

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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ITEMS FOR OMNIBUS CONSIDERATION

Kansas Department of Revenue

A. GBA No. 1, Item 3, Page 3 - Restore Division of Vehicles Operating Fund Reductions.

B. Sub. for HB 2159 (Conference). Sub. for HB 2159 would amend provisions related to expungement of driving under the influence (DUI) and test refusal offenses. The bill also would require the Division of Vehicles to issue a restricted driver's license with a DUI-IID designation to a licensee allowed to operate a motor vehicle under ignition interlock restrictions. The bill would apply an additional \$10 fee to the DUI-IID restricted license; moneys collected from this fee would be deposited into a DUI-IID Designation Fund created by the bill. All moneys credited to the DUI-IID designation fund would be used by the Kansas Department of Revenue (KDOR) only for the purpose of funding the administration and oversight of state certified ignition interlock manufacturers and their service providers. The agency estimates one-time implementation expenditures of \$56,680, all from special revenue funds, for the development of the new restrictive license for FY 2016.

C. Senate Sub. for HB 2155 (Conference). The Conference Committee Agreement on Senate Sub. for HB 2155 would, among other things, create the Kansas Charitable Gaming Act (Act) and amend the Kansas Lottery Act. The Act would include changes to the Bingo Act and create new law concerning the regulation of charitable raffles. The bill would specify the State would have the exclusive power to regulate, license, and tax the management, operation, and conduct of and participation in charitable raffles. The bill would create the State Charitable Gaming Regulation Fund, which would be maintained by the license and registration fees and taxes collected under the Act. Additionally, the bill would create the Charitable Raffle Refund Fund. The agency estimates the State Charitable Gaming Regulation Fund would receive total revenues of \$482,500 for each FY 2016 and FY 2017. The agency estimates additional expenditures of \$100,000, all from special revenue funds, for FY 2016, which includes the cost to modify tax processing and registration systems; to add one staff person to administer the raffle tax; and to add one part-time attorney or tax specialist to draft rules, regulations, and notices and to respond to communication regarding the regulation of raffles. The KDOR is unable to estimate the cost of enforcement at this time, but indicates these costs would add to the expenditures included in the fiscal note.

D. HB 2013 (Conference). The Conference Committee agreement as of April 2, 2015 on HB 2013, among other things, would establish a \$15 driving test fee for the drive test portion of the commercial driver's license (CDL) application. Additionally, it would establish an additional \$10 fee if a CDL applicant failed and must retake the pre-trip, skills test, or road test portion of the driving test. The new fees would be remitted to a Commercial Driver's License Drive Test Fee Fund (Fund) created by the bill. The bill would require moneys credited to that Fund to be used by the Kansas Department of

Revenue (KDOR) only for the purposes of funding the administration and operation of the CDL drive test. Under current law, the fee for any driver's license examination is \$3 and the fee for retaking a driving test is \$1.50, both unchanged since 1963. The agency estimates enactment of the bill would increase fee fund revenues by \$140,000 in FY 2016 and require an increase in expenditures of \$4,900 in FY 2016 to make system changes and perform testing.

E. Review the Agency's Newly Revised Expenditure Reductions for FY 2015, FY 2016, and FY 2017 (Senate Committee). The agency has identified an operating shortfall of roughly \$2.2 million in FY 2015 and \$5.2 million for each FY 2016 and FY 2017. The agency has proposed expenditure reductions in four separate programs, including reduced field enforcement activity in the Alcohol Beverage Control program, reduced staffing levels in the Tax Operations program and discontinuing the practice of mailing vehicle renewal forms in lieu of postcard notifications. The Senate Committee added language to Senate Sub. for HB 2135 to transfer \$1.0 million for both FY 2016 and FY 2017, from the State Highway Fund to the Division of Vehicles Modernization Fund, to address the remaining shortfall between the agency's proposed expenditure reduction and their anticipated operating shortfall.

Secretary of State

A. SB 239 (Conference). SB 239, as amended, would repeal the statute calling for a presidential preference primary election and replace it with new law requiring each recognized political party to select a presidential nominee in accordance with party procedures for every presidential election beginning with the 2016 election. If the bill were not to pass, the primary would entail a Secretary of State budget amendment request for approximately \$1.75 million all from the State General Fund for FY 2016. Historically, a budget proviso has been included that postpones the next scheduled primary by four years.

B. Review of Governor's Recommended Transfer of an Additional 10.0 Percent from the Agency's Fee Fund to State General Fund (Senate Committee). The Governor recommends increasing the amount withheld from the agency's fee fund revenue in the Uniform Commercial Code Fee Fund from 10.0 percent or \$100,000, to 20.0 percent or \$200,000, and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a. For this agency that increase in the amount withheld is estimated at \$25,000 in both FY 2016 and FY 2017.

The House and Senate Committees did not recommend the Governor's proposed 10.0 percent increase in the fee fund revenue transfer to the State General Fund.

Kansas Public Employees Retirement System

A. SB 228 (Law). SB 228 allows the Kansas Development Finance Authority (KDFA) to issue bonds, in one or more series, in an amount not to exceed \$1.0 billion, plus all amounts required to pay the costs of issuance, to be deposited into the KPERS trust fund for the purpose of reducing the unfunded liability. The interest rate of the bonds, all inclusive cost, cannot exceed 5.0 percent. The bonds issued and interest owed would be an obligation of KDFA and not KPERS. The employer contribution rate for the State-School Group would decrease from 12.37 percent to 10.91 percent for FY 2016 and from 13.57 percent to 10.81 percent for FY 2017, provided debt service payments would not be financed using capitalized interest or have capitalized interest-only service payments. The

reduced employer contribution rate has estimated State General Fund savings of \$44.0 million for FY 2016 and \$97.4 million for FY 2017 compared to current law, not including debt service estimated at approximately \$60.1 annually, which appears in the Department of Administration's budget. The Governor's Budget Recommendation estimates KPERS State General Fund policy savings of \$39.6 million for FY 2016 and \$92.9 million for FY 2017.

Department of Administration

A. SB 228 (Law). SB 228 allows the Kansas Development Finance Authority (KDFA) to issue bonds, in one or more series, in an amount not to exceed \$1.0 billion, plus all amounts required to pay the costs of issuance, to be deposited into the KPERS trust fund for the purpose of reducing the unfunded liability. The KDFA estimates that if the bonds are issued in two separate issuances starting in September of 2015 and March of 2016 debt service on the bonds will be \$33.5 million, all from the State General Fund, for FY 2016 and \$61.1 million, all from the State General Fund, for FY 2017.

B. HB 2267 (Law). HB 2267 revises the notice requirements and the evaluation of construction projects involving alternatives to the standard competitive bidding procedures for school districts, State agencies, and the Board of Regents. The respective board, or the Director of Facilities Management in the case of the State, must give notice of a request for qualifications (RFQ) or a request for proposal (RFP) to all active general contractor industry associations in Kansas at least 15 days prior to a hearing or the commencement of a request. Local boards of education also must give notice to the Associated General Contractors of Kansas.

If a construction firm has been prequalified through an RFQ process, the firm submits a list of proposed fees directly and only to the Secretary of Administration. The Secretary scores and ranks the submitted proposals for the best value and reports the findings and makes a recommendation to the appropriate body charged with selecting a firm. The scores on fees and profits may not account for more than 25.0 percent of the total possible score.

The bill requires the Department of Administration to develop and rank proposals from prequalified firms. The Department states HB 2267 requires additional expenditures of \$100,000 in both FY 2016 and FY 2017, including 1.0 FTE Architect position. Of the above amount, \$75,000 would be for salaries and wages and \$25,000 would be for office supplies, equipment, and travel expenditures. The Department of Administration states the funding of the additional expenditures could come from a State General Fund appropriation or revenues from charges to local units of governments through a cost recovery fee-based service.

C. State Building Debt (House Committee). The House Committee requested a report prior to Omnibus on the debt to equity ratio on state-owned buildings:

Eisenhower State Office Building

On November 30, 1999, the Secretary of Administration requested approval from the State Finance Council to have Kansas Development Finance Authority (KDFA) issue bonds for the acquisition of the Security Benefit Group (SBG) Office Building. Under the terms of the Real Estate Purchase Agreement between the Department of Administration and SBG, the State would not take occupancy until 24 to 30 months after the real estate closing targeted for December 15, 1999 to allow SBG to construct their new office building. The building was purchased for \$18.5 million with an

estimated appraised value of \$13.5 million. After the building was vacated by SBG, approximately \$13.0 million in renovations were done on the building. The building has a current appraised value of \$17.1 million. The purchase and renovation of the building were financed by KDFA bonds with a principal of \$33.4 million in two issuances between December 1999 and December 2002. The current outstanding principal on these bonds is \$21.4 million.

Landon State Office Building

The State of Kansas became the owner of this building on March 1, 1986. The building has a current appraised value of \$19.0 million.

KSA 75-3649 provided for the payment of the property acquisition costs and expenses related to such acquisition be funded by a loan from the Pooled Money Investment Board (PMIB). The \$11.4 million loan had a term of 20 years and was paid off in July 2006. An additional \$4.5 million also was borrowed from PMIB for renovation of this building. This loan had a term of 15 years and was paid off in March 2003. In July 2001, KDFA bonds in the amount of \$9.3 million were issued for several Department of Administration remodel and upgrade projects. The current outstanding principal on these bonds is \$3.8 million.

Curtis State Office Building

In December 1998, a Lease with Option to Purchase by and between the Topeka Public Building Commission (TPBC) and the State of Kansas - Department of Administration was made and entered into by the two parties. The TPBC agreed to acquire and prepare a site at the corner of 10th and Jackson streets for an office building and parking garage, issue revenue bonds to pay for the project, and either enter into a lease or lease purchase agreement with the State or one of its agencies. The TPBC entered into bonds with a principal of \$52.1 million for construction of the building and garage. The current outstanding principal on these TPBC bonds is \$42.3 million. The building has a current appraised value of \$32.0 million.

Memorial Hall

Memorial Hall was built and dedicated in 1914 to house the Kansas State Historical Society (KSHS). By the 1980s the KSHS had outgrown this space and constructed a facility in the northwest part of Topeka. KSHS moved to this new facility during the winter of 1983-1984 with some staff remaining behind for a while longer. In 1998, the Department of Administration issued revenue bonds with a principal of \$5.6 million to renovate the Memorial Hall Office Building. The current outstanding principal balance of these bonds is \$1.5 million.

State Capitol Building

On February 16, 1998, the Legislative Coordinating Council established the Capitol Restoration Commission (CRC). The capital improvement project for the construction, equipping, furnishing, renovation, reconstruction and repair of the State Capitol and adjoining parking garage was approved by the Secretary of Administration jointly with the Legislative Coordinating Council. The 2000 Legislature passed SB 660, which authorized the first issuance of bonds for the project. On May 24, 2000, the CRC recommended the Master Plan and Project Phasing. Bonds with a principal totaling

\$338.1 million were issued for the entire project. The current outstanding principal balance of these bonds is \$254.8 million.

D. GBA No. 1, Item 1, Page 1 - National Bio-Agro Defense Facility Debt Service.

E. GBA No. 1, Item 11, Page 10 - Debt Service Refunding.

Judicial Branch

A. SB 51 (Stricken). SB 51 would have extended for two years, through July 1, 2017, the Judicial Branch surcharge the Legislature authorized in 2010 Senate Sub. for HB 2476 to fund non-judicial personnel. This surcharge extension would have been effective July 1, 2015. Expenditures from the Judicial Branch surcharge currently are reflected in The *FY 2016 Governor's Budget Report* with estimated revenues to the Judicial Branch Docket Fee Fund of \$9.5 million in both FY 2016 and FY 2017. Consequently, the Office of Judicial Administration indicates that its budget would be reduced by \$9.5 million each fiscal year, if SB 51 or another bill extending the surcharge, is not enacted.

The bill also would have allowed the Chief Justice to transfer moneys during FY 2015 from the Electronic Filing and Management Fund to the Judicial Branch Docket Fee Fund. The bill would have extended, from 2017 to 2018, a provision directing the first \$3.1 million collected in docket fee revenues to the Electronic Filing and Management Fund, and would have deferred, from FY 2018 until FY 2019, a provision reducing this amount to \$1.0 million.

B. Judicial Branch Budget (Senate Committee). The Senate Committee delayed until Omnibus consideration of the following adjustments to the Judicial Branch budget recommended by the Judicial Subcommittee.

FY 2016 Items for Review

- Review the addition of \$156,000, all from the State General Fund, for contractual service expenditures related to senior judge contracts and other contractual service fee increases for FY 2016.
- Review the addition of \$2,326,000, all from the State General Fund, to offset lower than anticipated revenue in the Docket Fee fund for FY 2016. The increase is partially reduced by additional revenue of \$574,000 from SB 15, which imposes a new docket fee on dispositive motions. The estimate for lower revenue assumes a reduction rate of 3.0 percent from FY 2015 to FY 2016 rather than 6.5 percent in the original Judicial Branch estimate.
- Review the addition of \$313,367, all from the State General Fund, for other fringe benefit costs including longevity for FY 2016.
- Review the addition of \$648,204, all from the State General Fund, to offset lower than anticipated revenue from DUI reinstatement fees for FY 2016.

- Review the addition of \$861,364, all from the State General Fund, for judicial retirement fees for FY 2016.

FY 2017 Items for Review

- Review the addition of \$3,176,000, all from the State General Fund, to offset lower than anticipated revenue in the Docket Fee Fund for FY 2017. The increase is partially reduced by additional revenue of \$574,000 from SB 15, which imposes a new docket fee on dispositive motions. The estimate for lower revenue assumes a reduction rate of 3.0 percent from FY 2016 to FY 2017 rather than 4.5 percent in the original Judicial Branch estimate.
- Review the addition of \$307,670, all from the State General Fund, for group health insurance costs for FY 2017.
- Review the addition of \$371,528, all from the State General Fund, for other fringe benefit costs including longevity for FY 2017.
- Review the addition of \$4,123,600, all from the State General Fund, to fund the 27th payroll costs for FY 2017.
- Review the addition of \$648,204, all from the State General Fund, to offset lower than anticipated revenue from DUI reinstatement fees for FY 2017.

Office of the State Treasurer

A. HB 2216 (Law). HB 2216 makes amendments to the Kansas Money Transmitter Act (KMTA), the Kansas Mortgage Business Act (KMBA), and the Kansas Banking Code, which do not have a fiscal impact. The bill also establishes the Kansas ABLE Savings Program, an enabling tax-deferred savings program authorized by the passage of the federal ABLE Act, for the purpose of empowering individuals with disabilities and their families to save private funds to support individuals with disabilities and to provide guidelines for the maintenance of such accounts. The State Treasurer will implement and administer the program.

The Office of the State Treasurer requests \$50,000, all from the State General Fund, to create marketing materials and attract new owners for FY 2017. The marketing budget for future years will be paid for by fees charged to account owners. Additionally, the Kansas ABLE Savings Expense Fund will be established in the State Treasury, consisting of moneys received from the ABLE savings program manager, or any governmental or private grants, and any State General Fund appropriations for the program. All expenses incurred by the Treasurer in developing and administering the program will be payable from this expense fund.

The agency states that the program will not have a noticeable fiscal effect until FY 2017. The agency anticipates using existing resources to initiate the program in FY 2016 by publishing a request for proposals, evaluating proposals to contract with a program manager, and drafting regulations for the program. The agency will use existing staff in FY 2016 and FY 2017 and will not hire staff

dedicated solely to the program until the position could be paid for with fee revenue from account owners.

Adjutant General's Department

A. Add Funding for Rehabilitation and Repair for FY 2016 and FY 2017 (Joint Committee on State Building Construction). The Joint Committee on State Building Construction recommended adding \$250,000, all from the State General Fund, to provide additional state funding for rehabilitation and repair expenditures for both FY 2016 and FY 2017. The agency indicates state funding will be matched 50/50 with federal funds, providing a total of \$500,000 for projects for each fiscal year. The House Committee did not recommend the additional funding. The Senate Committee did not recommend the additional funding.

B. GBA No. 1, Item 11, Page 10 - Debt Service Refunding.

Kansas Department of Transportation

A. HB 2103 (Law). HB 2103 designates bridge No. 14(030) on K-15 in Clay County as the Clay County Vietnam Veterans Bridge. The signs to designate the bridge could not be placed until the Secretary of Transportation has received sufficient moneys from gifts and donations to pay for the cost associated with the signs; the Secretary also will have to receive 50.0 percent of the overall cost of the signs to defray future maintenance or replacement costs. The agency requests an expenditure limitation increase of \$3,160, all from the State Highway Fund, for this project for FY 2016.

B. SB 43 (Law). SB 43 designates the portion of K-8 Highway from the junction of K-8 Highway with U.S. Highway 36, north on K-8 Highway to the Nebraska state line as the Home on the Range Highway. The two signs for the designation could not be placed until the Secretary of Transportation has received sufficient moneys from gifts and donations to pay for the cost associated with the signs; the Secretary also will have to receive 50.0 percent of the overall cost of the signs to defray future maintenance or replacement costs. The agency requests an expenditure limitation increase of \$2,940, all from the State Highway Fund, for this project for FY 2016.

C. SB 127 (Law). SB 127 designates and memorializes several bridges, highways, and interchanges, for which the agency is requesting an operating expenditure increase totaling \$21,420, all from the State Highway Fund, for FY 2016. Expenditure increase requests include the manufacture and installation of any signage to commemorate or designate. This bill includes the following commemorations:

- 2nd Lieutenant Sisson: two signs for an expenditure increase of \$3,900, all from the State Highway Fund, for FY 2016;
- George Ablah Expressway: two signs for an expenditure increase of \$3,440, all from the State Highway Fund, for FY 2016;
- Mayor Ken Bernard Memorial Highway: two signs for FY 2016. In addition, KDOT states that the Amelia Earhart Memorial Highway already exists and the new designation breaks the continuity of the route, so two additional signs are needed. The

agency is requesting a total expenditure increase of \$7,460, all from the State Highway Fund, for this portion of the bill for FY 2016; and

- Bert Cantwell Memorial Interchange: four signs for an expenditure of \$9,930, all from the State Highway Fund, for FY 2016.

D. Senate Sub. for HB 2090 (Conference). Senate Sub. for HB 2090 would amend several laws related to vehicle registration, would add endorsement codes for commercial drivers' licenses (CDLs), and would amend a vehicle length limit specific to custom harvester equipment.

Senate Sub. for HB 2090 includes the original contents of SB 288, which would add seven vehicle endorsement and restriction codes to be designated on commercial drivers' licenses:

- "E" - no manual transmission in a commercial motor vehicle (CMV);
- "O" - no tractor-trailer;
- "M" - no class A passenger vehicle;
- "N" - no class A or B passenger vehicle;
- "Z" - no full air brake in CMV;
- "K" - for intrastate only; and
- "V" - for medical variance

The Department of Revenue and the Department of Transportation both said these codes must be added to state law to keep Kansas in compliance with federal law. Failure to do so could result in the withholding of up to 5.0 percent of federal funds following the first year of noncompliance and up to 10.0 percent in subsequent years.

The Department of Transportation states that enacting SB 288 would prevent the loss of \$11.7 million in federal funding remitted to the State Highway Fund (SHF) in FY 2015 and \$23.5 million in FY 2016 and each subsequent year of noncompliance.

Kansas Highway Patrol

A. Review the Agency's Newly Proposed Compensation Plan for FY 2016 and FY 2017 (Senate Committee). The agency states, "The Highway Patrol (KHP) is facing a shortage of troopers, with about 100 vacant positions. In the past few years, the KHP has struggled to acquire a significant number of trooper applicants to fill the vacancies occurring through normal retirements. The KHP is taking a comprehensive approach to address the agency's critical staffing levels by enhancing recruiting efforts, developing a competitive compensation pay plan for troopers and law enforcement officers." As part of the agency's testimony provided during the budget process, the agency included a newly proposed pay matrix with defined raises given to troopers in a three year and two year

alternating pattern with specified raises at each step. The agency's proposed plan requests additional expenditures of \$3.0 million, all from special revenue funds, for FY 2016 and FY 2017. In addition, the agency proposed that, for the first two years of the new plan, it could utilize federal and state forfeiture funds to provide for overtime and fuel expenditures, which would free up operational dollars that could then be put toward funding the proposed compensation plan. The agency is requesting legislative approval as, due to the nature of the new plan and the initially proposed funding solution, it is not possible to continue this funding solution beyond FY 2017 without additional funding being requested and then provided by the Legislature. The House Committee recommended the additional funding for the compensation plan for FY 2016 and FY 2017, as well as the addition of language suspending restrictions on the usage of forfeiture funds. The Senate Committee did not recommend the additional funding. The Conference Committee on the budget bill concurred with the Senate's position and did not add either the funding or the language.

B. Obtain Information on Deferred Retirement Option Plan (DROP) (Senate Committee).

The agency notes that a DROP is a program that typically allows members of a retirement system, once they become retirement eligible, to defer receipt of their retirement benefit for a specified time while they continue to work. At the end of this specified period of time, members withdraw from DROP and terminate their employment. Members receive a retirement benefit based on service credit earned at the time of entering DROP and a lump-sum payment equal to the amount that was deposited into their DROP account during plan participation. The KHP states "the combination of these efforts will maximize the effectiveness of recruiting efforts by attracting more qualified applicants and will assist the agency in retaining skilled and valuable troopers that are retirement eligible."

As further detail, the current DROP program being discussed for the KHP has been introduced in both the House and the Senate as HB 2288 and SB 284. Both bills contain the same language, and both remain in their respective first committees (House Pensions and Benefits and Senate Select Committee on KPERS).

The agency notes that both of these items are currently cost neutral with respect to the Highway Patrol, but establishing the DROP program would require substantive additions and other changes to policy language. Additionally, the fiscal note on both bills is particularly in relation to how the KPERS system handles how KHP retirement benefits are managed within and by KPERS.

The fiscal note on both bills is a request by KPERS for \$228,471 for FY 2016, and \$58,813 for FY 2017. Expenditures for FY 2016 include: \$170,240 for one-time information technology changes; \$10,000 for actuarial costs; and \$48,231 for salary and benefits for 1.0 FTE position that will enroll members, track accounts, and provide member and employer education. Expenditures for FY 2017 include: \$48,813 for the new position and \$10,000 for actuarial expenses.

The agency notes that similar DROP programs offered by Patrols in other states contain a potential to generate interest on the deferred amount within the trooper's account, but as the bills remain within first Committee, exact details on the fiscal impact of this particular DROP program have not yet been fully determined.

Department of Agriculture

A. Review Efficiency Improvements Resulting from the Trial Merger of the Department of Agriculture and the Veterinary Examiners Program (Senate Committee). As requested, the Department of Agriculture has produced a report regarding efficiency improvements arising from the

merger with the Veterinary Examiners Board, which is merged with the Department of Agriculture on a trial basis until the end of FY 2016. The report identifies operational efficiencies in a number of areas, including legal, communications, information technology, human resources, legislative affairs, and fiscal management.

Kansas Department of Health and Environment – Division of Health Care Finance

A. Review Anticipated Cost Savings Associated with Implementation of KanCare Policy Changes, including Passage of Necessary Legislation such as 2015 SB 123 or Similar Legislation (House Committee). The proposed KanCare policy changes include cost savings of \$114.0 million, including \$50.0 million from the State General Fund, split between the Kansas Department of Health and Environment and the Kansas Department for Aging and Disability Services. *The FY 2016 Governor's Budget Report* included the following Medicaid caseload savings for both FY 2016 and FY 2017.

- Caseload Reduction of \$30.6 million, including \$19.6 million from the State General Fund, due to improved rates and better trend data. The Kansas Department of Health and Environment (KDHE) states this anticipated reduction in caseload costs is due to analyzing four months of additional trend data especially on the Developmental Disability (DD) population to identify a very slight decline in the anticipated population growth. Therefore, KDHE anticipates more favorable per member per month capitation rates. The agency also notes there will be behavioral health savings associated with assessment codes already being incorporated in the rates, and the portion of pay for performance that is not anticipated to be paid out to the contractors. Traditionally, these savings would be recognized during the Spring Human Services Consensus Caseload Estimates process.
- Medicaid Pharmacy Administrative Drug Reforms with an agency anticipated savings of \$31.2 million, including \$20.0 million from the State General Fund. The agency states there will be several changes to the program, which include: (1) allowing Managed Care Organizations (MCOs) to negotiate separate dispensing fees and use national contracts or contracts with individual pharmaceutical companies; (2) managing and addressing prescription abuse and fraud in a more timely manner; and (3) reducing the time associated with the drug review process to shorten the time those drugs can be prescribed and better pricing and rebates can be realized.

The anticipated savings are contingent on the passage of SB 181 (or similar legislation) and also require repeal of the Behavioral Health Drug Act through passage of SB 123 (or similar legislation). SB 123 and SB 181 are currently contained in Senate Sub. for HB 2149. Please refer to item C on page 11 for more information.

- MCO Financial Incentives to implement changes with contracted providers with an agency anticipated savings of \$11.5 million, including \$7.4 million from the State General Fund. Such incentives include: (1) creating Medicaid Centers with select providers by encouraging providers to service Medicaid consumers and use a volume based method to bring reimbursement below 100.0 percent of fee for service rates; (2) providing for service bundling for provider payments; and (3) encouraging preventive and primary care utilization rather than emergency room visits especially on the

behavioral health side. This provision includes options currently available to MCOs; however, the agency notes the purpose is to encourage greater use. Changes will begin in CY 2016 in order to allow MCOs to establish contracts with providers.

- Program Changes for Behavioral Health with an agency estimated savings of \$4.7 million, including \$3.0 million from the State General Fund. The agency notes the program changes would: (1) give preauthorization for 30 day initially for Psychiatric Residential Treatment Facility (PRTF) admission (compared to current 60 days) with the ability to obtain reauthorization for additional days; (2) eliminate additional screening for youths when they need change of care (they have the option of doing screenings but will not be mandated); (3) adjust nursing facility rates semi-annual rather than quarterly to save administrative costs; and (4) reduce the number of behavioral health screenings.

These identified savings have already been accounted for in *The FY 2016 Governor's Budget Report* for FY 2016 and FY 2017. The identified savings are currently split equally between the two Departments, however shifts in where the actual savings will be realized are anticipated in the fall.

B. Executive Reorganization Order No. 43 (Law). The Governor issued Executive Reorganization Order (ERO) No. 43, which transfers the responsibility for Medicaid eligibility determination and associated employees from the Department for Children and Families to KDHE effective January 1, 2016. In addition, ERO No. 43 will transfer foster care licensing responsibilities from KDHE to the Department for Children and Families effective July 1, 2015.

The Governor indicates this reorganization is anticipated to increase accuracy in Medicaid eligibility determination and reduce program expenditures partially through uniform implementation of policy and processing changes. These associated savings will be split between KDHE and the Department for Aging and Disability Services. The agency states the eligibility determination portion of this organizational change is anticipated to improve the Medicaid Payment Error Rate Measure (PERM) by 2.0 percent. The current Kansas error rate is 12.8 percent while the national average is 3.0 percent. The estimated savings associated with this error rate improvement of \$29.5 million, including \$13.0 million from the State General Fund for FY 2017, for both the Department of Health and Environment and the Department for Aging and Disability Services are included in the Governor's Budget Recommendation, for total savings of \$59.0 million, including \$26.0 million from the State General Fund. The agency has not provided information regarding how the transfer will be implemented or information on the funds and FTE positions that are anticipated to be shifted between the agencies for FY 2016 and FY 2017.

The Governor also indicates this reorganization is anticipated to streamline the licensing process for foster care licensing. The agency has not provided information regarding how the transfer will be implemented or information on the funds and FTE positions that are anticipated to be shifted between the agencies for FY 2016 and FY 2017.

C. Senate Sub. for HB 2149 (Conference). Senate Sub. for HB 2149 would require the KDHE to reimburse "medical care facilities," as defined in the bill, for donor human breast milk (milk) provided to a recipient of medical assistance under the Kansas Program of Medical Assistance in certain situations. The bill includes the provisions of SB 123 and SB 181 and would amend the procedures regarding restrictions of patients' access to any new prescription-only drug under the Kansas Medicaid Program and establish meeting requirements for the Medicaid Drug Utilization Review Board (Board). Further, the bill would allow prior authorization or other restrictions on medications used to treat mental

illness to be imposed on Medicaid recipients for medications subject to guidelines developed by the Board in accordance with provisions of the bill; establish instances not to be construed as restrictions; provide for the development of guidelines; establish requirements for Board review of medications used to treat mental illness available for use before and after July 1, 2015; and create a Mental Health Medication Advisory Committee (Committee), outlining Committee membership and appointments, meeting frequency, and member compensation.

According to the fiscal note on SB 123, as introduced, *The FY 2016 Governor's Budget Report* includes savings of \$16.0 million, including \$6.9 million from the State General Fund, which are anticipated to be realized with passage of the bill.

According to the fiscal note on SB 181, as introduced, KDHE states all changes to revenue and expenditures that would result from the bill have been included in *The FY 2016 Governor's Budget Report* savings of \$17.4 million, including \$7.5 million from the State General Fund for FY 2016 and \$17.4 million, including \$7.7 million from the State General Fund for FY 2017.

The agency notes if Senate Sub. for HB 2149 or similar legislation does not pass, the budget for KanCare would have a shortfall of \$33.4 million, including \$14.4 million from the State General Fund for FY 2016 and \$33.4 million, including \$14.6 million from the State General Fund for FY 2017.

D. Senate Sub. for HB 2281 (Conference). Senate Sub. for HB 2281 would amend provisions of the Vision Care Services Act (Act), create in the State Treasury the Medical Assistance Fee Fund (Fund), and increase the annual privilege fees paid by every health maintenance organization for the period beginning January 1, 2015, and ending December 31, 2017. The bill includes the provision of SB 180 and would create a new fund, the Medical Assistance Fee Fund; and would increase the annual privilege fees paid by every health maintenance organization from 1.0 percent per year to 5.5 percent per year of the total of all premiums, subscription charges, or any other term that may be used to describe the charges made by such organization to enrollees. The privilege fees paid from January 1, 2015, through December 31, 2017, would be deposited in the Medical Assistance Fee Fund, instead of the State General Fund.

From January 1, 2015, through December 31, 2017, all moneys collected or received from health maintenance organizations, including the three KanCare Managed Care Organizations (MCOs), and Medicare provider organizations for fees would be deposited in the Kansas Department of Health and Environment Medical Assistance Fee Fund. Those fees would include filing an application for a certificate of authority, filing each annual report, filing an amendment to the certificate of authority, and privilege fees. The moneys in the Fund would be expended for the purpose of Medicaid medical assistance payments and for no other governmental purpose. The moneys in the Fund would not be subject to allotments by the Governor, certificates of indebtedness, and transfers by the Secretary of Health and Environment.

According to the fiscal note on SB 180, as introduced, in FY 2014, the Kansas Insurance Department collected and transferred to the State General Fund \$23.7 million in privilege fees. Of that amount, \$22.1 million, or 93.3 percent, was collected from the three KanCare MCOs. KDHE estimates the increase in privilege fees would increase revenue by \$106.1 million for FY 2016. Under the provisions of the bill, an estimated \$136.4 million from privilege fees would be deposited into the new fee fund for FY 2016 to be used for medical assistance payments. According to KDHE, transfers to the State General Fund would decrease by \$30.3 million.

In further analyzing the fiscal impact of the bill, the total estimated MCO payments under the bill would be \$166.7 million per year, or an additional \$136.4 million. Additionally, money that could be transferred back to the State General Fund totals approximately \$108.4 million (\$30.3 million from existing law and \$77.8 million from enacting the proposed law). Additional action would be required to transfer the funding to the State General Fund and expend the fee fund money at the KDHE.

The FY 2016 Governor's Budget Report identifies \$108.4 million of the collected privilege fee as available to replace State General Fund expenditures and includes \$58.6 million to be used for the Medicaid Program and matched with \$74.6 million federal funds for total payments to MCOs of \$133.2 million. In order to reconcile the bill provisions with the intent of the Governor's proposal and maximize the State General revenue impact, a transfer from the State General Fund and increased fee fund expenditures are needed.

E. Human Services Consensus Caseload Estimates and GBA No. 1, Item 9, Page 7. The staff from the Division of the Budget, Department for Children and Families (DCF), Department of Health and Environment (KDHE), Department for Aging and Disability Services (KDADS), Department of Corrections (DOC), and the Kansas Legislative Research Department (KLRD) met on April 15, 2015, to revise the estimates on caseload expenditures for FY 2015, FY 2016 and FY 2017. The caseload estimates include expenditures for KanCare medical programs, Non-KanCare programs including Nursing Facilities for Mental Health (state only) and Frail Elderly/Physical Disability Waiver Assessments, Temporary Assistance to Families, the Reintegration/Foster Care Contracts, and Out of Home Placements.

As the starting point for the current estimate, the group used the Governor's budget recommendation, as adjusted by 2015 House Sub. for SB 4. The estimate for FY 2015 is a decrease of \$36.4 million from the State General Fund and \$119.3 million from all funding sources from the amount approved in House Sub. for SB 4. The new estimate for FY 2016 is a decrease of \$58.6 million from all funding sources and an increase of \$3.8 million from the State General Fund. The estimate for FY 2017 is a decrease of \$6.5 million from the State General Fund and \$71.0 million from all funding sources from the Governor's budget recommendation. The combined estimate for FY 2015, FY 2016, and FY 2017 is an all funds decrease of \$248.9 million, including \$39.1 million from the State General Fund.

The FY 2015 estimate for KanCare Medical is \$2.6 billion, including \$989.2 million from the State General Fund. The new estimate reflects a decrease of \$116.5 million from all funding sources and \$32.3 million from the State General Fund. For KDHE, the KanCare Medical estimate is \$1.9 billion from all funding sources, including \$714.0 million from the State General Fund. The major contributor to the reduction for FY 2015 KanCare is the November 6, 2014 forecast utilized, which estimated managed care rates for calendar year 2016 that were higher than the final negotiated rates. The estimate reflects a slight increase in the number of persons served by KanCare. Along with accounting for lower rates per person, program adjustments such as postponing the implementation of health homes for chronic conditions and adjusting the Severe Mental Illness (SMI) Health Homes voluntary participation rate contributed to the reduced estimate. These reductions are offset partially by an increase in the cost for Hepatitis C medications. Additionally, the Affordable Care Act Insurers Fee that was added to the caseload in the fall included \$20.0 million that will actually not be expended until FY 2016.

The total estimate for the KanCare program in all agencies in FY 2016 reflects a decrease of \$58.5 million from all funding sources and a decrease of \$11.1 million from the State General Fund. For KDHE, the KanCare Medical estimate is \$2.0 billion from all funding sources, including \$791.0

million from the State General Fund. Like FY 2015, the major contributor to the reduction for FY 2016 KanCare expenditures is the lower final negotiated rates. The estimate for the number of persons served by KanCare is essentially unchanged. Along with accounting for lower managed care rates per person, some fee for service rates have been reduced. Additionally, program adjustments such as postponing the implementation of health homes for chronic conditions contributed to the reduced estimate.

The FY 2017 estimate for KanCare Medical is \$2.8 billion, including \$1.1 billion from the State General Fund. The new estimate reflects a decrease of \$75.1 million from all funding sources and \$11.5 million from the State General Fund. For KDHE, the KanCare Medical estimate is \$2.0 billion from all funding sources, including \$815.0 million from the State General Fund. The major contributor to the reduction for FY 2017 KanCare is again the lower final negotiated rates as well as program adjustments such as postponing the implementation of health homes for chronic conditions and adjusting the Severe Mental Illness (SMI) Health Homes voluntary participation rate. These reductions are offset partially by an increase in the cost for Hepatitis C medications. The estimate for the number of persons served by KanCare has increased slightly from the fall estimate. Along with accounting for lower managed care rates per person, some fee for service rates have been reduced. The Federal Medical Assistance Percentage (FMAP) has also been reduced from 44.04 percent to 43.89 for FY 2017 to reflect the new federal preliminary estimate for federal participation in Medicaid programs. In KanCare Medical this translates to a State General Fund reduction of \$4.1 million. Other program adjustments such as postponing the implementation of health homes for chronic conditions continue to reduce the estimate. In addition, the FY 2017 estimate includes a reduction of \$52.8 million, from all funding sources, to reflect the sunset of the nursing facility provider assessment, which is scheduled to occur June 30, 2016, and had been inadvertently left in the fall estimates.

F. GBA No. 1, Item 6, Page 5 - Additional Medical Programs Fee Fund Expenditures.

G. GBA No. 1, Item 7, Page 6 - Healthcare Access Improvement Program Adjustments.

Kansas Department for Aging and Disability Services

A. Review of Expenditures from the Proceeds of the Sale of the Rainbow Mental Health Facility (House Committee). The House Committee recommended a review of how the proceeds from the sale of the Rainbow Mental Health Facility are planned to be expended by the Department for Aging and Disability Services. The Department indicated that the \$1.9 million in proceeds is planned to be expended in the following three areas:

- Osawatomie State Hospital patient beds and mattresses, \$295,202;
- Osawatomie State Hospital census management and correction of issues identified during recent federal audit, \$104,798; and
- Community Investment Revolving Fund Program, \$1,500,000.

The Department further indicated that the Community Investment Revolving Fund Program will provide interest-free loans to community organizations for start-up costs to provide for additional service options for adults with severe mental illness or co-occurring disorders, including severe mental illness.

B. Review Community Engagement Project and Innovative Behavioral Health Projects (House Committee). The House Committee recommended a review of two projects, the Community Engagement Project and the Innovative Behavioral Health Projects.

The Community Engagement Project is designed to assist at-risk communities by developing and enhancing coalitions. The Department conducted a needs assessment to identify nine high-risk communities in the following counties: Atchison, Brown, Cherokee, Harper, Labette, Montgomery, Reno, Russell, and Wilson. The Department allocated \$150,000 to build and enhance community supports in the identified communities and assisted with strategic planning in an effort to divert individuals and their families from higher levels of care to more appropriate treatment settings. Grants are available to the communities to continue capacity building and the creation of programs to address specific behavioral health needs.

Innovative Behavioral Health Projects are centered around community diversionary grants that attempt to keep individuals out of jail, prison, and state hospitals. The Department is in the process of awarding contracts (anticipated to be announced June 1, 2015) for the development and implementation of community-based diversion programs to provide effective crisis response, prevention, and early intervention of mental illness or substance use disorders issues. Additionally, the Department indicated expenditures would be made for additional crisis intervention training to be held at the Kansas Law Enforcement Training Center; statewide mental health awareness training for law enforcement; development of online mental health curriculum for crisis intervention and diversion training; and train 30 individuals to be trainers for mental health first aid.

C. Review Status of Entities Whose Contracts Were Not Renewed (House Committee). The House Committee recommended a review of the status of entities whose contracts that agency indicated were not planned to be renewed for FY 2016.

FY 2015 Expiring Contracts Not to be Renewed

	Current Contract Amounts	SGF Reduction	Fed Reduction	Amount Available
Behavioral Health: National Alliance for Mental Illness	\$ 150,000	\$ 100,000	\$ 0	\$ 50,000
Behavioral Health: KEYS	150,000	100,000	0	50,000
Behavioral Health: Kansas Family Partnerships	418,500	0	0	418,500
Home and Community Based Services: Families Together	243,894	121,947	121,947	0
Home and Community Based Services: Self Advocates Coalition of Kansas	97,000	48,500	48,500	0
				<u>\$ 518,500</u>

The Department indicated the contract process was being modified to issue requests for proposals (RFPs) instead of extending certain behavioral health and Home and Community Based Services contracts. The Department indicated this change was to better integrate programs for more efficient service delivery and to align with national mental health recommendations. The behavioral health request for proposal was published on March 31, 2015 and the Home and Community Based Services request for proposal is anticipated to be released soon. Announcement of awards for these contracts is anticipated by June 1, 2015.

The Conference Committee agreement as of April 3, 2015 includes the restoration of \$97,000, including \$48,500 from the State General Fund, for the Self Advocates Coalition of Kansas for FY 2016 and FY 2017. In addition, the Conference Committee agreement includes language extending contracts for National Alliance for Mental Illness, Keys for Networking, and Kansas Families Partnerships, to be extended for up to six months depending upon completion of new contracts for integrated prevention and promotion services for behavioral health for FY 2016. Additionally, the Conference Committee agreement includes Families Together for contract extension for the Home and Community Based Services contract.

D. Review Potential Restoration of Community Developmental Disability Organization Contracts (House Committee). The House Committee recommended the Community Developmental Disability Organization (CDDOs) administrative reductions totaling \$350,000, included by the Department to implement a portion of the 4.0 percent operating reduction for FY 2016 and FY 2017 be considered for possible restoration. The Department indicated the reductions would be applied based on the current allocation methodology. The following table includes FY 2015 allocations as well as the projected future allocations by CDDO.

CDDO	FY 2015 State Aid	FY2015 Total CDDO Admin	Projected FY 2016/ FY 2017 Amounts
Achievement	\$ 26,201	\$ 75,739	\$ 72,558
Arrowhead	285,588	210,942	202,084
BLDC	228,795	170,256	163,106
Brown	19,615	50,075	47,972
CDDO of SE Kansas	156,013	462,922	443,482
COF	103,376	205,309	196,687
Sedgwick County	1,121,807	1,523,542	1,459,562
Cottonwood	119,674	398,099	381,381
Cowley County CDDO	50,428	171,508	164,306
DPOK	203,207	431,274	413,163
DSNWK	395,253	288,559	276,441
Flinthills	101,402	167,752	160,707
Futures	53,653	70,731	67,761
Hetlinger	55,630	170,256	163,106
JCDS	384,408	1,153,610	1,105,165
McPherson Co. CDDO	130,126	153,356	146,916
Nemaha	29,765	42,564	40,777
New Beginning	16,057	54,457	52,170
Harvey-Marion Co. CDDO	162,793	147,096	140,919
Riverside	136,912	82,624	79,154
SDSI	351,636	694,795	665,618
Shawnee Co. CDDO	259,588	686,383	657,559
Reno Co. CDDO	175,252	206,561	197,887
TRI-KO	117,058	153,356	146,510
Tri-Valley	102,985	163,371	156,510
Twin Valley	65,588	74,487	71,359
WCDDO	155,472	324,864	311,222
CDDO Total	\$ 5,008,280	\$ 8,334,489	\$ 7,984,489

E. Review of Nutrition Program Funding (House Committee). The House Committee recommended a review of the nutrition program funding. The nutrition program provides grants to the Area Agencies on Aging to provide nutrition services in a congregate setting or home delivered options. The federal program was started in 1965 to provide nutrition services to individuals age 60 and over and their spouses. In addition, certain individuals with disabilities who are under the age of 60 may qualify. Funding sources for the nutrition program include federal, state, local, and voluntary customer contributions.

The tables below include information regarding the nutrition program for Federal Fiscal Years (FFY) 2012 through 2017.

Nutrition Program at a Glance

	FFY 2012 Actual	FFY 2013 Actual	FFY 2014 Estimated	FFY 2015 Estimated	FFY 2016 Estimated	FFY 2017 Estimated
Home Delivered (number of unduplicated persons)	11,439	11,280	11,400	11,400	11,400	11,400
Traditional Congregate (number of unduplicated persons)	24,752	23,891	24,000	24,000	24,000	24,000
Total Meals Served	3,224,708	3,073,340	3,073,350	3,073,350	3,073,350	3,073,350
Cost Per Meal	\$5.78	\$5.96	\$6.00	\$6.00	\$6.00	\$6.00

OAA Programs (FFY) (Congregate & Home-Delivered)

	FFY 2012 Actual	FFY 2013 Actual	FFY 2014 Estimated	FFY 2015 Estimated	FFY 2016 Allocated	FFY 2017 Allocated
Older Americans Act-Federal	\$ 4,833,607	\$ 5,981,237	\$ 5,981,237	\$ 5,981,237	\$ 5,981,237	\$ 5,981,237
Nutrition Services Incentive Program (NSIP) & Commodities	2,256,252	1,992,209	1,992,209	1,992,209	1,992,209	1,992,209
State Funds	3,982,678	3,981,656	3,981,656	3,981,656	3,981,656	3,981,656
Program Income	5,041,058	5,041,058	5,000,000	5,000,000	5,000,000	5,000,000
Local Resources	2,527,094	2,527,094	2,500,000	2,500,000	2,500,000	2,500,000
Total	\$ 18,640,689	\$ 19,523,254	\$ 19,455,102	\$ 19,455,102	\$ 19,455,102	\$ 19,455,102

F. Review of KanCare Savings (House Committee). The proposed KanCare policy changes include cost savings of \$114.0 million, including \$50.0 million from the State General Fund, split between the Kansas Department of Health and Environment and the Kansas Department for Aging and Disability Services. *The FY 2016 Governor's Budget Report* included the following Medicaid caseload savings for both FY 2016 and FY 2017.

- Caseload Reduction of \$30.6 million, including \$19.6 million from the State General Fund, due to improved rates and better trend data. The Kansas Department of Health and Environment (KDHE) states this anticipated reduction in caseload costs is due to analyzing four months of additional trend data especially on the Developmental Disability (DD) population to identify a very slight decline in the anticipated population growth. Therefore, the Department anticipates more favorable per member per month capitation rates. The agency also notes there will be behavioral health savings associated with assessment codes already being incorporated in the rates, and the

portion of pay for performance that is not anticipated to be paid out to the contractors. Traditionally these savings would be recognized during the Spring Human Services Consensus Caseload Estimates process.

- Medicaid Pharmacy Administrative Drug Reforms with an agency anticipated savings of \$31.2 million, including \$20.0 million from the State General Fund. The agency states there will be several changes to the program, which include: (1) allowing Managed Care Organizations (MCOs) to negotiate separate dispensing fees and use national contracts or contracts with individual pharmaceutical companies; (2) managing and addressing prescription abuse and fraud in a more timely manner; and (3) reducing the time associated with the drug review process to shorten the time those drugs can be prescribed and better pricing and rebates can be realized.

The anticipated savings are contingent on the passage of SB 181 (or similar legislation) and also require repeal of the Behavioral Health Drug Act through passage of SB 123 (or similar legislation). SB 123 and SB 181 are currently contained in Senate Sub. HB 2149. Please refer to item C on page 11 for more information.

- MCO Financial Incentives to implement changes with contracted providers with an agency anticipated savings of \$11.5 million including \$7.4 million from the State General Fund. Such incentives include: (1) creating Medicaid Centers with select providers by encouraging providers to service Medicaid consumers and use a volume-based method to bring reimbursement below 100 percent of fee for service rates; (2) providing for service bundling for provider payments; and (3) encouraging preventive and primary care utilization rather than emergency room visits especially on the behavioral health side. This provision includes options currently available to MCOs, however the agency notes the purpose is to encourage greater use. Changes will begin in CY 2016 in order to allow MCOs to establish contracts with providers.
- Program Changes for Behavioral Health with an agency estimated savings of \$4.7 million including \$3.0 million from the State General Fund. The agency notes the program changes would: (1) give preauthorization for 30 days initially for Psychiatric Residential Treatment Facility (PRTF) admission (compared to current 60 days) with the ability to obtain reauthorization for additional days; (2) eliminate additional screening for youths when they need change of care (they have the option of doing screenings but will not be mandated); (3) adjust nursing facility rates semi-annual rather than quarterly to save administrative costs; and (4) reduce the number of behavioral health screenings.

These identified savings have already been accounted for in *The FY 2016 Governor's Budget Report* for FY 2016 and FY 2017. The identified savings are currently split equally between the two Departments, however shifts in where the actual savings will be realized is anticipated in the fall.

G. Executive Reorganization Order No. 43 (Law). The Governor issued Executive Reorganization Order (ERO) No. 43, which transfers the responsibility for Medicaid eligibility determination and associated employees from the Department for Children and Families to the Department of Health and Environment effective January 1, 2016. In addition, ERO No. 43 will transfer foster care licensing responsibilities from the Department of Health and Environment to the Department for Children and Families effective July 1, 2015.

The Governor indicates this reorganization is anticipated to increase accuracy in Medicaid eligibility determination and reduce program expenditures partially through uniform implementation of policy and processing changes. These associated savings will be split between the Department for Health and Environment and the Department for Aging and Disability Services. The agency states the eligibility determination portion of this organizational change is anticipated to improve the Medicaid Payment Error Rate Measure (PERM) by 2.0 percent. The current Kansas error rate is 12.8 percent while the national average is 3.0 percent. The estimated savings associated with this error rate improvement of \$29.5 million, including \$13.0 million from the State General Fund for FY 2017, for both the Department of Health and Environment and the Department for Aging and Disability Services are included in the Governor's Budget Recommendation, for total savings of \$59.0 million, including \$26.0 million from the State General Fund. The agency has not provided information regarding how the transfer will be implemented or information on the funds and FTE positions that are anticipated to be shifted between the agencies for FY 2016 and FY 2017.

The Governor also indicates this reorganization is anticipated to streamline the licensing process for foster care licensing. The agency has not provided information regarding how the transfer will be implemented or information on the funds and FTE positions that are anticipated to be shifted between the agencies for FY 2016 and FY 2017.

H. Expanded Lottery Act Revenue Fund for Problem Gambling and Addictions Grant Fund (Revenue Estimate) and GBA No. 1, Item 2, Page 2. The Problem Gambling and Addictions Grant Fund statutorily receives 2.0 percent of net gaming revenues. The revised estimate for the Problem Gambling and Addictions Grant Fund is an increase of \$116,000 in FY 2015, \$136,000 in FY 2016, and \$332,000 for FY 2017.

More information on the Expanded Lottery Act Revenue Estimates is included under the Kansas Lottery, Item A, Page 31.

I. Human Services Consensus Caseloads and GBA No. 1, Item 9, Page 7. The staff from the Division of the Budget, DCF, KDHE, KDADS, DOC, and KLRD met on April 15, 2015, to revise the estimates on caseload expenditures for FY 2015, FY 2016 and FY 2017. The caseload estimates include expenditures for KanCare medical programs, Non-KanCare programs including Nursing Facilities for Mental Health (state only) and Frail Elderly/Physical Disability Waiver Assessments, Temporary Assistance to Families, the Reintegration/Foster Care Contracts, and Out of Home Placements.

As the starting point for the current estimate, the group used the Governor's budget recommendation, as adjusted by 2015 House Sub. for SB 4. The estimate for FY 2015 is a decrease of \$36.4 million from the State General Fund and \$119.3 million from all funding sources from the amount approved in House Sub. for SB 4. The new estimate for FY 2016 is a decrease of \$58.6 million from all funding sources and an increase of \$3.8 million from the State General Fund. The estimate for FY 2017 is a decrease of \$6.5 million from the State General Fund and \$71.0 million from all funding sources from the Governor's budget recommendation. The combined estimate for FY 2015, FY 2016, and FY 2017 is an all funds decrease of \$248.9 million, including \$39.1 million from the State General Fund.

The FY 2015 estimate for KDADS KanCare is a decrease of \$16.7 million, including \$8.0 million from the State General Fund, the new estimate reflects a slight increase in the number of persons served by KanCare, along with accounting for lower rates per person. The FY 2015 estimate for KDADS Non-KanCare is a decrease of \$1.3 million, including \$1.2 million from the State General

Fund. The new estimate reflects lower waiver assessment costs and state only expenditures for services provided in nursing facilities for mental health.

The Department for Aging and Disability Services' KanCare Medical estimate for FY 2016 is \$789.8 million from all funding sources and \$323.4 million from the State General Fund. Like FY 2015, the major contributor to the reduction for FY 2016 KanCare is the lower final negotiated rates. The estimate for the number of persons served by KanCare is essentially unchanged. The FY 2016 estimate for KDADS Non-KanCare is a decrease of \$1.9 million, including \$1.4 million from the State General Fund. The new estimate reflects lower waiver assessment costs and state only expenditures for services provided in nursing facilities for mental health.

The Department for Aging and Disability Services' KanCare Medical estimate for FY 2017 is \$733.2 million from all funding sources and \$322.3 million from the State General Fund. The major contributor to the reduction for FY 2017 KanCare is again the lower final negotiated rates partially offset by a slight increase in the number of persons served by KanCare above the fall estimate. In addition, the FY 2017 estimate includes a reduction of \$52.8 million, from all funding sources, to reflect the sunset of the nursing facility provider assessment, which is scheduled to occur June 30, 2016 and had been inadvertently left in the fall estimates. The FY 2017 estimate for KDADS Non-KanCare is a decrease of \$1.9 million, including \$1.4 million from the State General Fund. A small portion of the lower estimate, \$30,750, is attributable to the FY 2017 FMAP reduction. The new estimate reflects lower waiver assessment costs and state only expenditures for services provided in nursing facilities for mental health.

For additional information on the Human Services Consensus Caseloads, see KDHE, Division of Health Care Finance, Item E on page 13.

J. GBA No. 1, Item 4, Page 4 - Centers for Medicare and Medicaid Services Mandates.

Children's Initiatives Fund

A. Tobacco Settlement Revenue Estimates. The Kansas Legislative Research Department, the Division of the Budget, and the Attorney General's Office met on April 20, 2015, to discuss the projected revenue from the tobacco settlements. The informal consensus estimate for receipts from the tobacco settlement agreement for FY 2015 is estimated to be \$62.0 million, the same as the fall 2014 estimate. The consensus estimate for tobacco settlement receipts for FY 2016 totals \$59.0 million, which is the same as the fall 2014 consensus estimate. The consensus estimate for FY 2017 totals \$58.0 million, the same as the fall 2014 consensus estimate.

As of the time of the meeting, the terms of the proposed settlement had been agreed to, however, final settlement was not ready to be signed by the parties to the settlement. In addition, the overall effect of the precise terms of the settlement were being finalized with respect to the states.

Department for Children and Families

A. Review of Reading Program (House Committee). The House Committee recommended a review of the potential for creating a reading program with the following minimum requirements:

- Create a personalized learning path for students and continually tailor instruction to the individual needs of the student while providing the teacher with the resources to deliver direct instruction based on the student's performance data;
- Meet the criteria of having research that is peer reviewed and published in national scientific reading journals;
- Provide teachers with executable, norm-referenced performance data on a daily basis that enables teachers to plan and modify reading instruction without having to stop instructional time to administer a test;
- Provide regular periodic and highly accurate predictive scores for K, 1st, 2nd, and 3rd graders, which indicate the likelihood of students reading grade level reading skills by the end of the school year; and
- Correlate highly with commonly used reading assessments, including DIBELS, AIMS Web, NWEA MAP assessment, and the Kansas State Reading Test and aligned with the Common Core Standards.

The agency indicated that the use of federal Temporary Assistance for Needy Families (TANF) funding may generally be used to fund pre-school, school readiness, or early childhood education programs as long as the educational activity is not part of the free public education system. Additionally, the agency indicated that if the education activity were generally available to all Kansas children it would be considered a general state expense and TANF would not be considered an allowable funding source for the activity pursuant to the federal program guidelines.

The Conference Committee agreement as of April 3, 2015 included the addition of \$2.1 million, all from the Children's Initiatives Fund for FY 2016 in the Department of Education for a reading program meeting the above criteria as well as the addition of language in FY 2015 directing the Department of Education to develop the request for proposal for the new reading program.

B. Executive Reorganization Order No. 43 (Law). The Governor issued Executive Reorganization Order (ERO) No. 43, which transfers the responsibility for Medicaid eligibility determination and associated employees from the Department for Children and Families to the Department of Health and Environment effective January 1, 2016. In addition, ERO No. 43 will transfer foster care licensing responsibilities from the Department of Health and Environment to the Department for Children and Families effective July 1, 2015.

The Governor indicates this reorganization is anticipated to increase accuracy in Medicaid eligibility determination and reduce program expenditures partially through uniform implementation of policy and processing changes. These associated savings will be split between the Department of Health and Environment and the Department for Aging and Disability Services. The agency states the eligibility determination portion of this organizational change is anticipated to improve the Medicaid Payment Error Rate Measure (PERM) by 2.0 percent. The current Kansas error rate is 12.8 percent while the national average is 3.0 percent. The estimated savings associated with this error rate improvement of \$29.5 million, including \$13.0 million from the State General Fund for FY 2017, for both the Department of Health and Environment and the Department for Aging and Disability Services are included in the Governor's Budget Recommendation, for total savings of \$59.0 million, including \$26.0 million from the State General Fund. The agency has not provided information regarding how

the transfer will be implemented or information on the funds and FTE positions that are anticipated to be shifted between the agencies for FY 2016 and FY 2017.

The Governor also indicates this reorganization is anticipated to streamline the licensing process for foster care licensing. The agency has not provided information regarding how the transfer will be implemented or information on the funds and FTE positions that are anticipated to be shifted between the agencies for FY 2016 and FY 2017.

C. Senate Sub. for HB 2258 (Law). The bill places the authorization of TANF program in statute rather than by rule and regulation, which is the current means used to establish the program. The bill also modifies and creates certain definitions and requirements pertaining to the child care program, TANF assistance, and the food assistance program (Supplemental Nutrition Assistance Program (SNAP)). In addition, the bill also requires that on and after January 1, 2017, the Department for Children and Families conducts an electronic check for false information on applications for TANF and other benefit programs the Department administers.

The agency indicated that the overall impact of the bill on the state budget are savings totaling \$0.8 million for FY 2016. This is the difference between federal expenditures savings of \$1.4 million and the addition of \$0.7 million, including \$319,767 from the State General Fund, and 4.0 FTE positions for FY 2016, for implementation costs. Policy changes with impacts on the state budget include vehicles exempted from resource calculations (\$28,660 all funds savings), and adjusting the TANF lifetime limit from 48 months to 36 months (\$1,439,785 all funds savings). In addition the bill implements SNAP policy changes resulting in savings of \$1.3 million, which is excluded from the state budget as benefits are paid directly to individuals via the electronic benefit card. The agency indicated that implementation costs for the bill total \$654,959, including \$316,869 from the State General Fund, and 4.0 FTE positions to add photographs to the electronic benefit cards. This includes 1.0 FTE position in each region, temporary staff to photograph individuals, cameras and lighting for each of the 38 services centers and one time costs associated with beginning the photograph option. Additional implementation costs totaling \$5,795, including \$2,898 from the State General Fund, are associated with drug testing and treatment for individuals receiving SNAP benefits who have a drug felony. Savings associated with TANF policy changes that would reduce caseloads were not included in the Spring Human Services Consensus Caseload estimates.

The agency indicated that the overall impact of the bill on the state budget are savings totaling \$0.6 million for FY 2017. This is the difference between federal expenditures savings of \$1.4 million and the addition of \$0.9 million, including \$355,460 from the State General Fund, and 4.0 FTE positions for FY 2017, for implementation costs. Policy changes with impacts on the state budget include vehicles exempted from resource calculations (\$26,801 all funds savings), and adjusting the TANF lifetime limit from 48 months to 36 months (\$1,439,785 all funds savings). In addition the bill implements SNAP policy changes resulting in savings of \$1.3 million, which is excluded from the state budget as benefits are paid directly to individuals via the electronic benefit card. The agency indicated that implementation costs for the bill total \$249,853, including \$120,879 from the State General Fund, and 4.0 FTE positions to add photographs to the electronic benefit cards. This includes 1.0 FTE position in each region and temporary staff to photograph individuals. Additional implementation costs totaling \$5,762, including \$2,881 from the State General Fund, are associated with drug testing and treatment for individuals receiving SNAP benefits who have a drug felony. Also included are costs of \$623,896, including \$231,700 from the State General Fund, associated with the electronic identity verification to begin January 2017. Savings associated with TANF policy changes that would reduce caseloads were not included in the Spring Human Services Consensus Caseload estimates.

D. Human Services Consensus Caseloads and GBA No. 1, Item 9, Page 7. The staff from the Division of the Budget, DCF, KDHE, KDADS, DOC, and KLRD met on April 15, 2015, to revise the estimates on caseload expenditures for FY 2015, FY 2016 and FY 2017. The caseload estimates include expenditures for KanCare medical programs, Non-KanCare programs including Nursing Facilities for Mental Health (state only) and Frail Elderly/Physical Disability Waiver Assessments, Temporary Assistance to Families, the Reintegration/Foster Care Contracts, and Out of Home Placements.

As the starting point for the current estimate, the group used the Governor's budget recommendation, as adjusted by 2015 House Sub. for SB 4. The estimate for FY 2015 is a decrease of \$36.4 million from the State General Fund and \$119.3 million from all funding sources from the amount approved in House Sub. for SB 4. The new estimate for FY 2016 is a decrease of \$58.6 million from all funding sources and an increase of \$3.8 million from the State General Fund. The estimate for FY 2017 is a decrease of \$6.5 million from the State General Fund and \$71.0 million from all funding sources from the Governor's budget recommendation. The combined estimate for FY 2015, FY 2016, and FY 2017 is an all funds decrease of \$248.9 million, including \$39.1 million from the State General Fund.

The adjustments for the Department for Children and Families in FY 2015 include a decrease of \$2.1 million from the State General Fund for contracted foster care services. The total estimate for foster care remains unchanged from the Governor's budget recommendation. The State General Fund reduction is possible because the level of allowable TANF funding has increased and Social Security collections for the program are higher than was previously estimated.

The FY 2016 estimate for the Temporary Assistance to Needy Families program is a decrease of \$703,000, all from federal funds. The number of families receiving services is expected to decrease at a faster rate than had been anticipated in the fall estimate. This estimate does not include the impact of Temporary Assistance for Needy Families policy changes included in 2015 Senate Sub. for HB 2258, which had not been signed by the Governor at the time the consensus meeting was held. Expenditures for Foster Care are increased by \$3.8 million from all funding sources, including \$16.7 million from the State General Fund. The increase in all funds is attributable to an increase in the cost of the contract, while the number of children anticipated to be in the foster care system is unchanged from the fall estimate. In addition, there is an ongoing conversation with the federal Administration for Children and Families regarding expenditures from the Title IV-E foster care funding source. The ultimate decision on the issue is expected in calendar year 2015. The caseload estimate for FY 2016 includes the addition of \$12.0 million, all from the State General Fund, to provide for adequate cash flow for the program.

The estimate for the Temporary Assistance to Needy Families program is a decrease of \$503,000 all from federal funds. The number of families receiving services is expected to decrease at a faster rate than had been anticipated in the fall estimate. This estimate does not include Temporary Assistance for Needy Families policy changes included in 2015 Senate Sub. for HB 2258, which had not been signed by the Governor at the time the consensus meeting was held. Expenditures for Foster Care are increased by \$7.1 million from all funding sources and \$7.5 million from the State General Fund. The increase in all funds is attributable to an increase in the cost of the contract and a slight increase in the number of children anticipated to be in the foster care system. The current issue regarding Title IV-E foster care funding is expected to be resolved for FY 2017 and the new estimate normalizes program funding.

For additional information on the Human Services Consensus Caseloads, see KDHE, Division of Health Care Finance, Item E on page 13.

E. GBA No. 1, Item 5, Page 5 - New Federal Fund.

Health Care Stabilization Fund Board of Governors

A. HB 2064 (Conference). The Conference Committee agreement on HB 2064 (adopted in the Senate) would, among other things, amend the Health Care Provider Insurance Availability Act (HCPICAA) to allow health care systems that own or operate more than one medical care facility or more than one health care facility to aggregate insurance premiums for the purpose of obtaining a certificate of self-insurance from the Health Care Stabilization Fund Board of Governors. The agency indicated that passage of the bill would require additional expenditures of \$40,980, all from the Health Care Stabilization Fund, and the addition of a 0.5 FTE position for a Compliance Officer for FY 2016. Included in the additional expenditures are \$34,332 for salaries and wages for the 0.5 FTE position and \$6,648 for operating expenditures associated with the new position, including rent and office expenditures. The remaining provisions of the bill would have no fiscal impact.

Kansas Insurance Department

A. Review Projected Balance in the Service Regulation Fund at the End of FY 2018 and FY 2019 (Senate Committee). The Senate Committee noted that the Governor's recommendation includes a transfer from the Service Regulation Fund to the State General Fund of \$8.0 million for both FY 2016 and FY 2017, and recommended reviewing the agency's projections for the balance in the Service Regulation Fund at the end of FY 2018 and FY 2019. The Insurance Department estimates that if there were no further transfers from the fund the ending balance at the end of FY 2018 would be \$10.0 million, and the balance at the end of FY 2019 would be \$15.8 million. The agency also noted that any future transfers from the fund would decrease the ending balance accordingly.

Osawatomie State Hospital

A. Review Additional Funding to Address Federal Survey Findings (Senate Committee). During FY 2015, Osawatomie State Hospital was subject to federal surveys, during which it was determined by the federal Centers for Medicare and Medicaid Services that the Hospital would need to take action to address over census numbers and safety concerns. The Senate Committee recommended that the agency review physical plant needs in FY 2015 and recommended revisiting the possible restoration of funding for the Hospital for FY 2016, noting that the Governor's recommendation was a reduction of \$513,358 below the agency's request for FY 2016. The Senate Committee later recommended the addition of \$500,000, all from the State General Fund, for operational expenditures in both FY 2016 and FY 2017. The current Conference Committee position on Senate Sub. for HB 2135 includes the addition of \$500,000, all from the State General Fund, for operational expenditures for FY 2016 and FY 2017.

The Kansas Department for Aging and Disability Services reports the formulation of a plan to address physical construction projects and the safety concerns has begun, although the agency did not provide any potential cost estimates associated with the plan. The agency indicated action has been taken to decrease the patient census, however additional research regarding necessary

expenditures to obtain adequate bed space for patients during the construction process is ongoing. The agency did not provide a cost estimate on the plan to address census concerns.

B. GBA No. 1, Item 4, Page 4 - Centers for Medicare and Medicaid Services Mandates.

Parsons State Hospital

A. GBA No. 1, Item 4, Page 4 - Centers for Medicare and Medicaid Services Mandates.

Department of Corrections

A. Human Services Consensus Caseloads and GBA No. 1, Item 9, Page 7. The staff from the Division of the Budget, DCF, KDHE, KDADS, DOC, and KLRD met on April 15, 2015, to revise the estimates on caseload expenditures for FY 2015, FY 2016 and FY 2017. The caseload estimates include expenditures for KanCare medical programs, Non-KanCare programs including Nursing Facilities for Mental Health (state only) and Frail Elderly/Physical Disability Waiver Assessments, Temporary Assistance to Families, the Reintegration/Foster Care Contracts, and Out of Home Placements.

As the starting point for the current estimate, the group used the Governor's budget recommendation, as adjusted by 2015 House Sub. for SB 4. The estimate for FY 2015 is a decrease of \$36.4 million from the State General Fund and \$119.3 million from all funding sources from the amount approved in House Sub. for SB 4. The new estimate for FY 2016 is a decrease of \$58.6 million from all funding sources and an increase of \$3.8 million from the State General Fund. The estimate for FY 2017 is a decrease of \$6.5 million from the State General Fund and \$71.0 million from all funding sources from the Governor's budget recommendation. The combined estimate for FY 2015, FY 2016, and FY 2017 is an all funds decrease of \$248.9 million, including \$39.1 million from the State General Fund.

For DOC/Juvenile Services, the FY 2015 estimate totals \$22.7 million, including \$20.1 million from the State General Fund. The estimate reflects a decrease of \$1.7 million, including \$840,000 from the State General Fund, below the Governor's recommendation. The FY 2015 estimate for Juvenile Services KanCare, including Psychiatric Residential Facilities, is \$3.8 million, including \$1.7 from the State General Fund, which is a decrease of \$174,000, including \$40,000 from the State General Fund, below the Governor's recommendation. The estimate for Out of Home Placements is \$18.9 million, including \$18.5 million from the State General Fund, which is a decrease of \$1.5 million, including \$800,000 from the State General Fund, below the Governor's recommendation. The decrease is attributable to fewer juveniles in Out of Home Placements, specifically in the Youth Residential Center facilities.

For DOC/Juvenile Services, the FY 2016 estimate totals \$23.1 million, including \$20.2 million from the State General Fund. The estimate reflects a decrease of \$943,000, including \$276,000 from the State General Fund, below the Governor's recommendation. The FY 2016 estimate for Juvenile Services KanCare, including Psychiatric Residential Facilities, is \$4.2 million, including \$1.8 from the State General Fund, which is an increase of \$357,000, including \$124,000 from the State General Fund, above the Governor's recommendation. The estimate for Out of Home Placements is \$18.9 million, including \$18.3 million from the State General Fund, which is a decrease of \$1.3 million, including \$400,000 from the State General Fund, below the Governor's recommendation. The

decrease is attributable to fewer juveniles in Out of Home Placements, specifically in the Youth Residential Center facilities.

For DOC/Juvenile Services, the FY 2017 estimate totals \$23.1 million, including \$18.8 million from the State General Fund. The estimate reflects a decrease of \$376,000, including \$946,000 from the State General Fund, below the Governor's recommendation. The FY 2017 estimate for Juvenile Services KanCare, including Psychiatric Residential Facilities, is \$4.0 million, including \$1.7 from the State General Fund, which is an increase of \$224,000, including \$154,000 from the State General Fund, above the Governor's recommendation. The estimate for Out of Home Placements is \$18.9 million, including \$16.9 million from the State General Fund, which is a decrease of \$600,000, including \$1.1 million from the State General Fund, below the Governor's recommendation. The decrease is attributable to fewer juveniles in Out of Home Placements, specifically in the Youth Residential Center facilities.

For additional information on the Human Services Consensus Caseloads, see KDHE, Division of Health Care Finance, Item E on page 13.

B. HB 2051 (Conference). HB 2051 would amend the amount of good time credit an inmate sentenced for a drug severity level 3 crime committed on or after July 1, 2012 may earn, from 15.0 to 20.0 percent, and increase the amount of program credit any offender can earn from 60 days to 90 days.

The bill also would amend the list of adult offenders who are eligible to be placed in community correctional services programs to remove placements based on offense classification and expand placements based on the use of a standardized risk assessment tool specified by the Kansas Sentencing Commission. Those offenders who are determined, on or after July 1, 2014, to be moderate- or very- high-risk by this tool would be eligible for placement.

The bill also would require the Secretary of Corrections to publish program credits earned by an inmate on the Department of Correction's public website if the inmate consents and publication is not contrary to State or Federal Law.

The Kansas Sentencing Commission estimates the bill could reduce the number of adult prison beds needed by 119 for FY 2016, which would have savings of \$1.7 million, and could reduce the number of adult prison beds needed by 181 for FY 2017, which would have savings of \$2.6 million.

C. HB 2336 (Law). HB 2336 requires the court to administer a risk assessment tool or review a risk assessment tool administered within the past six months before a juvenile offender can be placed in a juvenile detention center, under house arrest, or in the custody of the Department of Corrections, or can be committed to a sanctions house or to a juvenile correctional facility. The bill also modifies a general prohibition on the placement of any juvenile convicted as an adult in a juvenile correctional facility by permitting the placement of juveniles between 16 and 18 years of age who are convicted as adults or under extended jurisdiction juvenile prosecution in a juvenile correctional facility.

The Department of Corrections estimates the bill will reduce agency expenditures for FY 2016 and FY 2017 by \$206,000, all from the State General Fund, for no longer having to contract beds with other states for these particular offenders. The reduction in expenditures is partially offset by increased food service costs for these offenders placed in juvenile facilities.

D. Review the Subcommittee's Adjustment for Increased Offender Program Funding (Senate Committee). The Senate Committee did not recommend the Subcommittee's adjustment to increase offender program funding by \$1.0 million, all from the State General Fund, for FY 2016 and FY 2017, but requested the item be reviewed at Omnibus. The Subcommittee recommended the increase in funding due to the direct reduction in recidivism rates from more offender programming.

E. Review Giving a 2.0 Percent Raise to Corrections Officers (House Committee). The House Committee requested a review of adding \$1.9 million, all from the State General Fund, for a 2.0 percent raise for all corrections officers for FY 2016 at Omnibus. The Budget Committee noted the issues with turnover and Corrections Officers salaries and wanted the Committee to discuss a possible raise.

F. GBA No. 1, Item 11, Page 10 - Debt Service Refunding.

Kansas Sentencing Commission

A. Review the Agency's Enhancement Requests for FY 2016 and FY 2017 (Senate Committee). The Senate Committee requested a review of the agency's enhancement requests at Omnibus, which include the following:

- \$46,173, all from the State General Fund, and 1.0 FTE position for FY 2016 and \$40,014, all from the State General Fund, and 1.0 FTE position for FY 2017 for a new data entry position to assist with an extreme backlog of felony journal entries; and
- \$280,820, all from the State General Fund, for substance abuse treatment program expenditures for FY 2016. The agency is implementing a policy change for FY 2016 but does not expect to realize savings until FY 2017. The agency originally requested \$460,364, all from the State General Fund, and the Governor's recommendation funded the request for \$179,544, leaving \$280,820 remaining to fully fund the enhancement request for projected expenditures.

Winfield Correctional Facility

A. Review the Agency's Utility Increases for the New Building at the Kansas Veterans Home (Senate Committee). The Senate Committee requested a review of the utility increases for the new building at the Kansas Veterans Home, which the agency is responsible for funding, at Omnibus. The agency estimates these State General Fund expenditures at \$139,529 in FY 2015, \$156,004 for FY 2016, and \$333,799 for FY 2017.

Attorney General

A. Review the Agency's Supplemental and Enhancement Requests for Water Litigation Funding (Senate Committee). The agency is requesting a transfer from the State General Fund to its Interstate Water Litigation Fund in the amounts of \$555,920 in FY 2015, \$678,022 for FY 2016, and \$682,444 for FY 2017. The agency also is requesting a reduction of expenditures by the same amounts from its Court Cost Fund. The agency notes that it has been financing the costs of on-going

water litigation from its special revenue funds. The Court Cost Fund is projected to have a negative balance for FY 2017.

The current conference position on Senate Sub. for HB 2135 adds a proviso for FY 2015, FY 2016, and FY 2017 that deposits the first \$2.0 million in water litigation settlement money received from Nebraska into the Interstate Water Litigation Fund of the Attorney General.

B. Review the Agency's Enhancement Requests for Costs Associated with the Civil Commitment of Sexually Violent Predators (Senate Committee). The agency is requesting a transfer of \$50,000, all from the State General Fund, to the Sexually Violent Predator Expense Fund for FY 2016 and FY 2017 to provide for reimbursement expenditures. KSA 59-29a04(c) stipulates that the Attorney General's Office is responsible for reimbursing counties from the Sexually Violent Predator Expense Fund for costs associated with determining if an individual is a sexually violent predator. If the balance in the Sexually Violent Predator Fund is insufficient to cover all reimbursement costs, the statute allows counties to file a claim against the state to seek reimbursement. The Legislature authorized \$25,000 in expenditures from the fund in FY 2015; the agency noted that this appropriation was expended during the first week of the fiscal year.

C. SB 95 (Law). SB 95 created the Kansas Unborn Child Protection from Dismemberment Abortion Act. The bill established exceptions for the prohibition on dismemberment abortions, allowed for injunctive relief and civil damages, established who may seek civil damages and what the damages include, authorized the awarding of reasonable attorney fees, and established penalties for violation of the Act. According to the fiscal note attached to the bill, the Attorney General's Office noted that it could incur additional expenditures in the event there would be legal challenges to the law. The challenges could involve constitutional issues and the agency noted that it would likely use the State Solicitor General and associated outside counsel. There may also be additional prosecution costs for the Attorney General's Office if a criminal action is required to be brought under the law. The agency estimates the total fiscal effect could be a maximum of \$50,000 in FY 2015; \$100,000 to \$200,000 for FY 2016, and up to \$200,000 for FY 2017. Expenditures in defense of the state are made from the agency's Tort Claims Fund; however, the agency noted the additional expenditures could not be absorbed within existing resources. The Governor's recommended ending balance of the Tort Claims Fund is \$35,769 in FY 2015, \$71,167 for FY 2016, and \$106,565 for FY 2017.

Kansas Bureau of Investigation

A. Review Funding for Maintenance and Support of the Kansas Criminal Justice Information System (Senate Committee). The agency requested supplemental funding totaling \$232,154, all from the State General Fund, to cover a revenue shortfall in the Kansas Criminal Justice Information System (KCJIS) Line Fund, in FY 2015. Current revenues to the KCJIS Line Fund come from 2.91 percent of all fines, penalties, and forfeitures collected from district courts. The passage of SB 14 would increase the current percentage of district court fees deposited into the KCJIS Line Fund from 2.91 percent to 4.4 percent. If SB 14, which was amended to become effective upon publication in the *Kansas Register*, is passed by the 2015 Legislature, the agency notes that FY 2015 revenues are projected to increase by \$20,890 to \$67,997. This would subsequently reduce the amount the agency requests by the same amount, which would result in a supplemental request between \$164,157 and \$211,264, all from the State General Fund.

For FY 2016, the agency requested an enhancement totaling \$1,277,401, all from the State General Fund, and 5.0 non-FTE positions, for maintenance and support of KCJIS, and to cover an

anticipated revenue shortfall in the KCJIS Line Fund. The agency has since provided a revised request totaling \$1,008,441, all from the State General Fund. This revised request assumes the passage of SB 14 in FY 2015, which would increase the percentage of district court fees deposited into the KCJIS Line Fund. Absent the passage of SB 14, the agency maintains its request for \$1,277,401, all from the State General Fund, for maintenance and support of KCJIS for FY 2016.

For FY 2017, the agency requested an enhancement totaling \$1,280,352, all from the State General Fund, and 5.0 non-FTE positions, for maintenance and support of KCJIS, and to cover an anticipated revenue shortfall in the KCJIS Line Fund. The agency has since provided a revised request totaling \$1,011,392, all from the State General Fund. This revised request assumes the passage of SB 14 in FY 2015, which would increase the percentage of district court fees deposited into the KCJIS Line Fund. Absent the passage of SB 14, the agency maintains its request for \$1,280,352, all from the State General Fund.

The current conference position on Senate Sub. for HB 2135 adds a proviso for FY 2016 and FY 2017 that deposits \$1 of the division of vehicles modernization surcharge collected and remitted to the secretary of revenue in an amount not to exceed \$1.0 million to the KCJIS Line Fund, and adds \$1.0 million to the KCJIS Line Fund for FY 2016 and FY 2017 for maintenance and support of KCJIS.

B. Review the House Budget Committee's Recommendation of Funding for Maintenance and Support of the Kansas Criminal Justice Information System (House Committee). During the House Appropriations report-out for the Kansas Bureau of Investigation, the Committee had remaining questions regarding the possible addition of \$1.0 million, all from the State General Fund, for maintenance and support of KCJIS. The agency notes that it originally requested an additional 5.0 non-FTE positions and State General Fund expenditures of \$1,277,401 for FY 2016 and \$1,280,352 for FY 2017, for maintenance and support of KCJIS, and to cover a projected revenue shortfall in the KCJIS Line Fund. During the budget hearing, the agency revised its enhancement requests to reflect the possible passage of 2015 SB 14, which was amended to become effective upon publication in the *Kansas Register*. The bill would increase the percentage of district court fees deposited into the KCJIS Fund from 2.91 percent to 4.4 percent. The increase would eliminate the estimated shortfall in FY 2016 and FY 2017. The revised requests total 5.0 non-FTE positions and State General Fund expenditures of \$1,008,441 for FY 2016 and \$1,011,392 for FY 2017. Absent the passage of SB 14, the agency maintains its request for State General Fund expenditures of \$1,277,401 for FY 2016 and \$1,280,352 for FY 2017.

The current conference position on Senate Sub. for HB 2135 adds a proviso for FY 2016 and FY 2017 that deposits \$1 of the division of vehicles modernization surcharge collected and remitted to the secretary of revenue in an amount not to exceed \$1.0 million to the KCJIS Line Fund, and adds \$1.0 million to the KCJIS Line Fund for FY 2016 and FY 2017 for maintenance and support of KCJIS.

C. Review Funding for Repair of the Parking Garage (House Committee and Joint Committee on State Building Construction). The agency originally requested \$250,000, all from the State General Fund, for repair of its parking garage at the Topeka headquarters for FY 2017. In August 2014, an engineering report determined a portion of the garage was unsafe, therefore, the agency closed part of the garage. The total cost of the project has since been revised to \$350,000, all from the State General Fund, based on an engineering report completed in August 2014. The report notes water penetration, shrinkage, settlement, and cracks in vertical support columns. Recommendations include reinforcing damaged columns, redoing the concrete surface, reworking the structure to direct water away from settling, and replacing bearings. The agency notes that it will not be able to finance

the repair of the parking garage with existing State General Fund appropriations and special revenue funds.

The Joint Committee on State Building Construction recommended the possible addition of \$500,000, all from the State General Fund, for FY 2016 if the agency presented a request for proposal (RFP) to the Committee for review at Omnibus. The agency notes that it plans to issue a formal RFP at the beginning of June, after the engineering consultants finalize their report on the parking structure.

Kansas Lottery

A. Expanded Lottery Act Revenues Fund (Revenue Estimate). Staff from the Division of the Budget, Kansas Lottery, Kansas Racing and Gaming Commission, and Kansas Legislative Research Department project expanded gaming revenues of \$359.2 million from the full year operation of the three state-owned casinos in FY 2015. The April estimate for FY 2015 is an increase of \$5.8 million from the October 2014 estimate. The increase is attributable to estimated revenue increases of: 1) \$4.2 million at the Hollywood Casino in Kansas City, 2) \$700,000 at the Boothill Casino in Dodge City, and 3) \$900,000 at the Kansas Star Casino in Mulvane. The adjusted total revenue to be transferred to the Expanded Lottery Act Revenues Fund (ELARF) is \$79.0 million, an increase of \$1.3 million, or 1.7 percent, above the October 2014 estimate. The Problem Gambling and Addictions Grant Fund is estimated to receive \$7.2 million in FY 2015. The additional expanded gaming revenue also increases the amount the Kansas Lottery transfers to cities and counties housing the state-owned casinos. In FY 2015, this amount will increase by \$174,000 to \$10.8 million. The amount the Kansas Lottery transfers to lottery facility managers will increase by \$4.2 million to \$262.2 million in FY 2015.

For FY 2016, expanded gaming revenue of \$358.6 million from the full year operation of the three state-owned casinos is projected. The April estimate for FY 2016 is an increase of \$6.8 million from the October 2014 estimate. The increase is attributable to estimated revenue increases of: 1) \$6.7 million at the Hollywood Casino in Kansas City and 2) \$400,000 at the Boothill Casino in Dodge City. These increases are offset by a projected decrease of \$300,000 at the Kansas Star Casino in Mulvane. The estimated total revenue to be transferred to the ELARF is \$84.4 million, an increase of \$1.5 million, or 1.8 percent, above the October 2014 estimate. The revenue transfer includes the anticipated payment of a \$5.5 million privilege fee. The Problem Gambling and Addictions Grant Fund is estimated to receive \$7.2 million for FY 2016. The additional expanded gaming revenue also increases the amount the Kansas Lottery transfers to cities and counties housing the state-owned casinos. For FY 2016, this amount will increase by \$204,000 to \$10.8 million. The amount the Kansas Lottery transfers to lottery facility managers will increase by \$4.97 million to \$261.7 million for FY 2016.

For FY 2017, expanded gaming revenue of \$389.8 million from the full year operation of the three state-owned casinos, and the partial year operation of a casino in the Southeast Gaming Zone is projected. The April estimate for FY 2017 is an increase of \$16.6 million from the October 2014 estimate. The increase is attributable to estimated revenue increases of: 1) \$8.9 million at the Hollywood Casino in Kansas City and 2) \$200,000 at the Boothill Casino in Dodge City. These increases are offset by a projected decrease of \$2.5 million at the Kansas Star Casino in Mulvane. The April estimate also includes \$30.0 million in revenue from a casino in the Southeast Gaming Zone. The estimated total revenue to be transferred to the ELARF is \$85.8 million, an increase of \$3.6 million, or 4.4 percent, above the October 2014 estimate. The Problem Gambling and Addictions Grant Fund is estimated to receive \$7.8 million for FY 2017. The additional expanded gaming revenue also increases the amount the Kansas Lottery transfers to cities and counties housing the state-owned

casinos. For FY 2017, this amount will increase by \$498,000 to \$11.7 million. The amount the Kansas Lottery transfers to lottery facility managers will increase by \$12.2 million to \$284.5 million for FY 2017.

B. State Gaming Revenues Fund (Revenue Estimate). Staff from the Division of the Budget, Kansas Lottery, Kansas Racing and Gaming Commission, and Kansas Legislative Research Department project a transfer from the Lottery Operating Fund of the Kansas Lottery to the State Gaming Revenues Fund (SGRF) of \$75.2 million for FY 2016. This is a decrease of \$800,000, or 1.1 percent, below the October 2014 estimate. For 2017, a transfer of \$77.3 million is projected, which is a decrease of \$2.7 million, or 3.4 percent, below the October 2014 estimate. The decline in transfer targets for FY 2016 and FY 2017 are attributable to lost lottery ticket sales from the Monopoly Millionaires Club, which was a new multi-state lottery game that was discontinued nationally, and a projected online/draw game sales decrease. Amounts transferred to the SGRF in excess of \$50.0 million are then transferred to the State General Fund (SGF). Projections include a transfer from the SGRF to the SGF in the amount of \$25.2 million for FY 2016, and \$27.3 million for FY 2017.

C. GBA No. 1, Item 2, Page 2 - Lottery and Gaming Revenues.

Board of Barbering

A. Review a Report Regarding Rule Changes That Would Allow the Agency to Enforce and Levy Fines Against Barbers and Barbering Institutions that Fail to Comply with Regulations in FY 2015 (House Committee). According to the agency, it is unable to levy fines against barbers, barbering educators, and barbering institutions that violate the Board's rules. The agency proposes amending KSA 65-1819 and KSA 65-1820 to provide it with the authority to effectively levy fines against barbers, barbering educators, and barbering institutions out of compliance with the Board's rules and regulations.

The Board of Barbering drafted proposed statutory changes for review at Omnibus. The agency asserts the language would (1) provide the agency with the authority to fine licensees for violations of its rules and regulations; (2) restrict the agency so that its civil fines may not exceed \$1,000 per violation; and (3) amend language to clarify the agency's authority as it takes disciplinary actions.

Board of Cosmetology

A. Review the Addition of \$19,569 to Fund the Difference for a Part-time Inspector to Become a Full-time Inspector for FY 2016 and Review the Addition of \$20,232, All From the Cosmetology Fee Fund, to Fund the Difference for a Part-time Inspector to Become a Full-time Inspector for FY 2017 (Senate Committee). The Board of Cosmetology currently employs 4.75 inspectors. The inspectors conduct investigations when requested by the legal office, inspect new facilities, perform routine inspections, and ensure that facilities meet all physical, health, and sanitation requirements.

The 4.75 inspectors are assigned to five regions within Kansas. At present, a 0.75 inspector position is assigned to Region 4 in Johnson County. That 0.75 inspector position is responsible for performing routine inspections for 929 cosmetology facilities. Additionally, the agency asserts that the inspector in Region 4 will have to perform the most first time inspections of any of the inspectors

working within designated regions. For this reason, the agency desires to increase the 0.75 part-time inspector to a full-time inspector.

B. Review the Addition of \$25,000 to Fund Phase II of the Electronic Document Conversion for 2016 (Senate Committee). The Board of Cosmetology is in the process of digitally converting thousands of paper files stored in-house to save space and better safeguard licensee data, reducing the security risks of personal information and agency files.

The agency's request for \$25,000, all from the Cosmetology Fee Fund, is for Phase II of the Electronic Document Conversion. The request includes the addition of temporary personnel to assist with the scanning and indexing of all existing license files.

C. Review the Addition of \$15,000, All From the Cosmetology Fee Fund, to Fund the Purchase of Tablet Computers to Better Conduct Inspections for FY 2017 (Senate Committee). The agency states this enhancement will benefit the agency as its employees inspect cosmetology facilities. The agency notes the tablets will allow inspectors to submit information to the agency from the field. The agency asserts this will create greater efficiency in conducting inspections and inputting the information into the licensing database. Additionally, inspectors' postage and form printing costs will be reduced once the program is implemented.

Kansas Human Rights Commission

A. Review a Report Addressing Whether the Educational Services Offered by the Agency Duplicate Those Offered by the Private Sector or the Federal Government in FY 2015, FY 2016, and FY 2017 (House Committee). The Kansas Human Rights Commission hosts an annual employment law seminar. The agency also administers an education program to prevent against discrimination and to educate employees and employers on their rights and responsibilities under the Kansas Act Against Discrimination and the Kansas Age Discrimination in Employment Act. The agency drafted a report addressing whether the services would duplicate services offered by the federal government and private sector.

The report notes the agency did not offer duplicative services when compared to private sector services. Examining Skillpath seminars, as well as Fred Pryor and Career Track seminars, the report noted the private companies did not offer seminars regarding discrimination or harassment. Additionally, many of the private sector seminars cost between \$99 to \$200 and were on topics unrelated to discrimination or employment law.

The report notes the agency offers similar services when compared to the Federal Government, but, unlike the Federal Government, offers its employment law educational services to smaller Kansas communities. The Equal Employment Opportunity Commission (EEOC) offered four trainings in Kansas over the federal fiscal year 2014 (October 1, 2013 - September 30, 2014). Three of those trainings were located in the Kansas City area with one located in Wichita.

The report also notes the agency partners with the EEOC. This past year an attorney working for the EEOC presented information at the Kansas Human Rights Commission's employment law seminar, as part of the EEOC's nationwide engagement plan.

Board of Indigents' Defense Services

A. Assigned Counsel Caseload Estimate. The Board of Indigents' Defense Services, the Division of the Budget, and KLRD met on April 14, 2015 to develop a revised caseload estimate for the assigned counsel program. When the estimating group met in October 2014 the FY 2015 estimate was increased from \$10.1 million to \$10.5 million, to account for increased growth in assigned counsel expenditures. This increase was reflected in the Governor's recommended FY 2015 budget for the agency.

The revised consensus estimate in FY 2015 is \$10.5 million, the same as the October estimate. Senate Sub. for HB 2135 fully funds these estimated expenditures.

The revised consensus estimate for FY 2016 is \$11.0 million, the same as the October estimate. Senate Sub. for HB 2135 fully funds these estimated expenditures.

The revised consensus estimate for FY 2017 is \$11.5 million, the same as the October estimate. Senate Sub. for HB 2135 fully funds these estimated expenditures.

B. Review the Addition of Funding for Assigned Counsel Caseloads in FY 2015 (Senate Committee). The Governor's recommendation for the agency included \$315,955, all from the State General Fund, for assigned counsel expenditures in FY 2015 above the amount approved by the 2014 Legislature. This recommendation was based on the October 2014 consensus caseload estimate. The Governor recommended the funding be appropriated to a new litigation support account. House Sub. for SB 4 was amended to remove this appropriation. The Judicial Subcommittee recommended the addition of the funding, while the Senate Ways and Means Committee chose to review the request during the Omnibus session.

The Conference Committee position on Senate Sub. for HB 2135 includes funding for this request.

C. Review the Addition of Funding for an Electronic Case Management System for FY 2016 and FY 2017 (House and Senate Committees). The agency made an enhancement request of \$60,000 for FY 2016 and \$40,000 for FY 2017 for the purchase and operation of an electronic case management system, which was not recommended by the Governor. The Judicial Branch is in the process of implementing electronic filing across the state and will soon require litigants to submit documents electronically. The agency reports that it does not currently have the ability to comply with such a requirement.

The House Appropriations Committee requested to review funding the enhancement request for FY 2016 and FY 2017 during the Omnibus session. The Senate Ways and Means Committee requested a review of the addition of \$60,000 for FY 2016 and \$28,000 for FY 2017, based on a report by the agency on the other savings it would realize by transitioning to electronic case management.

D. Review the Addition of \$611,000 for both FY 2016 and FY 2017 to Increase Assigned Counsel Payments to \$67 Per Hour (House Committee). The House Appropriations Committee requested to review partially funding the agency enhancement request to increase assigned counsel payment rates. The 2006 Legislature increased the statutory payment rate to \$80 per hour, but the rate was lowered to \$62 per hour by agency regulation as a cost-saving measure in FY 2010. The agency's budget request included an enhancement of \$2.2 million for both FY 2016 and FY 2017 to return the rate to \$80 per hour. This request was not recommended by the Governor. The agency

states it is becoming more difficult to find attorneys to take cases at the current payment rate, and has to hire attorneys from other states in some areas to meet demand. The addition of \$611,000 for FY 2016 and FY 2017 would allow the agency to increase the payment rate for assigned counsel to \$67 per hour.

E. Review the Addition of \$100,000 for FY 2016 and \$200,000 for FY 2017 to Increase Base Salaries for Public Defenders (House Committee). The House Appropriations Committee requested a review of funding to bring base salaries for public defenders to parity with other executive branch attorneys by FY 2017. The agency reports the starting salary for a new public defender is approximately \$3,000 less than other attorneys employed by the state. The agency also notes a recent increase in salary significantly reduced public defender turnover and believes that further decreasing turnover will allow public defenders to handle more cases and decrease agency expenditures for assigned counsel. The agency budget request included an enhancement for \$200,000 in FY 2016 and FY 2017. That request was not recommended by the Governor.

F. Review Agency Enhancement Requests for Assigned Counsel Payment Rates, Public Defender Base Salaries, and "Hard 50" Litigation for FY 2016 and FY 2017 (Senate Committee). The Senate Committee did not recommend funding the agency's four enhancement requests, but did request a review of those items at Omnibus to reconsider funding some or all of them. In addition to the agency's request for funding for an electronic case management system (see Item C, page 34), the agency requested the following enhancements:

- \$2.2 million for both FY 2016 and FY 2017 to increase the payment rate for assigned counsel from \$62/hour to \$80/hour. The 2006 Legislature set the rate at \$80 per hour by statute and it was reduced by the agency to \$62 per hour as a cost-savings measure in FY 2010;
- \$441,540 for both FY 2016 and FY 2017 to process appeals the agency anticipates will be filled by prisoners due to 2014 Special Session HB 2002 (the "Hard 50" law); and
- \$200,000 for both FY 2016 and FY 2017 to bring public defender salaries to parity with salaries for other executive branch attorneys. The agency anticipates that this will decrease public defender turnover and decrease agency utilization of assigned counsel.

Governmental Ethics Commission

A. Review the Adjustment to Agency Fees Necessary to Entirely Fund the Agency's Recommended Budget with Fee Revenue (House Committee). In the Governor's budget recommendation, approximately 60.0 percent of the agency's \$640,254 budget is funded from the State General Fund with the remainder covered by fees charged to lobbyists and candidates for public office. The agency reports that in order to fund agency operations entirely with fee revenue, fees would have to be increased between 400.0 and 450.0 percent. The agency currently generates approximately \$150,000 in fee revenue annually and would need to raise an additional \$450,000 to \$500,000 per year to fund current operations. The agency estimates this change would increase the candidate fee for most offices in the state from \$35 to \$140 and the registration fee for lobbyists spending more than \$1,000 on behalf of a client from \$300 to \$1,200 per year. The agency has provided a revenue estimate based on those fees for FY 2016 to FY 2020, which covers a full four-

year election cycle. The agency also noted a 2012 Attorney General's Opinion (No. 2012-22), which states that increasing fees for lobbyists without linking such an increase to the cost of regulation may violate the Free Speech Clause of the First Amendment.

Department of Education

A. House Sub. for SB 7 (Law). House Sub. for SB 7 makes appropriations for K-12 education for fiscal years 2015, 2016, and 2017. The bill repeals the existing school finance formula - the School District Finance and Quality Performance Act - and creates the Classroom Learning Assuring Student Success Act.

Because of major changes to school district budgeting *via* the bill, the Department states it will need to reprogram its budget system. The Department will make these changes with in-house staff at an estimated cost of \$25,000, for FY 2016, all from the State General Fund. House Sub. for SB 7 does not include funding for this requested expenditure.

Real Estate Commission

A. Review the Agency's FY 2016 and FY 2017 Enhancement Requests (Senate Committee). The Senate Committee requested a review of the Real Estate Commission's enhancement requests of \$116,351 for FY 2016 and \$126,071 for FY 2017, all from the Real Estate Fee Fund, after ascertaining whether SB 108 or similar legislation raising the agency's fee limits has been enacted. The enhancement requests are for an in-house counsel position and travel expenditures related to training and resuming on-site brokerage audits.

SB 108 has since been signed into law, and the agency estimates it will increase revenue into the Real Estate Fee Fund by \$168,853 for FY 2016 and \$154,028 for FY 2017. Therefore, the agency is requesting an increase in expenditure authority from the Real Estate Fee Fund of \$116,351 for FY 2016 and \$126,071 for FY 2017 to fund its enhancement requests.

B. Review the Governor's Proposed Increase in Fee Fund Revenue Transferred to the State General Fund (Senate Committee). The Governor recommends increasing the amount of fee fund revenue transferred to the State General Fund for administrative services from the lower of 10.0 percent or \$100,000 to the lower of 20.0 percent or \$200,000 for FY 2016 and FY 2017. For this agency, that amount is estimated at \$100,000 for both FY 2016 and FY 2017. Due to the agency's projected negative fee fund balance in FY 2017, the Senate Committee requested a review of the Governor's proposed transfer increase at Omnibus. Subsequently, the House and Senate Committees did not recommend the Governor's proposed 10.0 percent increase in the fee fund revenue transfer to the State General Fund.

Kansas Guardianship Program

A. GBA No. 1, Item 8, Page 7 - Kansas Guardianship Program KPERs and Health Insurance Adjustment.

B. Review of the Agency's Budget for Consideration of Restoring Reduced Funding for FY 2015, FY 2016, and FY 2017 (Senate Committee). The agency's FY 2015 budget included a reduction of \$27,752, all from the State General Fund, as a result of the Governor's December 2014 State General Fund allotment. For FY 2016, the Governor's recommendation is a decrease of \$51,738, or 4.5 percent, below the agency's request. For FY 2017, the Governor's recommendation is a decrease of \$52,049, or 4.5 percent, below the agency's request. The recommendations for both fiscal years include a 4.0 percent operating reduction totaling \$46,493 per fiscal year, all from the State General Fund.

Both the House and Senate Committees have restored \$46,493, all from the State General Fund, for both FY 2016 and FY 2017.

Kansas State University

A. Review the State General Fund Operating Expenditures of the University for FY 2016 and FY 2017 (Senate Committee). The Governor's recommendation for the University's operating expenditures is \$562.1 million, including \$105.2 million from the State General Fund for FY 2016. This is an all funds decrease of \$4.6 million, or 0.8 percent, and a State General Fund decrease of \$2.9 million, or 2.7 percent, below the agency's request. Of the \$105.2 million State General Fund, \$87.3 million is for salaries and wages, \$13.0 million is for contractual services, \$2.6 million is for commodities, and \$2.4 million is for capital outlay.

The Governor's recommendation for the University's operating expenditures is \$565.0 million, including \$107.6 million from the State General Fund for FY 2017. This is an all funds decrease of \$4.7 million, or 0.8 percent, and a State General Fund decrease of \$2.9 million, or 2.7 percent, below the agency's request. Of the \$107.6 million State General Fund, \$90.1 million is for salaries and wages, \$12.7 million is for contractual services, \$2.4 million is for commodities, and \$2.4 million is for capital outlay.

Kansas State University Veterinary Medical Center

A. Review the State General Fund Operating Expenditures of the University for FY 2016 and FY 2017 (Senate Committee). The Governor's recommendation for the University's operating expenditures is \$46.0 million, including \$14.9 million from the State General Fund for FY 2016. This is an all funds decrease of \$231,429, or 0.5 percent, and a State General Fund decrease of \$71,804, or 0.5 percent, below the agency's request. Of the \$14.9 million in State General Fund expenditures, \$10.2 million is for salaries and wages, \$2.4 million is for contractual services, \$1.0 million is for commodities, and \$907,048 is for capital outlay.

The Governor's recommendation for the University's operating expenditures is \$47.1 million, including \$15.2 million from the State General Fund for FY 2017. This is an all funds decrease of \$235,979, or 0.5 percent, and a State General Fund decrease of \$73,215, or 0.5 percent, below the agency's request. Of the \$15.2 million in State General Fund expenditures, \$10.6 million is for salaries and wages, \$2.3 million is for contractual services, \$1.0 million is for commodities, and \$906,043 is for capital outlay.

University of Kansas

A. Review the State General Fund Operating Expenditures of the University for FY 2016 and FY 2017 (Senate Committee). The Governor's recommendation for the University's operating expenditures is \$687.3 million, including \$135.9 million from the State General Fund for FY 2016. This is an all funds decrease of \$3.2 million, or 0.5 percent, and a State General Fund decrease of \$997,878, or 0.7 percent, below the agency's request. Of the \$135.9 million in State General Fund expenditures, \$129.1 million is for salaries and wages, \$2.9 million is for contractual services, \$1.2 million is for commodities, \$767,792 is for capital outlay, and \$2.0 million is for debt service.

The Governor's recommendation for the University's operating expenditures is \$707.4 million, including \$139.4 million from the State General Fund for FY 2017. This is an all funds decrease of \$3.3 million, or 0.5 percent, and a State General Fund decrease of \$1.0 million, or 0.7 percent, below the agency's request. Of the \$139.4 million in State General Fund expenditures, \$133.1 million is for salaries and wages, \$2.4 million is for contractual services, \$1.2 million is for commodities, \$767,792 is for capital outlay, and \$1.9 million is for debt service.

B. GBA No. 1, Item 10, Page 10 - Kansas Law Enforcement Training Center Bonds.

University of Kansas Medical Center

A. Review the Need for Additional Medical Residents at the Wichita Hospital for FY 2016 and FY 2017 (Senate Committee). The Senate Committee requested a review of the need for additional funding at the Wichita Hospital in order to increase the number of medical residents. In 2011, KUMC expanded the School of Medicine-Wichita from a two-year program to a full four-year program without additional state support. According to the agency, state support is currently needed to secure the Wichita program and to expand the class size. KUMC is requesting \$2.4 million, all from the State General Fund, in additional recurring funding to ensure appropriate faculty and staff levels required to support the core education delivery on the Wichita campus. In order to sustain the existing program and expand future class sizes, the agency states an investment in additional faculty must be made. New costs associated with this enrollment expansion total \$2.5 million in recurring funding beginning in FY 2017. Therefore, the total reoccurring funding required for KUMC for the Wichita hospital expansion program beginning in FY 2017 is \$4.9 million.

Pittsburg State University

A. GBA No. 1, Item 11, Page 10 - Debt Service Refunding

Board of Regents

A. Review the Proviso for the Postsecondary Tiered Technical State Aid Funding (House Committee). The House Committee requested a review of the impact that removing the proviso from Senate Sub. for HB 2135 would have on the distribution of funds to the community and technical colleges. According to the Board of Regents, this proviso ensures that each institution receives as much funding in the tiered technical education funding line item and non-tiered funding line item as it received the prior year. If the funding is unchanged from year to year, the institutions receive an

identical amount to the prior year. If the proviso were removed and the funding amounts were to remain the same, the formula would move money from institutions with smaller calculated funding gaps to institutions with larger calculated funding gaps. In this scenario, 15 of the 26 institutions would lose base funding, with the remainder of the institutions receiving an increase.

B. Review the Enhancements for the State Universities and Board of Regents for FY 2016 and FY 2017 (House Committee). The House Committee requested a review of the enhancement items for FY 2016 and FY 2017. The FY 2016 request totals \$54.6 million, including \$34.6 million from the State General Fund, for additional funding for 17 projects or programs. For FY 2017, the request totals \$68.8 million, including \$48.8 million from the State General Fund, for the same 17 projects or programs. The enhancement requests are for the individual universities as well as the Board of Regents and are detailed on a separate handout. The Fort Hays-Dodge City Community College merger was removed from this list, because the project is no longer viable.

C. Review the Addition of \$920,000, All From the State General Fund, for the New Washburn University Crime Lab Facility for FY 2016 and FY 2017 (Senate Committee). The Committee would like to review the addition of \$920,000, all from the State General Fund, to establish the forensic program at Washburn University. The agency's request includes \$707,000 for personnel, including benefits, \$157,000 for equipment, and \$56,000 for operating expenses for each fiscal year. Personnel would include a forensic biologist, forensic chemist, forensic digital/computer scientist, forensic criminal justice/criminal investigator, forensic anthropologist, an equipment technician, a lab supervisor, and an executive director for the forensic program. Equipment would include DNA sequencers, DNA extraction machine, electron microscopes, centrifuges, gel electrophoresis, gas chromatography, trace evidence microscopes, and firemark/toolmark microscopes. Other operating expenses would include, bullets, slides, chemicals, and other supplies.

Kansas Legislative Research Department

A. Review Previous Years Expenditures for Agency Travel That Focus on Training or Professional Development (Senate Committee). The Committee was concerned and requested additional information at its agency hearing about the possible large reduction in travel expenditures and the impact on newer staff. The agency indicates that most travel was for training, professional development or for agency visits. Travel expenditures totaled \$29,880 in FY 2012, \$34,377 in FY 2013 and \$28,415 in FY 2014. The agency has 16 staff with 3 or fewer Legislative Sessions of experience and 8 staff that are in their first Session. The agency has some concerns that a lack of travel funding available for training could reduce staff's availability to react to new issues and adequately perform research and other core functions of their jobs.