

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Ty Masterson at 10:30 a.m., who announced that Senator Pilcher-Cook would act as Chairperson of the first half of the meeting which was joint with the Senate Public Health and Welfare and Senate Ways and Means Committees, on Monday, February 08, 2016, 548-S of the Capitol.

All members were present

Committee staff present:

Jill Wolters, Office of Revisor of Statutes
Scott Abbott, Office of Revisor of Statutes
David Wiese, Office of the Revisor of Statutes
J.G. Scott, Legislative Research Department
Shirley Morrow, Legislative Research Department
Dezeree Hodish, Legislative Research Department
Justin Carroll, Legislative Research Department
Dylan Dear, Legislative Research Department
Bobbi Mariani, Legislative Research Department
Amy Deckard, Legislative Research Department
David Fye, Legislative Research Department
Steven Wu, Legislative Research Department
Mark Skoglund, Legislative Research Department
Aaron Klaassen, Legislative Research Department
Mark Savoy, Legislative Research Department
Jennifer Ouellete, Legislative Research Department
Debbie Luper, Chief of staff
Dee Heideman, Committee Assistant

Conferees appearing before the Committee:

Dr. Buddhadeb Dawn, Director, Midwest Stem Cell Therapy Center
Dr. Jim Mitchell, GMP Facilities Manager, Midwest Stem Cell Therapy Center
Dr. David Prentice, Member, Advisory Board, Midwest Stem cell Therapy Center

Others in attendance:

[See Attached List](#)

JOINT MEETING WITH SENATE WAYS AND MEANS AND SENATE PUBLIC HEALTH AND WELFARE COMMITTEE

Informational briefing:

Chairperson Pilcher-Cook introduced Doug Girod, Executive Vice Chancellor, University of Kansas

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Medical Center, and asked him to introduce Dr Buddhadeb Dawn, Director, Midwest Stem Cell Therapy Center (MSCTC).

Dr. Dawn presented a status update as of February 8, 2016 for the Center. His slideshow presentation included explanations of:

- Stem cell hub;
- MSCTC Organizational Chart;
- Objectives of the Center;
- Current and future clinical trials;
- Current pre-clinical projects.

Dr. Jim Mitchell, GMP Facilities Manager, MSCTC, spoke next on:

- Project Pipeline;
- FDA Clinical Process;
- Conditions/diseases currently being researched;
- Sources of stem cells ([Attachment 1](#)).

Dr. David Prentice, Member, Advisory Board, MSCTC, explained in his slideshow presentation that MSCTC is Kansas' Unique Stem Cell Center. He pointed out that their focus is on therapy, exclusively non-embryonic with no embryonic stem cells or fetal tissue being used, and they focus on dissemination of knowledge and he stressed that MSCTC is a unique, comprehensive center ([Attachment 2](#)).

Dr Dawn, Director, MSCTC, presented the Annual Report for the Center. His report included:

- Overview;
- Goals;
- Components and Progress Report.

His report also included an income and expense report for 2015. Dr Dawn reminded the committees there was no comprehensive center or program in Kansas or in the surrounding region until **SB199** was passed by the Kansas Legislature to enable the establishment of Midwest Stem Cell Therapy Center in July 2013 ([Attachment 3](#)).

Senator Melcher asked Dr. Dawn if the Stem Cell Therapy Center was searching for other funding sources outside of the State, so they could ultimately become a self-funded entity. Dr. Dawn said they have been in operation for 3 years and do hope they can find funding with private money, donations and product licensing and will be able to become self-sustaining in the future.

The joint meeting was recessed at 11:20 a.m.

SENATE WAYS AND MEANS COMMITTEE

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Bill introductions

Chairperson Masterson reconvened the Senate Ways and Means Committee at 11:30 a.m.

Senator Melcher made a motion to introduce proposed legislation relating to recertification of exclusive representation in professional negotiations. The motion was seconded by Senator Arpke and the motion carried on a voice vote.

Senator Powell made a motion to introduce proposed legislation concerning counties; relating to conservation easements. The motion was seconded by Senator Tyson and the motion carried on a voice vote.

Senator Arpke made a motion to introduce proposed legislation concerning postsecondary education relating to state funding for community colleges. The motion was seconded by Senator Melcher and the motion was adopted.

Senator O'Donnell made a motion to introduce proposed legislation concerning firearms; relating to carrying a concealed handgun in a public building. Senator Arpke seconded the motion, and the motion was adopted on a voice vote.

Hearing on: HB2365 — Making appropriations for FY 16 and FY 17 for the judicial branch.

Chairperson Masterson opened the hearing on **HB2365**. He explained that **HB2365** would be the vehicle for combining the two Senate budget bills.

No proponents, opponents or neutral parties appeared before the committee.

The Chairperson closed the hearing on **HB2365**.

Final action on:

SB354 — Appropriation revisions for FY 2016, FY 2017 and FY 2018 for various state agencies.

SB389 — Appropriation revisions for FY 2017 and FY 2018 for various state agencies.

Senator Denning made a motion to adopt the Technical Amendment for **SB354** and **SB389**. This amendment was a technical correction and cleaned up these two bills.

Jill Wolters, First Assistant Revisor, Office of Revisor of Statutes, explained all of the items in the Technical Amendment, which agency the amendment affected, and which fiscal year was involved

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(Attachment 4).

Senator Denning's motion was renewed and Senator Arpke seconded the motion, and the motion carried on a voice vote.

Senator Denning made a motion to amend the following items:

- Delete the State General Fund (SGF) and federal Temporary Assistance for Needy Families (TANF) appropriations for previously Children's Initiatives Fund (CIF) funded programs for FY2017;
- Reduce from the Kansas Endowment for Youth Fund (KEY) transfer to SGF to \$7.2 million for FY2017;
- Transfer \$42 million from KEY to the CIF fund;
- Appropriate \$42 million to the Children's Cabinet from CIF to be used as grants to childhood programs at the Cabinet's discretion and add language requiring the Children's Cabinet approve all grants prior to distribution;
- Appropriate \$7.2 million to the Children's Cabinet from TANF block grant to be used for means tested early childhood program(s) for FY2017;
- Add language giving the Children's Cabinet the authority to monitor and evaluate expenditures for the early childhood programs;
- Do not transfer the following programs to the Department of Education: 1) KDHE - Infants and Toddlers Program (tiny-K), Individuals with Disabilities Education Act (IDEA), 2) DCF - Children's Cabinet, Children's Cabinet Accountability Fund, Combined Block Grant, Early Childhood Block Grants - Autism, Child Care Quality Initiative (Attachment 5).

Senator Kelly stated she agreed with the amendment, except for authorizing the \$7.2 million TANF appropriation to the discretion of the Children's Cabinet, and she emphasized that the Parents as Teachers program should be fully funded from the Children's Initiatives Fund (CIF), and the TANF funding should be allocated from other areas of the budget. She said many of the grantees of the Parents as Teachers block grant program are already means tested.

Senator Denning said he agreed with Senator Kelly's language, if it didn't change any of the appropriations going into CIF. Senator Denning renewed his motion with the addition of the new language. Senator Kelly seconded the motion and it was adopted on a voice vote.

Senator Denning made a motion for a proposed amendment concerning KPERS death and disability for FY2017. The motion was seconded by Senator Kerschen and the motion carried on a voice vote (Attachment 6).

Senator Denning made a motion for a proposed amendment to add \$2.4 million from SGF to the

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budget for KDADS for FY2016, for the purpose of obtaining recertification for reinstating Medicaid funding at the Osawatomie State Hospital. The motion was seconded by Senator Tyson and the motion to amend carried on a voice vote ([Attachment 7](#)).

Senator Denning made a motion for a proviso for reinstatement of the policy to require mental health screenings for recipients covered under the Kansas medical assistance program, prior to being placed as an inpatient. Senator Fitzgerald seconded the motion and the motion was adopted on a voice vote ([Attachment 8](#)).

Senator Denning made a motion for a proviso that gives the allotment authority to the Governor to delay the final KPERS payments for FY2016 and FY2017. The amount and the decision to delay the payment will be the decision of the Governor. If the Governor decides to delay the allotment, he will be required to repay the KPERS payment amount in 24 equal payments at 8 percent interest.

NOTE: All KPERS recipients will continue to receive their regular monthly benefits on time and in full (see statement at the official KPERS website).

Senator Francisco asked if this would affect the FY2018 budget, and Senator Denning replied it would if the delayed allotment repayments were in effect.

Senator Kerschen asked if this is a one-time allotment. Senator Denning said this is a proviso, so it is in effect only for FY2016 and FY2017; however, he said the repayments could extend into FY2018.

Senator Francisco asked if other cheaper interest rate alternatives were investigated. Senator Denning said Internal Revenue regulations forbids KPERS from borrowing money, so the only option can only be to delay payments.

Senator Masterson stated that the delayed amount would be guaranteed and only the employer contribution amount can be delayed.

Chairperson Masterson restated the motion, Senator Arpke seconded the motion and the motion was adopted on a voice vote.

Senators Kelly and Francisco voted no, and asked to have their no votes recorded in writing, to be a permanent record in the minutes of the Senate Ways and Means Committee.

Senator Fitzgerald made a motion to authorize an expenditure of an additional \$60,000 for the Kansas Commission on Peace Officers' Standards and Training, from their own fee funds, for computer upgrades. The motion was seconded by Senator Arpke and the motion was adopted on a voice vote ([Attachment 9](#)).

Senator Fitzgerald made a motion for a proposed amendment to authorize the Kansas Commission on Veteran's Affairs Office to expend \$600,000 from the Federal Long Term Care Per Diem Fund. Senator Arpke seconded the motion and the motion was adopted on a voice vote ([Attachment 10](#)).

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Senator Fitzgerald made a motion for a proposed amendment that would grant the Kansas Bureau of Investigation the same authority as the Highway Patrol for making expenditures for their pay plan from their existing State General Fund or from any special revenue fund for FY2017. Senator Arpke seconded the motion and the proposed amendment was adopted on a voice vote ([Attachment 11](#)).

Senator Fitzgerald made a motion for a proposed amendment for the Kansas Bureau of Investigation for repairs and maintenance of the KBI parking garage. Senator Kerschen Seconded the motion and the motion carried on a voice vote ([Attachment 11](#)).

Senator Denning made a motion for a proposed proviso amendment which would change the language in the health care compact that would exclude Medicare from the compact. Senator O'Donnell seconded, and the motion to amend was adopted on a voice vote. ([Attachment 12](#)).

Senator Denning made a motion for a proposed amendment that limits the State from increasing bond indebtedness when debt payments reach a ceiling of 4 percent of State General Fund revenues. He said the 4 percent would be based on a 3-year average of revenues. Senator Arpke seconded the motion to amend and the motion was adopted on a voice vote ([Attachment 13](#)).

Senator Kelly asked what our percentage is at this time. Senator Denning said the percentage was 1.84 percent for FY2015, 2.32 percent for FY2016 and in FY2017 it increases to 2.85 percent. He said since the percentage is trending upward, the purpose is to apply a cap at 4 percent.

Senator Francisco asked if both bonds and credit would be under the umbrella of this proposal and Senator Denning replied it was designed to cover all credit vehicles.

Senator Melcher asked if any limits would be superseded for any that are now in effect and are less than the 4 percent. Chairperson Masterson said if there was a lesser limit in effect, the limit would not be increased to the 4 percent ceiling with this cap.

Senator Denning's motion was renewed and the motion to amend was adopted on a voice vote. Senator Tyson made a motion for a proposed amendment to direct the \$2.4 million approved for the Osawatomie State Hospital be directed to salaries and wages of current or newly hired State employees at the Hospital. Senator Kelly seconded the motion to amend, and the motion was adopted on a voice vote ([Attachment 14](#)).

Senator Kerschen made a motion for a proposed amendment to retain the tiny-K program in the Kansas Department of Health and Environment (KDHE) and not move jurisdiction of the program to the Department of Education ([Attachment 15](#)).

Chairperson Masterson said the action to retain the tiny-K programs in KDHE was accomplished in a prior amendment offered by Senator Denning. No further action was taken on Senator Kerschen's amendment at this time.

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Senator Powell made a motion for a proposed amendment to remove the Kansas State Board of Veterinary Examiners from the jurisdiction of the Department of Agriculture and make them a stand-alone entity. Senator Kelly seconded the motion and the motion to amend carried on a voice vote. (Attachment 16).

Senator Francisco asked for clarification of items budgeted for FY2016 and FY2017 for the clean power plant. She wanted to know if the amounts would be billed evenly over the life of the contract. She said she is also concerned energy efficiency is not addressed in the contract, she wanted to know, if there was an escape clause in the case of legal action.

Lisa Thomas, Chief Financial Officer, Kansas Corporation Commission, said the contract had not been awarded, so she could not discuss its contents at that time. She said they would be billing the regulated and de-regulated companies that are involved on a monthly basis. She said she did not have information stating if energy efficiency was addressed. She further stated that if there was legal action concerning the clean power plant, the contract would be void.

Senator Arpke made a motion for a proposed amendment that no money be appropriated from SGF or from any special revenue fund or funds for FY2017 to be expended by the University of Kansas for the purpose of paying debt service principal or interest on the Central District Development Project. The motion to amend was seconded by Senator O'Donnell (Attachment 17).

Senator Kelly asked for any possible implications associated with this amendment. Senator Arpke said it is unfortunate that the University of Kansas bonded \$320 million to be paid over a significant number of years without oversight or review of Senate Ways and Means or any of the Education committees.

Senator Francisco asked if this amendment covered all debt service payments of the university. Senator Arpke said it would not apply to the debt service that is now in effect.

Senator Fitzgerald asked if this amendment was intended to strictly insure that the State of Kansas is not obligated and will not pay for debt service for the University of Kansas. Senator Arpke again emphasized, it was only for this one bond for the Central District Development Project.

Senator Francisco reminded the committee, that the University of Kansas did make prior presentations concerning this project.

Senator Kelly said she feels this is just another attack on Kansas' flagship university and that this kind of publicity is not beneficial.

The motion to amend was renewed and the motion to amend passed on a voice vote.

Senators Kelly and Francisco voted no and requested their votes be recorded in writing in the permanent record of the minutes of Senate Ways and Means.

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Senator Arpke made a motion to add an appropriation of \$1.3 million for FY2017 to Pittsburg State University for the School of Transportation to be taken from the Kansas Bioscience Authority. He said this appropriation would enable the university to increase the students from 250 to 450 in their School of Transportation. Senator Fitzgerald seconded the motion.

Senator Kelly asked for clarification on availability of transferring funds from the Bioscience Authority. Shawn Sullivan, Director, Division of Budget and Business Processes, State of Kansas, said the Governor recommended no transfer to the Kansas Bioscience Authority for FY2017. He said the transfer in FY2016 was reduced from \$7 to \$2 million and in FY2017 from \$7 million to \$0.

Senator Kelly asked if the Pittsburg State University expense would be ongoing for FY2016, FY2017. Senator Arpke said it is only a one-time appropriation which is needed for expansion of the School. He said he understood this would be sufficient and tuition and private funds would be used for future operations.

Senator Fitzgerald agreed with Senator Denning that dismantling and moving the Bioscience Authority to privatization should be a careful, thoughtful process and the reappropriation of their funds should be delayed until the process is completed. Senator Fitzgerald withdrew his second of Senator Arpke's motion.

Senator Arpke's motion to amend was renewed and the motion failed for lack of a second.

Senator Tyson made a motion to eliminate the new postcard notices for vehicle registrations that will be sent out by the Kansas Department of Revenue and to retain the current method now in use. Senator Kelly seconded the motion and the motion to amend carried on a voice vote.

In order to alleviate any remaining concerns, Chairperson Masterson recommended that Senator Kerschen again offer his previous Tiny-K amendment.

Senator Kerschen made a motion to retain the tiny-K programs in the Department of Health and Environment and not grant the jurisdiction to the Department of Education. Senator Kelly seconded the motion to amend and the motion carried on a voice vote.

Senator Denning made a motion to remove the contents of **HB2365** and insert the contents of **SB35** which is the FY2016 budget and **SB389**, which is the FY2017 budget, with all amendments and allow for technical corrections by the Revisors' Office and pass substitute out favorably as substitute for **HB2365**. Senator Arpke seconded the motion. The motion carried and was adopted on a voice vote.

Senator Tyson made a motion for a proposed amendment substitute for **HB2365**, to capture the funds appropriated for the Kansas Bioscience Authority for FY2016 and transfer to Osawatimie State Hospital. The motion to amend was seconded by Senator O'Donnell ([Attachment 18](#)).

Senator Francisco voiced her concern with this amendment and asked the consequences if the KBA privatization was later than the dates addressed in this amendment if it passed. Senator Tyson stated that her amendment is based upon the condition the funds become available, if and when, the KBA

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becomes a private organization.

Senator Kelly said everyone recognizes there are bad conditions at both Osawatomie and Larned State Hospitals, and the conditions at both hospitals must be examined.

Senator Tyson said she accepts Senator Kelly's concern and she changed her amendment for transfer of any funds captured from the Kansas Bioscience Authority to mental health at both Osawatomie and Larned State Hospitals.

*The Chairperson renewed Senator Tyson's motion and the motion to amend failed on a voice vote. Senator Denning made a motion to pass substitute for **HB2365** out favorably as **Senate Sub for HB2365**. Senator Arpke seconded the motion and the motion carried on a roll call vote.*

Written information was distributed to the committee from Bob Corkins, Director, Office of Administrative Hearings (OAH) concerning background comparisons of the OAH budget ([Attachment 19](#)).

The next Ways and Means Committee meeting is scheduled for Tuesday, February 9, 2016, at 10:30 a.m., in Room 548-S at the Capitol.

Chairperson Masterson adjourned the meeting at 12:48 p.m.