

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Marc Rhoades at 9:08 a.m. on March 18, 2011, in Room 346-S of the Capitol.

All members were present

Committee staff present:

Jim Wilson, Office of the Revisor of Statutes
Nobuko Folmsbee, Office of the Revisor of Statutes
Alan Conroy, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Jarod Waltner, Kansas Legislative Research Department
Shirley Morrow, Kansas Legislative Research Department
Cindy O'Neal, Administrative Assistant, Appropriations Committee
Kathy Holscher, Committee Assistant, Appropriations Committee

Others attending:

See attached list.

HB 2382 - Appropriations for FY2011, FY2012 & FY2013 for capital improvements for various state agencies.

HB 2383 - Appropriations for FY 2011 through FY 2016 for various state agencies

- Attachment 1 Governor's Budget Amendment
- Attachment 2 Department on Aging FY 2011 Nursing Facility Provider Assessment proviso
- Attachment 3 KAN-ED Overview
- Attachment 4 Proposed Amendment – State Employee Contribution for Health Insurance

Chairman Rhoades made a motion to introduce legislation regarding a Fund Transfer bill which will allow Education to utilize unencumbered fund balances. The motion was seconded by Representative Kelley. Motion carried.

Chairman Rhoades opened the discussion on **HB 2382** and **HB 2383**.

Representative Kelley reviewed the motion withdrawn from the prior committee meeting regarding the Reed Act of the Department of Labor, and additional information provided by Deputy Secretary Sparks.

Representative Kelley made a motion to delete Section 6 (a) under the Department of Labor in **HB 2382**. The motion was seconded Representative DeGraaf. Motion carried.

Representative Kelley made a motion to remove the pilot program which studies furloughs on page 87 Subsection (e) of **HB 2383**. The motion was seconded by Representative McLeland.

Discussion followed by committee members. It was noted that this pilot program has been carried forward year-to-year and that the former secretary and the present secretary do not intend to use this study.

The motion was renewed. Motion carried.

Chairman Rhoades stated that the Governor's Budget Amendments have been distributed, (Attachment 1).

Representative McLeland made a motion for an amendment to maintain the Kansas Human Rights Commission separate from the Office of the Attorney General. The motion was seconded by Representative Carlin.

Discussion followed by members regarding the savings captured and staffing issues.

CONTINUATION SHEET

House Appropriations Committee on March 18, 2011, in Room 346-S of the Capitol.

Discussion followed by members regarding the savings captured and staffing issues.

JG Scott, Kansas Legislative Research Department, responded to questions from members. He stated that this motion would add three full time equivalent positions (FTE's), which would be funded from existing resources. This represents nine FTE positions less than the agency's request, he added.

The motion was renewed. Motion carried.

Representative Carlin made a substitute motion to add \$80,000 to fund for salaries that were cut. The motion was seconded by Representative Lane.

Discussion followed by committee members. It was noted that this funding would be available through the Medical Fraud Prosecution Fund.

The motion was renewed. Motion failed.

Representative McLeland made a motion for an amendment that would add language to **SB 128** requesting the delay of the presidential primary until the bill passes. The motion was seconded by Representative Mast.

Jim Wilson, Office of the Revisor of Statutes, responded to questions from committee members regarding the effect of the amendment. It was noted that if the presidential primary election was not held next year, the savings to the state would be \$1.3 million.

The motion was renewed. Motion failed.

Representative Crum made a motion for a technical amendment that would add language to **HB 2382**, which allows the Secretary of Aging to act as the agent for the Kansas Health Policy Authority and authorizes the secretary to collect the quality assessment funds, (Attachment 2). The motion was seconded by Representative DeGraaf. Motion carried.

Representative Feuerborn made a motion that would not accept the mental health caseload adjustment of \$17 million by deleting #2 of the Governor's Budget Amendments. The motion was seconded by Representative Gatewood.

Discussion followed by committee members regarding the increased caseloads, Medicaid increases and the need to provide services for the under-insured and uninsured. It was noted that the amount should reflect what was reported out in the budget committee report and that this motion would not result in further reductions.

Representative Feuerborn withdrew the motion, which was approved by second of the motion

Representative Feuerborn made a motion for an amendment to approve the Mental Health Caseload adjustment of \$7.2 million maintaining the Social Services Budget Committee recommendation. Representative Gatewood seconded the motion.

A review of the Social Services Budget Committee recommendations and the Governor's recommendations followed. It was noted that the \$7.2 million represents a savings that was captured by the agency and transferred to community mental health centers.

The motion was renewed. Motion carried.

Representative Kelley made a motion for an amendment to maintain foster care rates at the FY 2011 level. The motion was seconded by Representative Mast.

Discussion followed by committee members regarding bids for contractual services, and enhanced accountability within oversight of programs.

The motion was renewed. Motion carried.

CONTINUATION SHEET

House Appropriations Committee on March 18, 2011, in Room 346-S of the Capitol. Representative Kelley made motion for an amendment that would reduce the Social and Rehabilitation Services budget by 10%. The motion was seconded by Representative Brown.

Discussion followed by committee members regarding the impact of the budget reduction. It was noted that this recommendation would exclude consensus caseloads, Medicaid and foster care, and would not effect the maintenance of effort under the Affordable Care Act. Concern was expressed for reduced services for Developmental and Physical Disability waivers.

Representative Kelley withdrew the motion, which was approved by the second of the motion.

Representative Brown made a motion for an amendment to delete \$5.354 million from SGF for dues, magazines and subscriptions, which could be accessed from other revenue sources. The motion was seconded by Representative Mast.

Discussion followed by committee members regarding limiting revenue sources and the impact on dues which have resulted in a substantial savings to the state. It was noted that the Mid Higher Education Compact (MHEC) contract has netted the state an approximate savings of over \$4 million at a cost of \$95,000. Additional information was recommended regarding the return on investments for dues paid to compacts for review at Omnibus for review of government efficiencies and the effect this motion would have on state agencies.

The motion was renewed. Motion carried.

Discussion continued by committee members. Additional information regarding membership dues, magazines and subscriptions, which reflects costs and savings to the state for possible exemption was requested. J.G. Scott, Legislative Research Department, stated that this information will be provided to the committee.

Representative Gatewood made a motion to adopt the Governor's Budget Amendment which would add \$150,000 in FY 2011 and \$450,000 from the SGF for the Kansas Bureau of Investigation for meth lab cleanup. The motion was seconded by Representative Feuerborn.

It was noted that the motion was adopted in the subcommittee report. The subcommittee requested the agency to provide current information received to the Governor's Office for the Governor's Budget Amendment, which has been completed and now contains the language in the report.

The motion was renewed. Motion carried.

Representative Kelley made a motion for an amendment to reduce the Social and Rehabilitation Services budget by 5% , excluding the consensus caseload and waiver programs. The motion was seconded by Representative DeGraaf.

Discussion followed by committee members. The secretary would have the authority to make reductions with the exception of consensus caseloads and waiver programs. The savings would be \$10 million to the SGF, it was noted. Discussion continued regarding the impact on federal match dollars.

Chairman Rhoades stated that the committee will reconvene upon adjournment of the House.

Meeting recessed at: 11:00 a.m.

Chairman Rhoades called the meeting to order at 3:45 p.m.

Committee members continued discussion on Representative Kelley's amendment to reduce the Social and Rehabilitation Services Budget by 5%. It was noted that the secretary is looking at all possibilities for reducing the department's budget. Concern was expressed for the need for a plan from the secretary on budget reduction recommendations.

The motion was renewed. Motion carried.

Representative Brown made a motion for an amendment that would include language that the Kansas Department of Health and Environment will work with the City of Eudora to seek a solution to the water issue. The motion was seconded by Representative Gatewood. Motion carried.

CONTINUATION SHEET

House Appropriations Committee on March 18, 2011, in Room 346-S of the Capitol.

Representative Crum made a motion for an amendment to add \$300,000 to the Autism waiver. The motion was seconded by Representative DeGraaf.

Discussion followed by committee members. It was noted that the amendment would be from SGF, and would continue at the current formula which serves children until 5 years of age.

The motion was renewed. Motion failed.

Representative McLeland reviewed the KAN-ED program (Attachment 3).

Representative McLeland made a motion to remove \$10 million in funding from KUSF for the KAN-ED program. The motion was seconded by Representative DeGraaf.

Representative McLeland responded to questions from committee members. He stated that residents receive a twenty-five cent fee on their phone bill for KAN-ED, which provides funding support for K-12, higher education, hospitals and libraries. This program was to have been self-funded until FY 2007, but still continues its tax-funded privileges with the sponsorship of **HB 2021**. He noted that a hearing on **HB 2090**, which addresses this issue has been scheduled for next week in the budget committee and **HB 2021** would expand its mission and scope for funding for other entities. A review of broadband internet infrastructure, KAN-ED's competition in the market place and the impact of budget reductions continued by committee members.

The motion was renewed. Motion carried.

Representative Kelley made a motion for an amendment to reduce Information Technology expenditures by 10% across all state agencies. The motion was seconded by Representative McLeland.

Representative Kelley responded to questions from committee members. She stated that the amendment would reduce the SGF by approximately \$8.6 million and \$23.2 million in all funds, and contracts have been reviewed and are actively being pursued by the Secretary for the Department of Labor.

The motion was renewed. Motion carried.

Representative DeGraaf made a motion for an amendment to move the proposed savings from Information Technology reductions for the Legislative, Executive and Judicial branches for program and personnel costs. The motion was seconded by Representative McLeland. Motion carried.

Staff was requested to provide a report from the Board of Regents on the proposed information technology purchases for FY 2012.

Representative DeGraaf provided an overview of a proposed amendment regarding the State Employee Contributions for Health Insurance coverage (Attachment 4).

Representative DeGraaf made a motion for an amendment that would require state employees to pay an additional 5% surcharge for their portion of health insurance coverage, effective January 1, 2012. The motion was seconded by Representative Peck.

Discussion followed by committee members. It was noted that the savings would amount to \$3.1 million for the last six months of FY 2012. The 5% increase in health insurance would be applied to all brackets of coverage and this savings would be captured in SGF. Kansas is self-insured and costs are spread among all employees based on their plan design, with the overall percentage rate of premium payments of 74% by the state and 26% by the employee, it was noted. The Social Services Budget Committee reviewed the health care coverage rates and it was noted that over the last several years the employers contribution rate has increased. Discussion continued by committee members regarding private and public sector benefit packages and costs incurred by employers and employees.

J.G. Scott, Legislative Research Department, responded to questions from committee members. He stated the amendment represents a 5% increase in coverage on the employee share of the entire premium.

The motion was renewed. Motion carried.

CONTINUATION SHEET

House Appropriations Committee on March 18, 2011, in Room 346-S of the Capitol.
The motion was renewed. Motion carried.

Representative Ballard, Representative Carlin, Representative Feuerborn, Representative Gatewood, Representative Gordon, Representative Henry and Representative Lane requested that their votes in opposition of the motion are recorded in the minutes.

Chairman Rhoades reviewed the agenda for the next committee meeting. Amendments not covered in committee will need to take place on the House floor.

Representative DeGraaf made a substitute motion to increase the employee health coverage portion from 5% to 10%. The motion was seconded by Representative Brown. Motion failed.

The meeting adjourned at 5:04 p.m



Marc Rhoades, Chairman

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 3-18-11

NAME	REPRESENTING
Phil Harner	IC-State
Robin Clements	DECCA
Leigh Keck	Capitol Strategies
Melissa Ness	St Francis Comm Services
OK Bokaux	7180
Jue Kelley	IC-State
A. Gwynne	IC-TRK
Andy Schlapp	WSU
Wendy Ellen Carter	Carter Consulting
RT Wilson	KOSR
Leslie Kaufman	Krs Corp Council
Ron Seiber	KGIFT
Kim Fowler	Judicial Brand
Stephanie Bunter	Judicial Branch
Nancy Bryant	SOS
Doreen Klein	Klein Law Firm
KEB MEALY	KEB MEALY & ASSOC.

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 3-18-11

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Office of the Governor

Sam Brownback, Governor

March 16, 2011

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

and

The Honorable Carolyn McGinn, Chairperson
Senate Committee on Ways and Means
Room 545-S, Statehouse

Dear Representative Rhoades:

The item contained in this memo, Governor's Budget Amendment No. 1, amends the FY 2012 budget that I submitted to you in January. These items reflect new issues that have arisen or changes based on new information. Total adjustments to expenditures and positions are shown below.

	<u>FY 2011</u>	<u>FY 2012</u>
State General Fund	\$ 150,000	(\$ 6,750,000)
All Other Funds	<u>279,449</u>	<u>(676,879)</u>
All Funds	\$ 429,449	(\$ 7,426,879)
FTE Positions	--	3.00
Non-FTE Unclassified Permanent	<u>--</u>	<u>--</u>
Total Positions	--	3.00

Kansas Human Rights Commission

1. Transfer of Agency Operations

In my original budget, I proposed locating the Kansas Human Rights Commission within the Office of the Attorney General. This recommendation included reorganizing agency employees to produce a savings in the budget. By relocating the Commission to the Attorney

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Attachment 1

General, the agency would have access to a wider array of resources and staff. After further discussion with the Commission and the Attorney General, I have decided to amend my budget to keep the Commission as a separate agency with 25.00 FTE positions, but still requiring that budget reductions be imposed.

Office of the Attorney General

	<u>FY 2011</u>	<u>FY 2012</u>
State General Fund	\$ --	\$ (1,189,084)
All Other Funds	<u>--</u>	<u>(438,027)</u>
All Funds	\$ --	\$ (1,627,111)
FTE Positions	--	(22.00)
Non-FTE Unclassified Permanent	<u>--</u>	<u>--</u>
Total Positions	--	(22.00)

Kansas Human Rights Commission

	<u>FY 2011</u>	<u>FY 2012</u>
State General Fund	\$ --	\$ 1,189,084
All Other Funds	<u>--</u>	<u>438,027</u>
All Funds	\$ --	\$ 1,627,111
FTE Positions	--	25.00
Non-FTE Unclassified Permanent	<u>--</u>	<u>--</u>
Total Positions	--	25.00

Department of Social and Rehabilitation Services

2. Mental Health Caseload Adjustment

I amend my budget to delete \$17.0 million, including \$7.2 million from the State General Fund, to reflect a new, lower estimate for expenditures in the Prepaid Ambulatory Health Plan (PAHP) for FY 2012. The PAHP is included in the mental health portion of the human services consensus caseload estimate. This reduction is the result of the current managed care program implementing utilization management efforts to reduce Medicaid costs.

	<u>FY 2011</u>	<u>FY 2012</u>
State General Fund	\$ --	(\$ 7,240,000)
All Other Funds	<u>--</u>	<u>(9,760,000)</u>
All Funds	\$ --	(\$ 17,000,000)

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Attachment 1-2

School for the Deaf

3. Renovations to Roth Building

So that emergency repairs can be made to upgrade fire safety codes, prevent structural damage, and house a projected increase in the number of dormitory students beyond existing capacity, I amend my budget for the School for the Deaf to add \$279,449 for FY 2011 and \$1,883,121 for FY 2012 from the State Institutions Building Fund (SIBF) to renovate the west wing of the Roth Administration Building. The SIBF has sufficient resources to finance this project to ensure the safety of the students.

	<u>FY 2011</u>	<u>FY 2012</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>279,449</u>	<u>1,883,121</u>
All Funds	\$ 279,449	\$ 1,883,121

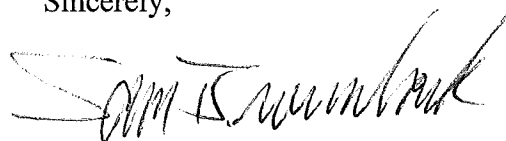
Kansas Bureau of Investigation

4. Meth Lab Cleanup

For the Kansas Bureau of Investigation, I amend my budget to add \$150,000 in FY 2011 and \$450,000 in FY 2012, all from the State General Fund for meth lab cleanup. For the past several years meth lab cleanup has been paid by the Drug Enforcement Agency (DEA) with federal funds. The DEA has notified all law enforcement agencies that these funds are no longer available. Last year the DEA funded approximately 100 cleanups for Kansas at a total cost of \$365,884.

	<u>FY 2011</u>	<u>FY 2012</u>
State General Fund	\$ 150,000	\$ 450,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 150,000	\$ 450,000

Sincerely,



Sam Brownback
Governor

Appropriations Committee
Date March 18, 2011
Attachment 1-3

Department on Aging FY 2011 Nursing Facility Provider Assessment proviso:

Provided, That the secretary of aging, acting as the agent of the Kansas health policy authority, is hereby authorized to collect the quality care assessment under K.S.A. 2010 Supp. 75-7435, and amendments thereto, and all moneys received for such quality care assessments shall be deposited in the state treasury to the credit of the quality care fund:

Provided further, That all moneys in the quality care fund shall be used to finance initiatives to maintain or improve the quantity and quality of skilled nursing care in skilled nursing care facilities in Kansas in accordance with K.S.A. 2010 Supp. 75-7435, and amendments thereto.

Appropriations Committee

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Attachment 2

What Is KanEd?

KAN-ED was conceived as a “network of networks” in the year 2000 when broadband internet infrastructure was in its infancy.¹ This conception became operational through legislation in 2001. The Senate Substitute for House Bill 2035S stated:

“The purpose of this act is to provide for a broadband technology-based network to which schools, libraries and hospitals may connect for broadband Internet access and intranet access for distance learning. For that purpose, the state board of regents shall contract in accordance with this act for the creation, operation and maintenance of such network, to be known as the KAN-ED network.”

KAN-ED successfully and effectively accomplished its mission by 2007. Five years later, with its sponsorship of HB 2021 in the 2011 legislative session, KAN-ED seeks to dramatically expand its mission, using its tax-funded privileges to directly compete with private telecommunications businesses. This mission creep is in direct conflict with the intent of the original KAN-ED enabling laws, which sought to encourage rather than discourage private-sector competition and investment.

Marketplace:

- The marketplace has caught up with the demand the Legislature identified in 2001/2002. The modern internet has made the KAN-ED private network obsolete.
- Most of the KAN-ED services are now readily available in the marketplace and the KAN-ED membership base can access federal government E-Rate subsidies to pay for their use over the public internet.
- If KAN-ED ceased to operate, its members would notice no difference in internet functionality. They are connected to high-speed internet already; that infrastructure will remain.
- Based on the National Broadband Plan definition, and using Connect Kansas data, the Kansas Corporation Commission finds that an average of 99.41% of Kansas households have access to broadband internet.

Cost:

- KAN-ED is a state subsidy program competing against a federal subsidy program.
- The original legislation intended for KAN-ED KUSF funding to be capped at \$10 million and to revert to SGF funding in FY 2006 on a gradually increasing scale.
- KAN-ED is funded twice, once through KUSF, second through e-rate reimbursements.

Government Competition:

- Kan-Ed seeks to expand its mission and scope with the introduction of their bill (HB 2021):
 - Capture the entire market segments of public, not-for-profit, and any “community anchor institution.”
 - Launch a phone product.
 - Remove competitive bid requirements.
 - Prohibit private sector from competing against future clients.

Appropriations Committee
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Attachment 3

Additional State Employee Contribution
for Health Insurance
Proposed Amendment

- Require state employees to pay a 5.0 percent surcharge on the employee share of health insurance.
- The increase will be effective on January 1, 2012, the beginning of the new plan year for state employee health insurance.
- The State in 2012 will contribute an estimated \$369.3 million or 73 percent toward employee and dependent health insurance, while employees will contribute \$143.8 million or 26 percent.
- The employee surcharge will generate \$3.1 million for the last six months of FY 2012. The entire amount of the employee surcharge will accrue to the State General Fund.
- For 2011 the employer contribution increased 15.0 percent, while the employee contribution increased 8.0 percent.
- Require the Director of the Budget to consult with the Director of the Legislative Research Department on the amount of the State General Fund savings as a result of the state employee health insurance surcharge and then certify such amount to the Director of Accounts and Reports.