|------------------------|----------------------|----------------------|
| | State Matching Funds | Federal Matching Funds | Local Matching Funds | |
| FY 2005 | | | | |
| Currently Approved | \$ 707,703 | \$ 5,307,772 | \$ 1,061,555 | \$ 7,077,030 |
| <i>Additional Estimated Costs</i> | <i>2,793,079</i> | <i>20,948,093</i> | <i>4,189,619</i> | <i>27,930,790</i> |
| Total - FY 2005 | <u>\$ 3,500,782</u> | <u>\$ 26,255,865</u> | <u>\$ 5,251,174</u> | <u>\$ 35,007,820</u> |
| FY 2006 | | | | |
| <i>New Estimate</i> | \$ 1,817,984 | \$ 13,634,880 | \$ 2,726,976 | \$ 18,179,840 |

The Subcommittee noted the Governor's recommendation included no state matching funds in FY 2006 pending new estimates. The Subcommittee encouraged the Governor to consider the issuance of a Governor's Budget Amendment (GBA), and noted the item for Omnibus consideration.

E. FY 2005 Operating Expenditures (House Committee). The House Committee recommended the deletion of \$459,014, including \$57,989 from the State General Fund, in FY 2005 to reduce the FY 2005 revised budget to the level approved by the 2004 Legislature pending additional review of the expenditures at Omnibus. The Conference Committee on SB 225 did not recommend the reduction, and the funding was restored.

F. FY 2006 Operating Expenditures (House Committee). The House Committee recommended the deletion of \$226,498, including \$160,732 from the State General Fund, in FY 2006 to reduce the Governor's FY 2006 recommended State General Fund budget to the level approved by the 2004 Legislature for FY 2005 pending additional review of the expenditures at Omnibus. The Conference Committee on SB 225 did not recommend the reduction, and the funding was restored.

G. Armory/Classroom/Recreation Center Project (Senate Committee). The Senate Committee recommended the review of funding for the state match portion of the Armory/Classroom Recreation Center Project between the Adjutant General's Office and Pittsburg State University at Omnibus. The Conference Committee on SB 225 provided bonding authority of \$1,450,711 to finance the Adjutant General's portion, along with \$4.0 million for Pittsburg State University.

Note:

Representative Light requested that the Budget Committee report be amended to reflect that Item A recommends the authorization to create a new fund to receive the funds resulting from HB 2461.

Representative Light, Chair of the Public Safety Budget Committee, presented the Budget Committee report on the Adjutant General and moved for the adoption of the Budget Committee recommendation as amended (Attachment 21). The motion was seconded by Representative Sharp. Motion carried.

Kansas Highway Patrol

A. Increased Fuel Costs (House Committee and Conference Committee) and GBA No. 2, Item 32, Page 16. During testimony before the Senate Subcommittee, the agency stated that due to an increase in fuel prices and the number of troopers employed by the agency, fuel costs have increased dramatically. The Senate Subcommittee added \$550,000 from the State General Fund in FY 2006 to finance the increased price and usage of gasoline by the agency. The Subcommittee noted its concern that the availability of fuel is vital for the operations of the Kansas Highway Patrol, and drew attention to a policy implemented by a previous Superintendent of the Kansas Highway Patrol to have troopers limit driving and remain parked on the side of the road to conserve fuel. During Conference Committee on SB 225, the Conferees expressed concern that the amount to be added would not be sufficient to cover the increase in fuel costs given current economic information, deleted the \$550,000, and recommended the item for Omnibus review.

B. FY 2006 Operating Expenditures (House Committee). The House Committee

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recommended the deletion of \$27,144 from the State General Fund in FY 2006 to reduce the Governor's FY 2006 recommended State General Fund budget to the level approved by the 2004 Legislature for FY 2005 pending additional review of the expenditures at Omnibus. The Conference Committee on SB 225 did not recommend the reduction, and the funding was restored.

C. GBA No. 2, Item 31, Page 16 - Homeland Security Federal Funds.

D. GBA No. 2, Item 33, Page 17 - Hangar Construction.

Representative Light, Chair of the Public Safety Budget Committee, presented the Budget Committee report on the Kansas Highway Patrol and moved for the adoption of the Budget Committee recommendation (Attachment 21). The motion was seconded by Representative Flower.

Representative Pottorff moved for a substitute motion to remove Item D from the Budget Committee report and refer this item for consideration by the Joint Building Committee. The motion was seconded by Representative Hutchins. Motion carried.

Representative Light renewed the motion to adopt the Budget Committee recommendation on the Kansas Highway Patrol as amended. The motion was seconded by Representative Flower. Motion carried.

Kansas Bureau of Investigation

A. Pay Increase for Kansas Bureau of Investigation (KBI) Agents (Senate Committee and House Committee). The Senate and House Committees recommended for Omnibus consideration the addition of \$864,873, including \$808,887 from the State General Fund, for a 7.5 percent increase for KBI agents similar to the negotiated pay increase for Kansas Highway Patrol troopers. Both the House and Senate Committees recommended the item for review to determine whether pay increase issues are having a negative effect upon the retention of KBI agents.

B. Additional Funding for Vacant Positions (Senate Committee). The Conference Committee on SB 225 concurred with the Senate Committee to add \$884,259 from the State General Fund to fill 8 of 10 vacant agent positions requested by the agency, in lieu of utilizing existing special revenue funds balances and funding shifts, as recommended by the Governor, to fund the vacant positions. The Senate Committee recommended for Omnibus consideration the addition of \$221,065 from the State General Fund to fund the remaining 2.0 FTE vacant agent positions requested by the agency in FY 2006.

C. FY 2006 Operating Expenditures (House Committee). The House Committee recommended the deletion of \$369,151 from the State General Fund in FY 2006 to reduce the Governor's FY 2006 recommended State General Fund budget to the level approved by the 2004 Legislature for FY 2005 pending additional review of the expenditures at Omnibus. The Conference Committee on SB 225 did not recommend the reduction, and the funding was restored.

Representative Light, Chair of the Public Safety Budget Committee, presented the Budget Committee report on the Kansas Bureau of Investigation and moved for the adoption of the Budget Committee recommendation (Attachment 22). The motion was seconded by Representative Pilcher-Cook. Motion failed on voice vote.

Note:

The Committee expressed concern with the 15 percent salary increase recommended by the Budget Committee for Kansas Bureau of Investigation (KBI) agents.

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MINUTES OF THE House Appropriations Committee at 9:00 A.M. on April 20, 2005 in Room 514-S of the Capitol.

Sentencing Commission

A. SB 72 Retroactivity of Non-Prison Sanctions (Conference Committee). SB 72 currently combines the provisions of 2005 SB 72 (regarding worthless checks), 2005 SB 89 (medical coverage for individuals in custody), and portions of 2005 HB 2231 (retroactivity of non-prison sanctions).

The portion of the bill that contains provisions of HB 2231 would establish a retroactive provision authorizing non-prison sanctions of drug abuse treatment and community supervision for certain incarcerated offenders convicted of possession of opiates or hallucinogenic drugs. Specifically, those inmates who committed those drug offenses on or after July 1, 1993, (the date when the Kansas Sentencing Guidelines were enacted), and who were sentenced before November 1, 2003, (the implementation date of K.S.A. 21-2749 – "2003-SB 123") would now be eligible to participate in drug treatment programs as authorized under 2003 SB 123.

The Sentencing Commission estimates that due to the retroactivity portion of the bill, 76 additional offenders who are currently incarcerated would move to the drug treatment program under K.S.A. 21-4729. FY 2006 treatment costs for these offenders are estimated to be \$5,648.40 per offender. The agency states that for 10 months of treatment in FY 2006, they would need an additional \$286,185 from the State General Fund. Additionally, 1.0 non-FTE Research Analyst position would be needed temporarily over a 24-month period (at a cost of \$29,224 for 9 months in FY 2006) along with costs for warrant drawing and mailing (\$517) and capital outlay expenses of \$5,350. The FY 2006 amount requested by the agency totals \$321,276 from the State General Fund.

Staff Note: The agency states that with funding for Item B (below), the 1.0 non-FTE Research Analyst position and \$29,224 would not be necessary.

B. Assistant Accounting Position (House Committee and Conference Committee). The House Committee recommended the deletion of \$42,822 from special revenue funds and 1.0 non-FTE unclassified permanent Assistant Accountant position (recommended by the Governor to aid in the operation of 2003 SB 123) pending additional review at Omnibus. The Conference Committee on SB 225 concurred with the House Committee's recommendation and deleted the funding.

C. FY 2006 Operating Expenditures (House Committee and Conference Committee). The House Committee recommended the deletion of \$3,342 from the State General Fund in FY 2006 to reduce the Governor's FY 2006 recommended State General Fund budget to the FY 2005 level as approved by the 2004 Legislature pending additional review of the expenditures at Omnibus. The Conference Committee on SB 225 concurred with the House Committee's recommendation and deleted the funding.

D. FY 2005 Operating Expenditures (House Committee and Conference Committee). The House Committee recommended the deletion of \$20,709 from the State General Fund in FY 2005 to reduce the FY 2005 revised budget to the FY 2005 level as approved by the 2004 Legislature pending additional review of the expenditures at Omnibus. The Conference Committee on SB 225 concurred with the House Committee's recommendation and deleted the funding.

E. FY 2006 Expenditures Related to 2003 SB 123 (House Committee). The House Committee recommended the deletion of \$741,950 from the State General Fund to reduce the Governor's FY 2006 recommended State General Fund budget to the FY 2005 level as approved by the 2004 Legislature for 2003 SB 123 expenditures. 2003 SB 123 provided alternative sentencing options for certain drug offenders. The Conference Committee on SB 225 did not recommend the reduction, and the funding was restored.

F. FY 2005 Expenditures Related to 2003 SB 123 (House Committee). The House Committee recommended the deletion of \$208,559 from the State General Fund to reduce the FY 2005 revised budget to the FY 2005 level as approved by the 2004 Legislature for 2003 SB 123 expenditures. The Conference Committee on SB 225 did not recommend the reduction, and the funding was restored.

G. GBA No. 2, Item 36, Page 18 - Drug Treatment Savings.

Representative Light, Chair of the Public Safety Budget Committee, presented the Budget Committee report on the Sentencing Commission and moved for the adoption of the Budget Committee recommendation (Attachment 22). The motion was seconded by Representative Sharp. Motion carried.

Note:

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

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The Committee expressed concern with the deletion of funding in Item G for SB 123 pertaining to drug treatment. The Budget Committee noted that information they received indicated that the initial projections for funding SB 123 were over-stated and because of the lack of offenders and programs, the funds are not being utilized. The Committee did feel that it is important to continue to provide drug treatment for offenders.

Secretary of State

A. SB 275 Revenue from the Sale of Publications (Senate Committee). The Senate Committee recommended the introduction of SB 275 which would allow the Secretary of State to deposit proceeds collected from the sale and/or shipment of *Session Laws of Kansas*, *Kansas Administrative Regulations (K.A.R.s)* and supplements to the *K.A.R.s*, and *Kansas Statutes Annotated (K.S.A.s)* and supplements to the *K.S.A.s* into the agency's Information Services Fee Fund, rather than the State General Fund. The Senate Committee recommended that if SB 275 was not enacted by Omnibus, the inclusion of a proviso to allow the agency to retain the revenue from the sale and/or shipment of the legal publications in FY 2006 be considered at Omnibus. SB 275 passed the Senate on March 23 and was referred to the House Appropriations Committee.

According to the fiscal note for the bill, the Secretary of State incurs annual costs of \$321,217 from its special revenue funds to publish, print, store, and distribute the publications. The agency indicated that it recoups approximately \$165,084 annually by charging an information and services fee. The fiscal note indicated that approximately \$151,718 is collected annually from the sale and/or shipment of the legal publications. SB 275 would allow the agency to retain this amount in the Information Services Fee Fund, which would reduce the State General Fund receipts by the same amount.

B. GBA No. 2, Item 9, Page 5 - Constitutional Amendment.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Secretary of State and moved for the adoption of the Budget Committee recommendation (Attachment 23). The motion was seconded by Representative Lane. Motion carried.

Insurance Department

A. Fee Fund Transfer to the State General Fund (House Committee). The House Committee noted that the Governor recommended the transfer of \$1.0 million from the Insurance Department Service Regulation Fund to the State General Fund in FY 2006. The Committee recommended a review of the fee fund transfer at Omnibus.

The Insurance Department is concerned that with the \$1.0 million transfer in FY 2006 the Insurance Department Service Regulation Fund will not have enough revenue to cover the expenses that the agency will incur during the first six months of the fiscal year. The agency estimated that the fund will have an ending balance of approximately \$500,000 in December 2005. The Insurance Department Service Regulation Fund generates most of its revenue in January and February of each fiscal year. The Insurance Department indicated that it will be requesting a Governor's Budget Amendment (GBA) to prevent the fee fund transfer in FY 2006.

The following table outlines an analysis of the Insurance Department Service Regulation Fund for FY 2005 and FY 2006.

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| Resource Estimate | Actual FY 2004 | Agency Estimate FY 2005 | Gov. Rec. FY 2005 | Legislative Approved FY 2005 | Agency Request FY 2006 | Gov. Rec. FY 2006 | Legislative Approved FY 2006 |
|---|---------------------|-------------------------|---------------------|------------------------------|------------------------|---------------------|------------------------------|
| Beginning Balance | \$ 6,375,759 | \$ 6,366,021 | \$ 6,366,021 | \$ 6,366,021 | \$ 5,603,114 | \$ 5,603,114 | \$ 5,202,697 |
| Net Receipts | 8,555,064 | 8,387,200 | 8,387,200 | 8,387,200 | 8,387,200 | 8,387,200 | 8,387,200 |
| Total Funds Available | \$ 14,930,823 | \$ 14,753,221 | \$ 14,753,221 | \$ 14,753,221 | \$ 13,990,314 | \$ 13,990,314 | \$ 13,589,897 |
| Less: Expenditures | 7,041,923 | 8,104,613 | 8,104,613 | 8,505,030 | 8,304,105 | 8,687,322 | 8,242,352 |
| Transfers Out | 1,522,879 | 1,045,494 | 1,045,494 | 1,045,494 | 0 | 1,000,000 | 1,000,000* |
| Ending Balance | <u>\$ 6,366,021</u> | <u>\$ 5,603,114</u> | <u>\$ 5,603,114</u> | <u>\$ 5,202,697</u> | <u>\$ 5,686,209</u> | <u>\$ 4,302,992</u> | <u>\$ 4,347,545</u> |
| Ending Balance as Percent of Expenditures | 90.4% | 69.1% | 69.1% | 61.2% | 68.5% | 49.5% | 52.7% |

* The transfers out for FY 2006 does not include the amount of special revenue funds not needed for funding the Governor's recommended pay plan adjustments that the 2005 Legislature authorized to be transferred to the State General Fund.

B. GBA No. 2, Item 8, Page 5 - Monumental Life Settlement Fund.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Insurance Department and moved for the adoption of the Budget Committee recommendation (Attachment 23). The motion was seconded by Representative Schwab. Motion carried.

Board of Tax Appeals

A. Funding for Capital Outlay (House Committee and Conference Committee). The House Committee recommended that \$2,500 from the Board of Tax Appeals (BOTA) Filing Fee Fund for capital outlay in FY 2006 be deleted. The Committee also recommended that the funding for capital outlay be reviewed at Omnibus to determine whether the \$2,500 should be restored. The Board of Tax Appeals indicated that it inadvertently did not include funding for capital outlay in its FY 2006 budget request. However, the Governor's recommendation made the technical adjustment of adding \$2,500 for capital outlay. The Conference Committee concurred with the House Committee's position and deleted the funding.

Representative McCreary, Chair of the Revenue, Judicial, Transportation and Retirement Budget Committee, presented the Budget Committee report on the Board of Tax Appeals and moved for the adoption of the Budget Committee recommendation (Attachment 24). The motion was seconded by Representative Weber. Motion carried.

Securities Commissioner

A. Enhancement of Existing Salaries (House Committee). The House Committee recommended that the agency's enhancement request for an additional \$69,262 for FY 2006 and \$69,482 for FY 2007 (from the Securities Act Fee Fund) to provide salary increases for several existing positions within the Office of the Securities Commissioner be considered at Omnibus.

The agency indicated that the additional funding was requested to correct inequitable pay circumstances, prevent turnover, or reallocate positions. Of the additional funding requested for FY 2006, the agency estimated that approximately \$60,631 would fund increases in salaries and \$8,631 would cover increases in benefits. Of the additional funding requested for FY 2007, the agency estimated that approximately \$60,631 would fund increases in salaries and \$8,851 would cover increases in benefits.

Representative Schwartz, Chair of the Agriculture and Natural Resources Budget Committee, presented the Budget Committee report on the Securities Commissioner and moved for the adoption of the Budget Committee recommendation (Attachment 12). The motion was seconded by Representative Williams. Motion carried.

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State Library

A. Additional Funding for the Kanguard Internet Filter Service (House Committee). The House Committee recommended that the State Library's FY 2006 enhancement request for an additional \$47,200 from the State General Fund for the Kanguard Internet Filter Service be reviewed at Omnibus. The agency indicated that it provides filtering software for those libraries who choose to filter public internet access. According to the State Library, the cost of providing this service in FY 2006 will increase by \$47,200. This amount includes \$30,200 for the central server operations and \$17,000 for the remote location installment and central server upgrade.

Note:

The Education Budget Committee took no action on the State Library (Attachment 25). The Budget Committee noted that the State Library will apply for a KAN-ED grant to fund a portion of the \$47,2000 in FY 2006.

Kansas Arts Commission

A. Funding for Arts Grants (House Committee). The House Committee noted that the Governor's FY 2006 recommendation included \$35,000 from the State General Fund for arts grants that had been funded through the Economic Development Initiatives Fund (EDIF) in FY 2005. The Committee recommended that the funding source for the \$35,000 be reviewed at Omnibus to determine whether the moneys should come from the State General Fund or the Economic Development Initiatives Fund. The \$35,000 from the State General Fund for arts grants is in the agency's approved FY 2006 budget.

Note:

The Education Budget Committee took no action on Kansas Arts Commission (Attachment 25).

Department of Labor

A. GBA No. 2, Item 21, Page 11 - Omitted Capital Improvement Projects.

B. GBA No. 2, Item 22, Page 11 - Upgrade Unemployment Insurance Call Center's Telephone System.

Representative Pottorff, Chair of the General Government Budget Committee, presented the Budget Committee report on the Department of Labor and moved for the adoption of the Budget Committee recommendation (Attachment 23). The motion was seconded by Representative Lane. Motion carried.

State Treasurer

A. 2005 SB 123 State Treasurer Funding Mechanism (Veto). 2005 SB 123 was vetoed by the Governor. The bill would have made service reimbursement fees a permanent source of funding for the State Treasurer's Office. This funding mechanism is provided by a proviso for FY 2006 in SB 225.

Note:

The General Government and Commerce Budget Committee took no action on the State Treasurer (Attachment 26).

Judicial Council

A. Proviso Language (House Committee). The House Committee recommended a proviso that would transfer unencumbered balances in excess of \$175,000 in the Publications Fee Fund to the State General Fund. If such a proviso was not included in the appropriations bill, it was recommended the matter be addressed at Omnibus. This proviso language is included in SB 225.

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Note:

The Revenue, Judicial, Transportation and Retirement Budget Committee took no action on the Judicial Council (Attachment 27).

Board of Indigents' Defense Services

A. Review of Assigned Counsel Expenditures/Consensus Caseload Estimates (Senate Committee and House Committee) and GBA No. 2, Item 10, Page 6. The Senate Committee and the House Committee recommended a review at Omnibus of the consensus caseload estimates for the assigned counsel caseload in the Board of Indigents' Defense Services budget. At the April 2005 consensus caseload estimating meeting, no changes to the budgeted assigned counsel amounts were recommended for FY 2005. It was recommended that for FY 2006, \$645,663 be lapsed from the Assigned Counsel line item appropriation, and the same amount be appropriated for operating expenditures to reflect changes in the components of the caseload estimating figures.

B. Review of FY 2005 Operating Expenditures (House Committee and Conference Committee). The House Committee recommended a review at Omnibus of the agency's FY 2005 operating expenditures. The Conference Committee agreed to review operating expenditures at Omnibus.

The Governor's budget recommendation included a reduction in FY 2005 operating expenditures of \$25,211. The agency reported that the increase over the prior year's expenditures was due to purchases not being made during FY 2004 while an employee was on maternity leave. The agency reports current negative balances for supplies and printing costs since expenditures have already been made. The agency reported the entire travel budget will be expended because 100 attorneys will be required to travel to a Continuing Legal Education session in June.

C. Review the Shrinkage Rate Increase (House Committee and Conference Committee). The House Committee recommended reviewing the agency's shrinkage rate at Omnibus. The Senate Committee recommended restoring the funds for FY 2005 of \$283,297 from the State General Fund and for FY 2006 of \$286,403 from the State General Fund to adjust the shrinkage rate recommended by the Governor from 10.0 percent to 7.0 percent. The Conference Committee agreed not to restore the funding at that time and to consider the matter at Omnibus.

The agency indicates that the revised projection for FY 2005 is 8.0 to 8.5 percent shrinkage. They reported that with current staffing patterns they will overspend on salaries based on a 10.0 percent shrinkage rate, and that with less than one quarter of the fiscal year remaining, the agency does not expect attrition to reduce the salary expenditures.

The agency reported that for FY 2006 the March 2005 staffing patterns put shrinkage at 9.0 to 9.5 percent. According to the agency, if staffing levels are decreased, assigned counsel caseloads and assigned counsel costs will increase. The agency reported that the shrinkage rate eliminates attorney positions. The agency reported that some positions remain open because they cannot fill positions in particular locations and that their attorneys already handle more cases than recommended by the American Bar Association standards.

D. GBA No. 2, Item 11, Page 6 - Defense of "BTK" Case.

E. GBA No. 2, Item 12, Page 6 - Death Penalty Savings.

Representative Light, Chair of the Public Safety Budget Committee, presented the Budget Committee report on the Board of Indigents' Defense Services and moved for the adoption of the Budget Committee recommendation (Attachment 28). The motion was seconded by Representative Pilcher-Cook. Motion carried.

Kansas Human Rights Commission

A. Substitute for SB 77 Racial Profiling (Law). Substitute for SB 77 makes racial and other profiling unlawful. Racial profiling would be defined as the practice of a law enforcement officer or agency relying, as the sole factor, on race, ethnicity, national origin, gender, or religious dress in selecting which individuals to subject to routine investigatory activities, or in deciding upon the scope and substance of law enforcement activity following the initial routine investigatory activity. The bill provides that complaints may be filed with the Kansas Human Rights Commission and that the commission shall review and, if necessary,

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investigate complaints. The bill has been signed by the Governor.

The Kansas Human Rights Commission expects additional complaints to be filed and the review and investigation of the additional complaints to have a fiscal impact of \$212,685 from the State General Fund in FY 2006. Expenses would include adding 4.0 FTE positions, additional contractual services, additional commodities, and capital outlay for equipment and furniture for the new FTE positions.

B. Review Funding for Projected Shortfalls from Federal Funds (House Committee). The House Committee recommended considering additional funding from the State General Fund if additional funds were not recommended in a Governor's Budget Amendment (GBA). The agency received lower funding projections from the federal government than what had been considered in the budget. The agency requested an additional \$92,078 from the State General Fund when it testified to the House Budget Committee. At that time the agency projected a shortfall of \$29,398 in the federal fund account. Additionally, the agency requested funding of \$62,680 from the State General Fund to allow a sufficient cushion in the federal fund account. The agency funds some payroll expenses with federal fund money. When payments from the federal government are delayed, the agency has had to use journal vouchers to transfer funds necessary to meet payroll expenses. The agency requested to retain a balance of 15.0 percent of the expenses allocated to the federal fund account. When the agency testified to the Senate Subcommittee, the projected shortfall in the federal fund account had increased by \$5,000 to \$34,398. The agency submitted a GBA request noting an updated shortfall of \$34,148. The total request of the GBA was \$96,828 from the State General Fund to cover the shortfall and provide for the 15.0 percent cushion balance.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Kansas Human Rights Commission and moved for the adoption of the Budget Committee recommendation (Attachment 26). The motion was seconded by Representative Lane. Motion carried.

Kansas Dental Board

A. Review Restoring Funding for the Agency's Attorney Contract for FY 2006 and FY 2007 (Senate Committee and House Committee). The Senate and House Committees recommended a review at Omnibus of the restoration of \$54,000 from special revenue funds in both FY 2006 and FY 2007 for the agency's attorney contract, pending the passage of SB 91. The two fees which generate the bulk of the agency's revenue are dental hygienist licenses and dentist licenses. Currently, those fees are \$125 for a biennial license renewal for dental hygienists and \$250 for a biennial license renewal for dentists, which is the statutory limit on fees. SB 91 raises the statutory limits on those fees to \$160 for a biennial license renewal for dental hygienists and \$325 for a biennial license renewal for dentists. The bill has been signed by the Governor.

Licenses are renewed every two years, with dental hygienists renewing in FY 2006 and dentists renewing in FY 2007. Less revenue is received in years when dental hygienists renew their licenses. The Dental Board will meet in May to consider increased fees for FY 2006 and beyond. The Executive Director of the Kansas Dental Board reported that he will request an increase that is slightly less than the limits in SB 91.

The funds for the attorney contract were eliminated from the Governor's recommended budget due to lack of funding. Based on approved FY 2005 and FY 2006 expenditures, the agency will not have sufficient revenues or fee fund balances for FY 2006. The agency reported it is spending less than the approved expenditures in FY 2005 to maintain fee fund balances for FY 2006, which is the lower revenue year.

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Dental Board Fee Fund Analysis
(Showing approved expenditures and estimated receipts
with the current fee fund structure and with increased fees)

| Resource Estimate | Actual FY 2004 | Legislature Approved FY 2005 | Legislature Approved FY 2006 | Legislature Approved FY 2006 with Agency Est. Incr. Receipts | Legislature Approved FY 2007 | Legislature Approved FY 2007 with Agency Est. Incr. Receipts |
|--|-------------------|------------------------------------|------------------------------------|---|------------------------------------|---|
| Beginning Balance | \$ 257,124 | \$ 32,997 | \$ 69,005 | \$ 69,005 | \$ (25,882) | \$ 17,942 |
| Net Receipts | 120,510 | 380,025 | 197,417* | 241,241 | 377,783** | 470,207 |
| TOTAL FUNDS AVAILABLE | \$ 377,634 | \$ 413,022 | \$ 266,422 | \$ 310,246 | \$ 351,901 | \$ 488,149 |
| Less: Expenditures | 344,637 | 344,017 | 292,304 | 292,304 | 295,661 | 295,661 |
| ENDING BALANCE | <u>\$ 32,997</u> | <u>\$ 69,005</u> | <u>\$ (25,882)</u> | <u>\$ 17,942</u> | <u>\$ 56,240</u> | <u>\$ 192,488</u> |
| Ending Balance as a Percent of Expenditures | 9.6% | 20.1% | (8.9)% | 6.1% | 19.0% | 65.1% |

* For FY 2006, Net Receipts include a transfer of \$4,817 from the State General Fund as authorized by SB 225 to cover the cost of the 27th payroll period originally budgeted for FY 2006.

** For FY 2007, Net Receipts include a transfer out of \$4,817 to the State General Fund to repay the 27th payroll period funding transfer into the Dental Board Fee Fund in FY 2006.

If operating expenditures for FY 2006 and FY 2007 are increased by \$54,000 in each year, with the increased fees the estimated FY 2006 ending balance of the Dental Board Fee Fund is a negative \$36,058 and the estimated FY 2007 ending balance is \$84,488.

Note:
The General Government and Commerce Budget Committee took no action on the Kansas Dental Board (Attachment 26).

State Historical Society

A. Capital Improvements Funding for the Grinter Place State Historic Site (Senate Committee and House Committee). The Senate Committee and the House Committee recommended review at Omnibus for funding of \$30,000 from the State General Fund for capital improvements at the Grinter Place State Historic Site. This funding would be used as the state match for \$120,000 in grant funding that the Historical Society believes it can obtain for this project. The grant opportunity arose after the FY 2006 budget was submitted. The grant funding is currently pending and will be known in mid-May 2005. The agency reported the review board that judges applications for the grant highly recommended Grinter Place.

B. Temporary Staff for the Grinter Place State Historic Site (House Committee and Conference Committee). The Senate recommended funding of \$6,000 from the State General Fund in the FY 2006 appropriations bill for temporary staff at the Grinter Place State Historic Site. The House recommended this funding be considered at Omnibus. The Conference Committee on SB 225 agreed to consider at Omnibus funding of \$6,000 from the State General Fund for temporary staff at the Grinter Place State Historic Site. The agency reported that the site previously had a full time staff member, which has not been filled due to budget reductions. The site is currently open only by appointment. The funding for a seasonal temporary staff member would allow the site to be open to the public on a limited basis.

C. Capital Improvements to Replace Skylights at the State Historical Society Museum in Topeka (Senate Committee and House Committee). The Senate Committee and the House Committee both recommended to review at Omnibus funding of \$90,000 from the State General Fund for capital improvements repairs at the State Historical Society Museum. The agency had requested \$419,358 from the State General Fund for museum repair and rehabilitation. That request was not recommended by the Governor or the Legislature. According to the agency, one of the more urgent repairs to be made is to the skylights in the building. The seals on the skylights are failing, allowing water to collect between the panes of glass. The agency reported that this has caused several of the skylights to break. No glass has hit the public or staff, but the agency reported that it falls without warning. The estimated cost to repair the skylights is \$90,000.

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Note:

The Education Budget Committee took no further action on State Historical Society (Attachment 29).

Commission on Veterans Affairs

A. SB 110 Memorials for Kansas Veterans (Law). SB 110 authorizes the Kansas Commission on Veterans' Affairs (KCVA) to construct, reconstruct, repair, or maintain memorials for veterans. The memorials would be located on state-owned KCVA property and would be financed from private funds. The bill authorizes the creation of a Kansas Veterans Memorials Fund to deposit gifts and donations for this program. The fiscal note indicates that the agency estimates receipts of \$100,000 in FY 2006 for veterans memorials. This fund would need to be appropriated in the Omnibus bill.

B. Kansas Veterans' Home (Senate Committee). The Senate Committee recommended a review during Omnibus of the agency's projected expenditures for salary and wage adjustments, the Aramark food service contract, and pharmaceutical expenditures at the Kansas Veterans' Home. The agency reported possible shortfalls of \$78,000 with the Aramark food service contract and \$83,000 for pharmaceuticals for FY 2006. According to the agency, fee revenues and per diem received from the federal government are relatively constant, and these two revenue sources are not anticipated to generate enough additional revenue to meet these additional expenditures. The agency also reported that the Kansas Veterans' Home fee and federal funds may be insufficient to meet the increased expenditures for the recommended salary and wage adjustments.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Commission on Veterans Affairs and moved for the adoption of the Budget Committee recommendation (Attachment 30). The motion was seconded by Representative Lane. Motion carried.

Department of Agriculture

A. Grain Warehouse Program (House Committee). The House Committee recommended the review of adding \$50,000 from the State General Fund to the Grain Warehouse Program in FY 2006. The agency reports that this program will not be viable beyond FY 2006 without adjustments in revenue or expenditures. The Conference Committee on SB 225 approved the addition of \$50,000 from the State General Fund in FY 2006 for this program.

Animal Health Department

A. GBA No. 2, Item 37, Page 19 - Animal Donation Fund.

Representative Schwartz, Chair of the Agriculture and Natural Resources Budget Committee, presented the Budget Committee report on the Animal Health Department and moved for the adoption of the Budget Committee recommendation (Attachment 31). The motion was seconded by Representative Powell. Motion carried.

State Conservation Commission

A. Irrigation Transition Assistance Program (Senate Committee and House Committee). The Senate Committee and House Committee recommended the review during Omnibus of the Irrigation Transition Assistance Program. The agency requests and the Governor recommends \$1,310,000 from the State Water Plan Fund for this program in FY 2006. Funding of \$1,310,000 from the State Water Plan Fund was also recommended by the Kansas Water Authority. The Program was created by proviso during the 2004 Legislative Session. Funding would be used to provide irrigation assistance grants as an incentive for water rights holders to transition from irrigated agriculture to dry land production or pasture. The 2005 Legislature has not passed legislation extending this program beyond FY 2005. HB 2400 created the Irrigation Transition Assistance Program and was passed by the House Environment Committee. The bill was stricken from the calendar on February 25, 2005.

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B. HorseThief Reservoir (Senate Committee and House Committee). The Senate Committee and House Committee recommended the review at Omnibus of funding for HorseThief Reservoir. The HorseThief Reservoir Benefit District, consisting of Gray, Finney, Ford, and Hodgeman counties, held an election on April 5, 2005 to impose a 0.15 percent sales tax to finance the construction of the dam and recreational facilities for the reservoir. According to the Hodgeman County Clerk, the unofficial election results on April 6, 2005 were 9,471 in favor, with 5,521 opposed. The State Conservation Commission requested \$366,000 from the State General Fund for FY 2006 for bond payments for the project. According to testimony from the Pawnee Watershed District, the watershed district is requesting \$4.5 million from the State, including \$440,491 appropriated in FY 2005. The funding is requested to be spread over four fiscal years. Total construction costs are estimated at \$16.3 million, as noted in the table below.

| Fiscal Year | Amount Requested by Pawnee Watershed District |
|-------------|--|
| FY 2005* | \$ 440,491 |
| FY 2006 | 809,509 |
| FY 2007 | 1,000,000 |
| FY 2008 | 1,250,000 |
| FY 2009 | 1,000,000 |

* Amount appropriated by the 2004 Legislature.

C. Agency Provisos (House Committee). The House Committee recommended the review at Omnibus of the agency's provisos. A separate document containing the agency's provisos will be provided to the Committee.

D. Wind Energy Conservation Easements (Conference Committee). The Conference Committee on SB 225 recommended the review of the Wind Energy Conservation Easements Program. The Governor recommended funding of \$500,000 from the State General Fund and \$300,000 from the Economic Development Initiatives Fund for the program in FY 2006. The funding was not recommended by the Conference Committee. The program would be a voluntary program to assist landowners in purchasing easements that restrict development on agricultural land, and would be operated in conjunction with the USDA Farm and Ranch Lands Protection Program. HB 2517 would create the Farm and Ranch Land Protection Program and is currently in the Agriculture and Natural Resources Budget Committee. The Budget Committee held a hearing on the bill on March 22, 2005.

E. GBA No. 2, Item 38, Page 19 - Revised Priorities for State Water Plan Financing.

Representative Schwartz, Chair of the Agriculture & Natural Resources Budget Committee, presented the Budget Committee report on the State Conservation Commission and moved for the adoption of the Budget Committee recommendation (Attachment 31). The motion was seconded by Representative Powell. Motion carried

Kansas Water Office

A. Cedar Bluff Reservoir (House Committee). The House Committee recommended the review at Omnibus of the release of water from Cedar Bluff Reservoir. Two bills, HB 2393 and SB 228, were introduced to transfer ownership and management of the state's portion of water controlled by the Kansas Water Office to the Kansas Department of Wildlife and Parks. The House Environment Committee held a hearing on HB 2393 on February 15, 2005, but did not take action on the bill. The Senate Natural Resources Committee held a hearing on SB 228 on February 22, 2005 and March 3, 2005. The Senate did not take action on the bill.

Representative Schwartz, Chair of the Agriculture and Natural Resources Budget Committee, presented the Budget Committee report on the Kansas Water Office and moved for the adoption of the Budget Committee recommendation (Attachment 31). The motion was seconded by Representative Williams. Motion carried.

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Representative Schwartz, Chair of the Agriculture & Natural Resources Budget Committee, presented the Budget Committee report on the State Water Plan Fund and moved for the adoption of the Budget Committee recommendation (Attachment 31). The motion was seconded by Representative Williams. Motion carried.

Representative Schwartz moved for the adoption of a proviso stating on or after the effective date of this act, no expenditures shall be made from the state water plan fund from amounts deposited into such fund which were recovered by the state of Kansas from a settlement, judgment or decree in the litigation brought by the state of Kansas against the state of Colorado to resolve disputes arising under the Arkansas river compact pursuant to K.S.A. 82a-1801, and amendments thereto, by any state agency during the fiscal year ending June 30, 2005, and June 30, 2006, except by specific authorization by appropriation act of the legislature enacted into law authorizing expenditures of such moneys. The motion was seconded by Representative Powell. The motion carried.

Attorney General

A. Implementation of the White Collar Crime Unit (House Committee). The House Budget Committee that reviewed the Attorney General's budget recommended that funding to complete implementation of the White Collar Crime Unit in FY 2006 be considered at Omnibus. The Conference Committee on SB 225 concurred with the Senate and added \$186,965 from the State General Fund for this item in FY 2006.

B. Salary Shift of Consumer Protection Staff from Special Revenue Funds to the State General Fund (House Committee). The House Budget Committee that reviewed the Attorney General's budget recommended that the first year of a four-year plan to shift salaries of staff in the Consumer Protection Division entirely to the State General Fund be considered at Omnibus. The Conference Committee on SB 225 concurred with the Senate and added \$124,277 from the State General Fund for FY 2006 to implement year-one of the plan.

C. Funding for Information Technology Upgrades (Senate Committee). The Senate Subcommittee that considered the budget of the Attorney General recommended that funding for Information Technology Upgrades be considered at Omnibus. The Conference Committee on SB 225 concurred with the House and added \$148,902, of which \$81,257 is from the State General Fund, for the upgrades in FY 2006.

D. Parity Salary Increases for Unclassified Attorneys (Senate Committee). The Senate Subcommittee that considered the budget of the Attorney General recommended that salary increases for unclassified attorneys employed by the Attorney General be considered at Omnibus in order to make them comparable to the salaries of classified employees in other state agencies. The Conference Committee on SB 225 concurred with the House and added \$136,362 in FY 2006, of which \$102,162 is from the State General Fund, for the first year of the two-year planned upgrade.

Note:

The General Government and Commerce Budget Committee took no further action on the Attorney General (Attachment 32).

Judicial Branch

A. Additional Judicial and Nonjudicial Positions (House Committee). The House Budget Committee noted reductions it made in the Governor's current resources budget and recommended that a high priority be placed on funding the Judicial Branch's request for additional judges and nonjudicial personnel.

The Judicial Branch requested a total of \$876,411 in FY 2006 from the State General Fund for new positions, of which \$297,990 was requested to add a district court judge and two associated positions (an Administrative Assistant and an Official Court Reporter) and a district magistrate judge in the 10th Judicial District (Johnson County). Also included in the total is \$578,421 for the following 17.0 FTE new nonjudicial positions: 1.0 FTE Secretary I, 2.0 FTE Secretaries II, 9.0 FTE Trial Court Clerks II, 4.0 FTE Court Service Officers I, and 1.0 FTE Administrative Assistant.

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Staff Note: A recommendation by the Senate to add \$71,153 for the salary and fringe benefits of a district magistrate judge for the 10th Judicial District (Johnson County) was deleted by the Conference Committee on SB 225.

Note:

The Revenue, Judicial, Transportation and Retirement Budget Committee took no action on the Judicial Branch (Attachment 33).

Department of Education

A. HB 2247 Juvenile Detention Facilities (Law). HB 2247 is the school finance bill and increases base state aid per pupil (BSAPP) to \$4,222. That change will impact the Juvenile Detention State Aid Program, under which school districts are reimbursed for the lesser of the actual costs to provide educational services to students who reside in juvenile detention facilities in their districts or what they would get if they counted the students as 2.0 full-time equivalent (FTE) students under the school finance formula. The State Department of Education estimates that an additional \$612,166 from the State General Fund will be needed in FY 2006 to fully fund the program.

B. HB 2247 Internet-Based Data Reporting System (Law). HB 2247, the school finance bill, includes a provision that directs the State Board of Education to design and implement a uniform system of reporting of school district data. The system must be Internet-based, be freely available and accessible, and must allow a person to search and manipulate the data and compare data on a district by district basis. The system must be designed so that school districts may input their financial and performance data directly in lieu of reporting it to the State Board.

According to the State Department of Education, it will be necessary to add an Applications Programmer/Analyst III in FY 2006 in order to implement and maintain the new system, at a cost of \$53,363 from the State General Fund, of which \$48,145 is for salary and wages and \$5,218 is for other operating expenses.

C. HB 2247 "Skills for Success" Program (Law). HB 2247 authorizes the "Skills for Success" Program and directs the State Board of Education, by January 1, 2006, to adopt implementing rules and regulations. The State Board also must establish standards and criteria for reviewing, evaluating, and approving plans of interventions and applications for grants, be responsible for awarding grants to school districts, and request and gather information about the effectiveness of intervention plans from school districts that have received grants. Beginning September 1, 2006, the State Board is required to make an annual report on the program to the 2010 Commission, which is created by HB 2247.

The Skills for Success Program requires school districts that wish to apply for a grant to establish plans and develop interventions to bring children in kindergarten through grade three up to grade level in reading and mathematics. Districts are required to establish a plan for providing each child who needs assistance with locally-determined interventions that may include restructured school days, additional school days, summer school, individualized instruction, or any other intervention the district deems necessary. Districts also are required to create a mechanism to track the progress of children who have been identified as needing assistance.

Beginning in school year 2006-07, districts which have established a plan of intervention that is approved by the State Board may apply to the State Board for a grant under the Skills for Success Program. HB 2247 specifies that any appropriation for the Skills for Success Program cannot exceed \$20,000,000.

In order to meet the requirements set forth in the legislation which pertain to the responsibilities of the State Board, the State Department estimates that it will need to add an Education Program Consultant in FY 2006, at a total cost of \$68,712 from the State General Fund, of which \$57,744 is for salaries and wages and \$10,968 is for other operating expenses.

D. SB 154 Nutritional Standards to be Developed by the State Board of Education (Law). SB 154 requires the State Board of Education to prescribe nutritional standards for all foods and beverages made available to public school students during the school day. All school districts are required to comply with the standards, although the State Board may grant waivers in appropriate circumstances.

According to the State Department of Education, it will need \$20,000 from the State General Fund in FY 2006 to develop the standards, monitor compliance, print and mail written materials, and conduct

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workshops with school district food service personnel.

E. SB 48 Scholarships and Bonuses Relating to National Board Certified Teachers (Governor). SB 48 includes provisions of SB 11 which concern scholarships given to teachers who are pursuing National Board certification and bonuses given to teachers who have attained National Board certification. The bill would increase the amount of scholarships for teachers who are pursuing initial certification from \$1,000 to \$1,100, in recognition of the increase in the cost of the program from \$2,300 to \$2,600. In addition, the bill would provide scholarships of \$500 for teachers who are renewing their National Board certification. Finally, the bill would remove the ten-year limit that applies to \$1,000 bonuses which are paid annually to teachers who have attained National Board certification so that teachers who renew their certification beyond the initial ten-year period would continue to be eligible to receive bonuses. (SB 225 contains an appropriation of \$222,000 from the State General Fund for the Governor's Teaching Excellence Scholarships and Awards Program, of which \$50,000 is for scholarships and \$172,000 is for bonuses.)

The State Department of Education estimates that the impact of the bill in FY 2006 would be \$8,000 from the State General Fund. The estimate assumes that 40 teachers would qualify for scholarships for initial certification (at an additional cost of \$100 per teacher) and eight teachers would qualify for scholarships to renew their certification (at a cost of \$500 per teacher). No teachers would qualify for \$1,000 bonuses beyond the current ten-year limit in FY 2006 because the National Board scholarship and bonus program is less than ten years old.

F. SB 181 Limit on Number of Four-Year-Old At-Risk Children (Conference Committee). SB 181 includes a number of education provisions, one of which concerns the four-year-old at-risk program. Four-year-old at-risk children are counted as 0.5 FTE pupil for purposes of the school finance formula, up to a limit of 5,500 children. The appropriation for the State Department of Education included in SB 225 includes an increase in funding from the Children's Initiatives Fund of \$804,045 in FY 2006 to expand the program by 400 children. SB 181 would increase the limit on the number of children who can be counted from 5,500 to 5,900 in order for the additional funding to be spent on the four-year-old at-risk program.

G. Additional Funding for Various Programs (Senate Committee). The Senate Subcommittee that considered the State Department of Education's budget expressed the hope that the Legislature would consider adding more funding for elementary-secondary education in the Omnibus Bill. Noting that the Kansas Supreme Court has told the Legislature that school funding is inadequate, the Subcommittee called attention to the need for additional funding for special education, Base State Aid Per Pupil (BSAPP), at-risk programs, bilingual education, and early childhood education, including the Parent Education Program. It also noted the increasing burden that has been placed on teachers, who need the help provided by the Professional Development Program and the Teacher Mentor Program.

Staff Note: BSAPP and the at-risk and bilingual education weightings were increased in HB 2247, the school finance bill. SB 225, the appropriations bill, funds the Parent Education Program and the Teacher Mentor Program at the levels recommended by the Governor. No funding is provided for the Professional Development Program.

H. Funding for the Professional Development Program (House Committee). The House Budget Committee that reviewed the State Department's budget recommended that funding for the teacher and administrator Professional Development Program be considered at Omnibus. The Conference Committee on SB 225 concurred with the House and removed all funding recommended by the Governor for Professional Development (\$2,500,000 from the State General Fund). (The Senate had recommended \$1,500,000 for the program.)

I. Information Technology Upgrades (House Committee and Conference Committee). The Conference Committee on SB 225 deleted \$100,000 from the State General Fund that had been added by the Senate for information technology upgrades and recommended that the matter be considered at Omnibus. The House Budget Committee also recommended that the item be considered at Omnibus. The State Department of Education requested \$175,000 from the State General Fund to replace network servers, computers, printers, and related hardware and software, which the State Department said were outdated.

Staff Note: Due to a posting error, the \$100,000 for information technology upgrades was not deleted from SB 225. Depending upon how this item is resolved, that money could be lapsed or adjusted in the Omnibus Bill.

J. Revised KPERS-School Estimates. Staff from KPERS, the State Department of Education, the Division of the Budget, and the Legislative Research Department met April 11, 2005, to consider revisions to the KPERS-School estimates for FY 2005 and FY 2006. It now is estimated that the appropriation for

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KPERS-School in FY 2005 can be reduced by \$952,059, resulting in a total of \$138,280,332 from the State General Fund. (SB 225 provides that any savings in the KPERS-School account will be reappropriated to FY 2006. The Legislature also has the option of lapsing the money.) For FY 2006, it is estimated that the appropriation from the State General Fund contained in SB 225 would have to be increased by \$2,624,296, for a total of \$161,134,265. (If savings from FY 2005 are reappropriated, the additional amount needed in FY 2006 would be \$1,672,237.) Growth in FY 2006 over FY 2005 is based on a statutory increase in the employer contribution rate of 0.4 percent, a death and disability insurance rate of 0.8 percent, and an estimated growth in covered payroll of 5.5 percent. Earlier estimates for FY 2006 were based on a death and disability insurance rate of 1.0 percent and a covered payroll growth rate of 3.0 percent.

K. Revised School Finance Estimates and GBA No. 2, Item 23, Page 12. Staff from the State Department of Education, the Division of the Budget, and the Legislative Research Department met April 14, 2005, to consider revisions to the November 2004 school finance estimates. It now appears that savings in FY 2005 will total \$31,347,000, or \$1,688,000 more than the \$29,659,000 that had been estimated previously. Based on SB 225, any savings in FY 2005 will reappropriate to help finance general and supplemental general state aid in FY 2006.

For FY 2006, it is estimated that an additional \$46,371,000 will be needed to fund legislation that has passed. Savings reappropriated from FY 2005 will reduce that amount to \$15,024,000. Of the \$15,024,000 increase, approximately half is due to the passage of HB 2059, which adds a second enrollment count date for the purpose of calculating the number of students for which a school district may claim reimbursement under the school finance formula. The bill provides that a school district may make a second count on February 20 in order to count those additional students who are dependents of a full-time active duty member of the military service or the military reserve who has been ordered to active duty for more than 30 consecutive days for the purpose of mobilizing for war, international peacekeeping missions, national emergency, or homeland defense activities. This bill is expected to result in the addition of 1,250 children, which has a fiscal impact of \$7,356,424. The remaining increase primarily is attributable to refining and making adjustments to estimates of the fiscal impact of HB 2247 (the school finance bill).

A further adjustment, which is not reflected in the table below, is the need to add \$804,045 from the State General Fund for general state aid in FY 2006 as the result of funding an expansion of the four-year-old at-risk program before the authority to spend the money on additional children was passed. (Raising the limit on the number of children who can be counted is contained in SB 181, which is in conference committee. SB 181 is discussed in Item J above.) The \$804,045 to fund the expansion has been taken into account in the revised estimates as an offset to funding from the State General Fund. If SB 181 does not pass, \$804,045 from the State General Fund would be needed to replace an equal amount of money from the Children's Initiatives Fund, which would be lapsed. If SB 181 passes, 400 additional children, each counted as 0.5 FTE pupil, would be added to the enrollment count, necessitating the addition of \$804,045 from the State General Fund. If the \$804,045 were to be added in FY 2006, the total additional funding from the State General Fund for FY 2006 would be \$15,828,000.

The revised estimates are shown below. (Amounts are in thousands.)

| | FY 2005 (SB 225) | Revised FY 2005 | Difference FY 2005 | FY 2006 (SB 225) | Revised FY 2006 | Difference FY 2006 | Two-Year Revised Total |
|--------------------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|-----------------------|------------------------------|
| General State Aid | \$ 1,766,691 | \$ 1,746,852 | \$ (19,839) | \$ 1,804,802 | \$ 1,836,972 | \$ 32,170 | \$ 12,331 |
| Supplemental General State Aid | 171,416 | 159,908 | (11,508) | 164,984 | 179,185 | 14,201 | 2,693 |
| TOTAL | <u>\$ 1,938,107</u> | <u>\$ 1,906,760</u> | <u>\$ (31,347)</u> | <u>\$ 1,969,786</u> | <u>\$ 2,016,157</u> | <u>\$ 46,371</u> | <u>\$ 15,024</u> |

Note: All funding shown in the table is from the State General Fund except for \$4,500,000 in FY 2005 and \$5,304,000 in FY 2006 for general state aid which is from the Children's Initiatives Fund.

In GBA No. 2, Item 23, Page 12, the Governor adds \$6,301,519 from the State General Fund for general state aid. That amount is the general state aid portion attributable to counting 1,250 children who are dependents of activated military personnel (HB 2059). That amount, however, is based on the BSAPP allotment rate of \$3,863, not on the new rate of \$4,222 contained in HB 2247, and does not take into account the impact on local option budgets of the additional students. As a result, the amount added by the Governor for HB 2059 is \$1,054,905 less than the revised estimate of the bill's impact.

The Governor makes no other adjustment to her budget for school finance, meaning that she neither takes into account additional savings in FY 2005 nor funds any of the other revisions made to the

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estimates by staff on April 14. As a result, of the additional \$15,024,000 needed in FY 2006 to fully fund the school finance formula, the Governor adds only \$6,301,519, leaving \$8,722,481 unfunded.

In her message accompanying the GBA, the Governor states that she allowed HB 2247 to become law without her signature and is not recommending any additional money that is a consequence of that bill. The only additional money she recommends is that which is attributable to HB 2059, which she signed, but only in an amount that does not reflect the passage of HB 2247. The Governor also does not recommend an adjustment to KPERS-School, on the grounds that the increase required to fully fund the program in FY 2006 is necessitated, in part, by an expected growth in covered payroll as the result of the passage of the school finance bill.

Representative Hutchins, Chair of the Education Budget Committee, presented the Budget Committee report on the Department of Education and moved for the adoption of the Budget Committee recommendation (Attachment 34). The motion was seconded by Representative McLeland.

Representative Gatewood moved for a substitute motion to allocate \$1.5 million funding for the teacher and administrator Professional Development Program in Item H. The motion was seconded by Representative Feuerborn. Motion failed on a 11-12 vote.

Representative Sawyer moved for a substitute motion to allocate \$100,000 for the information technology upgrades at the Department of Education in Item I. The motion was seconded by Representative Lane. Motion carried on a 12-10 vote.

Representative Gatewood moved for a substitute motion to allocate \$1 million funding for the teacher and administrator Professional Development Program in Item H. The motion was seconded by Representative Sharp. Motion failed on a 11-12 vote.

Representative Powell moved for a substitute motion to remove the \$20,000 allocated to the State Department of Education for the implementation of SB 154 in Item D of the Budget Committee report. The motion was seconded by Representative Schwab. Motion failed on a 10-12 vote.

Representative Hutchins renewed the motion to adopt the Budget Committee Report on the Department of Education as amended. The motion was seconded by Representative Newton. Motion carried.

Special Revenue Fund Transfers to State General Fund

A. Review of Fee Fund Transfers to the State General Fund (Senate Committee). The Senate Committee recommended the review of the policy behind transferring fee fund balances from licensing boards to the State General Fund.

27th Payroll Period

A. Reconsider Funding Deleted for the 27th Payroll Period (Conference Committee). The Governor's FY 2006 budget recommendation contained funding totaling \$50.0 million, including \$32.6 million from the State General Fund, to finance the 27th payroll period scheduled to occur in FY 2006. The Governor proposed financing the cost over a period of 11 years through an advance of funds from the Pooled Money Investment Board (PMIB) to the State General Fund to cover the State General Fund portion of the cost. Under the Governor's recommendation, beginning in FY 2006, an annual \$3.0 million transfer would be made from the State General Fund back to the PMIB. The House proposed adjustments to the current biweekly pay schedule that would eliminate the need for the funding, and deleted the funding accordingly. The Senate deleted the funding pending further review at Omnibus. The Conference Committee on SB 225, after reviewing a different proposal, agreed to reconsider the issue at Omnibus.

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Vehicle Purchases

A. Reconsider Funding for Vehicle Purchases (Conference Committee). Included in the Governor's FY 2006 recommendation was \$9.9 million, including \$381,977 from the State General Fund, for the purchase of 485 vehicles. That funding was deleted by the House Committee pending further review at Omnibus. The Senate did not delete the funding. The Conference Committee on SB 225 agreed to leave the funding (along with \$14,400 from special revenue funds in FY 2007) in agency budgets, but agreed to reconsider the issue again at Omnibus.

Note:

As requested by the Chair, the Revenue, Judicial, Transportation and Retirement Committee presented information on state vehicles and a proviso pertaining to the purchase of vehicles and use of flexible fuel in state vehicles (Attachment 35).

The Committee requested that a technical correction be made to the proviso to insert the word "Kansas" before "fuel sellers" in Section B, which would now read "Kansas fuel sellers".

Representative McCreary moved to adopt the proviso, as amended, on the purchase of vehicles and flexible fuel by the state (Attachment 35). The motion was seconded by Representative Gatewood. Motion carried.

Representative Schwartz moved to amend the proviso regarding current statute to strike the provision which limits the act to vehicles used in metropolitans or consolidated metropolitans areas of 250,000 population or more, subject to the market availability of vehicles, excluding the Kansas Highway Patrol vehicles. The motion was seconded by Representative Powell. With permission of the second, Representative Schwartz withdrew the motion.

Note:

The Revenue, Judicial, Transportation and Retirement Budget Committee indicated that the proviso requires a compliance report to be presented to the Legislature before the 2006 Legislative Session. The Budget Committee felt that any further action should be delayed until the compliance report is received.

ADDITIONAL COMMITTEE ACTIONS:

Representative Landwehr moved to remove the language from SB 272 and insert the language of the Omnibus bill to House Substitute for SB 272. The motion was seconded by Representative Bethell. Motion carried.

Representative Feuerborn moved to allow for technical corrections as needed by the Revisor of Statutes to House Substitute for SB 272. The motion was seconded by Representative Pottorff. Motion carried.

Representative Landwehr moved to include a proviso in House Substitute for SB 272 to provide for accrual accounting to fund the 27th payroll period. The motion was seconded by Representative Lane. Motion carried.

Representative Schwab moved to allow the transfer of the additional receipts of \$1.8 million from the tobacco settlement into the State General Fund (SGF). The motion was seconded by Representative Lane. Motion carried.

Representative Schwab moved to recommend House Substitute for SB 272 favorable for passage as amended. The motion was seconded by Representative Landwehr. Motion carried.

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Representative Landwehr moved to introduce legislation recommended by the Revisor of Statutes for the reconciliation of amendments to statutes which were amended more than once during this session or a prior session and any technical bills recommended by the Revisor of Statutes to correct technical defects in bills passed by the legislature during this session in order to effectuate the intent of the legislature. The motion was seconded by Representative Sawyer. Motion carried.

Chair Neufeld thanked the Committee, Budget Committees and the Staff for their hard work to complete the work on the Omnibus bill.

The meeting was adjourned at 6:30 p.m. The next meeting of the Committee will be on call of the Chair.

Melvin Neufeld, Chair