

Approved 5/6/87  
Date

MINUTES OF THE Senate COMMITTEE ON Ways and Means

The meeting was called to order by Senator August "Gus" Bogina at  
Chairperson

5:00 ~~xxx~~ p.m. on April 2, 1987 in room 123-S of the Capitol.

All members were present except:  
Senator Harder on excused absence

Committee staff present:

Research Department: Ron Schweer, Laura Howard, Lynne Holt, Alan Conroy,  
Richard Ryan, Ed Ahrens, Ray Hauke

Revisor's Office: Norman Furse

Committee Office: Judy Bromich, Pam Parker

Conferees appearing before the committee:

HB 2225 - FY 1988 Appropriations for General Education

Senator Doyen reviewed the Subcommittee Report regarding Sections 2 through 8 of HB 2225. During review of Section 6, Senator Doyen moved, Senator Gannon seconded, to amend the Subcommittee Report to add \$10,000 for the Kansas Foundation for Agriculture Project Grant with the proviso that a forty percent match from private sources be required. The motion carried on a voice vote.

In reply to concerns expressed regarding special education, Dale Dennis, Department of Education, noted that percentages shown to the House Appropriations Committee of disabilities indicates exceptional children are less than the national average. Causes of cost outlined by Mr. Dennis included (1) Kansas has not funded 95 percent for about two years, (2) last year Kansas added special education for the four year olds, (3) the President just signed a bill three or four months ago which provides that by July 1, 1990 the state will provide special education programs to students down to three years of age or lose federal funds for three, four and five year olds, (4) enrollment growth in public schools is growing about 5,000 per year with about 10 percent of those in special education, (5) many districts are just now coming into compliance on the number of hours being provided, and (6) there has been some breakups of coops which always results in more faculty. Senator Werts asked how many hours of special education instruction are being provided students and whether those hours are increasing or decreasing each year. Mr. Dennis did not have that information.

In regard to item four, Section 6, Senator Kerr moved the reduction of special education paraprofessionals from .4 FTE to 3.5 FTE for the purpose of reimbursement. Following discussion, Senator Kerr withdrew the motion.

Senator Doyen made a motion which was seconded by Senator Johnston to report HB 2225, as amended, favorably for passage. On a roll call vote, the motion carried.

SB 316 - Enacting the Kansas mental health centers assistance act.

Staff reviewed SB 316. Paul Klotz, Executive Secretary, Association of Community Mental Health Centers of Kansas, stated that SB 316 is similar to legislation he requested except his proposed legislation would have required \$912,000 which would have allowed the Association to hold harmless and adjust for what some of the community mental health centers felt was an equity issue. Due to the economic status of the state, his association agreed to close out the bill with current revenues, including the Governor's one percent currently being recommended and they felt the three year average was fair. He stated that the Association supports SB 316 no matter how the base year is cut off.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Ways and Means,  
room 123-S, Statehouse, at 5:00 ~~xxx~~ p.m. on April 2, 1987

Distributed for the Committee's information was a State Department of Social and Rehabilitation Services' Statement Regarding Senate Bill No. 316 (Attachment 1) and an SRS Amendment Table (Attachment 2).

Senator Gaines moved, Senator Kerr seconded, to report SB 316 favorably for passage. The motion carried by roll call vote.

SB 376 - State financial assistance for county extension councils.

The decision, by consensus, was to defer action and hold SB 376.

SB 396 - Use of facsimile signature by state treasurer in registration of bonds.

Staff reviewed SB 396. Information distributed was a memorandum from Joan Finney, State Treasurer, dated April 2, 1987, regarding SB 396. (Attachment 3) By consensus, the decision was made to hold SB 396.

SB 411 - Two full-time clerical employees of ombudsman of corrections placed in classified civil service.

Staff reviewed SB 411. Senator Doyen moved, Senator Gaines seconded, to recommend SB 411 favorably for passage. There was a substitute motion to delete the words, "two full-time" from the bill and leave it for clerical positions which was seconded by Senator Talkington. The substitute motion carried on a voice vote.

Senator Doyen moved, Senator Gaines seconded, to report SB 411, as amended, favorably for passage. The motion carried by a roll call vote.

The Chairman recessed the meeting at 7:15 p.m.



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SWAM

STATE DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Statement Regarding Senate Bill No. 316

I. Title of Bill: An act concerning state financial assistance for community mental health centers; authorizing certain grants; prescribing powers, duties and functions for the secretary of social and rehabilitation services; repealing K.S.A. 1986 Supp. 65-4401 TO 65-4408, Inclusive.

II. Purpose

The intent of this legislation is to propose a new funding methodology as a replacement for the Kansas Community Facilities for Mental Health and Mental Retardation Assistance Act (K.S.A. 64-4401 et seq). This plan was arrived at in a collaborative effort between the Kansas Department of Social and Rehabilitation Services (SRS) and the Association of Community Mental Health Centers of Kansas (ACMHCK).

III. Background

In 1974, the Legislature initiated state formula-aid to community mental health centers organized pursuant to KSA 19-4001 et seq. The legislation, known as the Kansas Community Facilities for Mental Health and Mental Retardation Assistance Act, provides for state-aid not to exceed 50% of a centers' eligible income. State-aid for the centers can, by statute, be as much as 50 percent of eligible income. However, funds have not been appropriated up to that maximum (FY '87 is 35.2%). In Fiscal Year 1987, the total in state formula-aid to community mental health centers is \$7.9 million. Since 1974, increase in state-aid can be attributed to the combined effect of: growth in the amount of eligible income matched by the state; and (3) growth in the per-cent of match.

IV. Effect of Passage

This plan for a new funding methodology would establish a base grant to assure ongoing support of established community mental health programs. For several years, SRS and ACMHCK have worked jointly to develop these programs which meet critical local needs.

The other major source of state funding of mental health programs is special purpose grants. Program priorities for special purpose grants are established by SRS/MH&RS to address the needs of particularly vulnerable groups of Kansans such as severely emotionally disturbed children and adults, individuals impacted by the current rural economic

ATTACHMENT 1

crisis, and others. State funds dedicated to special purpose grants will be directed by SRS, in consultation with interested provider and advocacy groups to programs for these priority populations.

V. SRS Position

The Kansas Department of Social and Rehabilitation Services supports Senate Bill No. 316 with the Department's amendment. The amendment being offered by the department (See Page 3, New Section V), allows the state to determine critical needs of difficult to serve populations such as rural families, psychiatrically disabled individuals, etc. This agency has worked closely with interested provider and advocacy groups over the past several years to develop appropriate mental health services. Senate Bill No. 316 with the Department's amendment would assure ongoing support of these services and, therefore, has the strong support of SRS.

Robert C. Harder, Secretary  
Office of the Secretary  
Social and Rehabilitation Services  
296-3271

## SENATE BILL No. 316

By Committee on Ways and Means

2-24

0017 AN ACT enacting the Kansas community mental health centers  
0018 assistance act; authorizing state financial assistance for com-  
0019 munity mental health centers; prescribing powers, duties and  
0020 functions for the secretary of social and rehabilitation ser-  
0021 vices; repealing K.S.A. 1986 Supp. 65-4401 to 65-4408, inclu-  
0022 sive.

0023 *Be it enacted by the Legislature of the State of Kansas:*

0024 Section 1. This act shall be known and may be cited as the  
0025 Kansas community mental health centers assistance act.

0026 Sec. 2. (a) "Mental health center" means any community  
0027 mental health center organized pursuant to the provisions of  
0028 K.S.A. 19-4001 to 19-4015, inclusive, and amendments thereto, or  
0029 mental health clinics organized pursuant to the provisions of  
0030 K.S.A. 65-211 to 65-215, inclusive, and amendments thereto, and  
0031 licensed in accordance with the provisions of K.S.A. 75-3307b  
0032 and amendments thereto.

0033 (b) "Secretary" means the secretary of social and rehabilita-  
0034 tion services.

0035 Sec. 3. For the purpose of insuring that adequate mental  
0036 health services are available to all inhabitants of Kansas, the state  
0037 shall participate in the financing of mental health centers in the  
0038 manner provided by this act.

0039 Sec. 4. (a) Subject to the provisions of appropriation acts and  
0040 the provisions of section 5, the secretary shall make grants to  
0041 mental health centers as provided in this section.

0042 (b) For the first fiscal year commencing after June 30, 1987,  
0043 the secretary shall make grants to each mental health center  
0044 equal to the amount that center's average grant would have been  
0045 under the Kansas community mental health assistance act for the  
0046 fiscal years ending on June 30, 1986, June 30, 1987, and June 30,

0047 1988, if such act had not been repealed and if appropriations for  
0048 the fiscal year ending June 30, 1988, to finance grants under such  
0049 act had remained constant from the previous fiscal year plus each  
0050 mental health center's pro rata share of any increase in moneys,  
0051 including any inflation adjustments, appropriated for such pur-  
0052 pose. If appropriations have been reduced from the previous  
0053 fiscal year, the secretary shall prorate the available moneys  
0054 based upon the center's average grant for such three fiscal years  
0055 as computed under this subsection (b).

0056 (c) For subsequent fiscal years, the secretary shall make  
0057 grants to mental health centers based upon the grant payments  
0058 received by each mental health center for the previous fiscal year  
0059 plus each mental health center's pro rata share of any increase in  
0060 moneys, including any inflation adjustments, appropriated for  
0061 such purpose. If appropriations have been reduced from the  
0062 previous fiscal year, the secretary shall prorate the available  
0063 moneys based upon the grant payments each center received  
0064 during such fiscal year.

0065 (d) At the beginning of each fiscal year, the secretary shall  
0066 determine the amount of state funds due under this section to  
0067 each mental health center which has applied for such funds. The  
0068 secretary, with the consent of the governing board of a mental  
0069 health center, may withhold funds that would otherwise be  
0070 allocated to the mental health center and use the funds to match  
0071 other funds for the purchase of services for the mental health  
0072 center. Any funds withheld that are not used to purchase services  
0073 in the various mental health centers shall be allocated to the  
0074 mental health center from which such funds were originally  
0075 withheld.

0076 (e) The state funds due under this section to each mental  
0077 health center applying therefor shall be paid in four quarterly  
0078 installments. The moneys received in any quarter may be used at  
0079 any time during the year. Installments shall be paid as follows:  
0080 (1) On July 1st for the quarter beginning July 1 and ending  
0081 September 30; (2) on October 1st for the quarter beginning  
0082 October 1 and ending December 31; (3) on January 1st for the  
0083 quarter beginning January 1 and ending March 31; and (4) on

0084 April 1st for the quarter beginning April 1 and ending June 30.

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0085 ~~Sec. 5.~~ In the event that a mental health center becomes  
0086 defunct and no other mental health center assumes responsibil-  
0087 ity for providing services to the geographic area formerly served  
0088 by the defunct center, the secretary may use those quarterly  
0089 installments that would otherwise be paid to such defunct center  
0090 for the purpose of making special purpose grants under this  
0091 section.

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0092 ~~Sec. 6.~~ (a) In the event any mental health center is paid more  
0093 than it is entitled to receive under any distribution made under  
0094 this act, the secretary shall notify the governing board of the  
0095 mental health center of the amount of such overpayment and  
0096 such governing board shall remit the same to the secretary. The  
0097 secretary shall remit any moneys so received to the state trea-  
0098 surer, and the state treasurer shall deposit the entire amount of  
0099 such remittance in the state treasury. If any such governing  
0100 board fails so to remit, the secretary shall deduct the excess  
0101 amount so paid from future payments becoming due to such  
0102 mental health center.

0103 (b) In the event any mental health center is paid less than the  
0104 amount to which it is entitled under any distribution made under  
0105 this act, the secretary shall pay the additional amount due at any  
0106 time within the fiscal year in which the underpayment was made  
0107 or within 60 days after the end of such fiscal year.

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0108 ~~Sec. 7.~~ The secretary shall provide consultative staff services  
0109 to mental health centers to assist in ascertaining local needs, in  
0110 obtaining federal funds and assistance and in the delivery of  
0111 mental health services at the local level.

9

0112 ~~Sec. 8.~~ The governing board of any mental health center may  
0113 apply for assistance provided under section 4 by submitting  
0114 annually to the secretary a budget showing the estimated re-  
0115 ceipts and intended disbursements for the calendar year imme-  
0116 diately following the date the budget is submitted and a report  
0117 detailing the income received and disbursements made during  
0118 the calendar year just preceding the date the report is submitted.

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0119 ~~Sec. 9.~~ The secretary shall review the budgets and expendi-  
0120 tures of the mental health centers, from time to time during the

Sec. 5. Any moneys appropriated to fund grants under the Kansas community mental health assistance act and not designated to fund grants pursuant to section 4 shall be distributed as special purpose grants to individual mental health centers at the discretion of the secretary to establish priority services.



0121 fiscal year, and may withdraw funds from any facility which is  
0122 not being administered substantially in accordance with the  
0123 provisions of the annual budget submitted to the secretary.

11 0124 Sec. ~~10~~. As a prerequisite for receiving assistance provided  
0125 under this act, each mental health center shall agree to provide  
0126 the secretary with at least 45 days' notice prior to initiating a new  
0127 program. If the secretary determines that such program dupli-  
0128 cates a program which is adequately serving the geographic area  
0129 served by such mental health center, the secretary may subse-  
0130 quently withdraw assistance provided under this act equal to the  
0131 net loss, if any, generated by the program in the previous calen-  
0132 dar year unless the mental health center agrees to purchase the  
0133 service from or otherwise cooperate with such other program.

12 0134 Sec. ~~11~~. The secretary shall adopt rules and regulations for  
0135 the administration of the provisions of this act, including the  
0136 content of budgets, reports and the criteria for the awarding of  
0137 special purpose grants, determining program duplication and the  
0138 redistribution of moneys if a new mental health center is created  
0139 or if the geographic area served by a mental health center is  
0140 added to or subtracted from.

13 0141 Sec. ~~12~~. K.S.A. 1986 Supp. 65-4401 to 65-4408, inclusive, are  
0142 hereby repealed.

14 0143 Sec. ~~13~~. This act shall take effect and be in force from and  
0144 after its publication in the statute book.

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	ADJ 1984 ELIG INC	PROPOSED DIST.	DIFFERENCE	% CHANGE PROP - ADJ
LA MHC	334,416	\$359,454	\$25,038	0.07487
BERT NASH MHC	212,529	\$198,995	(\$13,534)	-0.06368
CTR FOR COUNSELING	235,450	\$225,309	(\$10,141)	-0.04307
CENTRAL KS MHC	181,474	\$213,781	\$32,307	0.17803
CHEROKEE CO MHC	25,228	\$43,801	\$18,573	0.73622
COWLEY CO MHC	50,857	\$75,820	\$24,963	0.49084
CRAWFORD CO MHC	58,478	\$79,486	\$21,008	0.35924
FOUR CO MHC	129,878	\$161,125	\$31,247	0.24059
FRANKLIN CO MHC	50,340	\$54,519	\$4,179	0.08302
HIGH PLAINS MHC	700,627	\$660,866	(\$39,761)	-0.05675
HORIZONS MHC	521,616	\$486,193	(\$35,423)	-0.06791
IROQUOIS	78,842	\$75,184	(\$3,658)	-0.04640
JOHNSON CO MHC	643,727	\$611,791	(\$31,936)	-0.04961
KANZA MHC	87,217	\$112,253	\$25,036	0.28706
LABETTE CO MHC	52,141	\$60,847	\$8,706	0.16697
MHC EAST CENT KS	210,590	\$242,237	\$31,647	0.15028
MIAMI CO MHC	35,147	\$45,802	\$10,655	0.30316
NORTHEAST KS MHC	130,121	\$173,883	\$43,762	0.33631
PAWNEE COMM MHC	455,881	\$452,453	(\$3,428)	-0.00752
PRAIRIE VIEW MHC	713,060	\$692,749	(\$20,311)	-0.02848
SEDGWICK CO DEPT MH	1,248,905	\$1,211,849	(\$37,056)	-0.02967
SHAWNEE COMM MHC	997,767	\$917,358	(\$80,409)	-0.08059
SOUTH CENTRAL MHC	151,997	\$145,705	(\$6,292)	-0.04140
SOUTHEAST KS MHC	164,418	\$191,113	\$26,695	0.16236
SW GUIDANCE CTR	96,460	\$103,286	\$6,826	0.07076
SUMNER CO MHC	66,560	\$69,230	\$2,670	0.04012
TYANDOT	317,452	\$362,787	\$45,335	0.14281
TOTALS	7,951,178	\$8,027,877	\$76,699	0.00965

ATTACHMENT 2

SENATE WAYS AND MEANS 4/2/87 p.m.

Office of the  State Treasurer

JOAN FINNEY  
STATE TREASURER

700 Harrison  
P.O. Box 737

TOPEKA, KANSAS 66601

M E M O R A N D U M

TO: Senate Committee on Ways and Means  
FROM: Joan Finney  
DATE: April 2, 1987  
RE: SB 396

The above-referenced bill amends the General Bond Law by mandating the treasurer's facsimile signature on the registration certification when a paying agent other than the state treasurer is designated by an issuing municipality. The registration certification found on the reverse side of municipal bonds certifies that the bond transcript has been reviewed and has received written approval by the attorney general, and that the transcript and approval have been received by the treasurer's office.

The treasurer's office now signs the registration certification with a "live" signature. This practice provides an important control to assure that bonds and bond transcripts have received the attorney general's required approval.

The second amendment found on page 3 simply enforces the industry standard of a live authenticating signature on the face of the bond by the named paying agent. This bill will have no fiscal impact on the treasurer's office.

In the occasional instances when travel is required to affix live signatures, the cost is not borne by the state, but is considered a cost of bond issuance, i.e., legal fees, printing costs, closing costs, etc., and the cost of travel is reimbursed by the bond underwriting firm.

Legislative Post Audit released an audit report in February, 1987 which reflects the amount of reimbursed travel associated with live signatures by the treasurer's office for the fiscal year ending June 30, 1986. The total amount reimbursed for live signings when the treasurer was not the paying agent was \$2,054.00. This amount is attributable to 8 different bond issues so it would not appear that issuing municipalities would realize significant cost savings with the passage of this bill.

ATTACHMENT 3

I have attached comments of the attorney general regarding the subject of "live" signatures on the registration certification. These comments made a strong case for continuance of these controls.

If this bill is passed, the treasurer's office must change current procedures in order to maintain proper control. Authority to print the facsimile signature of the treasurer will be given only after the transcript of proceedings and written approval from the attorney general has been received by the treasurer's office.

This change in procedure may cause delays in delivery and closings. These delays could be far more costly than the amounts associated with travel.

The reimbursing entities pay actual expenses incurred in traveling to New York's and Chicago's financial districts. An assistant attorney general, on the other hand, could claim only limited per diem if reimbursement was first sought through the state. Such per diem could not cover expenses. If reimbursement is to be first made through the state, it is necessary to amend state travel law to provide for actual expense reimbursement of this assistant or perhaps a more general law could be proposed to allow for actual expense reimbursement whenever a non-state entity is paying the costs of an employee's travel.

#### Official Signatures Required on Kansas Bonds

At the outset I note that, on the whole, this section of the report provides a clear statement of a rather complex area of the law. There is, however, a serious misapprehension evident throughout this portion of the report which is reflected by the statement that in some cases the manual or "live" signature of the state treasurer on Kansas bonds is required only as a matter of the treasurer's policy.

This misapprehension is grounded in the lack of emphasis the report places on the significance of K.S.A. 1986 Supp. 10-108 to the question it addresses. For example, the report states (2d para., p. 8) that, "In some instances, the practice of manually signing the bonds goes beyond what is provided by law. . . ." This simply is not the case. K.S.A. 1986 Supp. 10-108 provides that before any Kansas bonds become a valid obligation, a full and complete transcript of the proceedings leading to the issuance of the bonds shall be transmitted to the state treasurer along with the bonds proposed to be issued. The treasurer is required to submit the transcript to the attorney general for a determination of its sufficiency. Only after receiving the attorney general's written approval of the sufficiency of the transcript may the treasurer register the bonds. K.S.A. 1986 Supp. 10-108 states that after receiving the attorney general's approval the treasurer "shall, under seal of office, certify upon the bonds that they have been registered." To explain the need for a "live" signature of the state treasurer it is important to remember that the treasurer's registration of the bonds per §10-108 occurs only after receipt of the attorney general's approval. (Draft p. 8, 4th para.)

Affixing a manual signature after approval of the transcript serves as a control mechanism for enforcing the review and approval requirements of K.S.A. 1986 Supp. 10-108.

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When the state treasurer acts as fiscal agent for the bonds this control may be effectuated through the manual authentication signature on the face of the bonds. This procedure provides the control necessary to insure compliance with the review and approval requirements of K.S.A. 1986 Supp. 10-108, complies with the industry standard regarding live authenticating signatures on bonds, and provides the necessary one live signature discussed in K.S.A. 75-4001 et seq. In addition, it avoids the inconvenience and expense of affixing two live signatures to the bond. Thus, the registration statement on the back of the bond may have a facsimile signature of the state treasurer, but this is only the case when the treasurer, acting as fiscal agent, retains control of the bonds through the live authenticating signature on the face of the bond.

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When the state treasurer does not act as fiscal agent, under current practice, the only control available to insure compliance with K.S.A. 1986 Supp. 10-108 is the "live" signature affixed to the registration statement on the back of the bond. Obviously, when the treasurer does not act as fiscal agent, the treasurer has no control over the authenticating signature on the face of the bond. That signature is the responsibility of the designated fiscal agent, usually a Kansas bank. In this case the control the attorney general and treasurer can exercise over the bonds comes from the treasurer's "live" signature on the back of the bond. These bonds will usually have two "live" signatures, that of the treasurer and that of the fiscal agent, but the two signatures are not duplicative of purpose. In such a case the treasurer is insuring compliance with K.S.A. 1986 Supp. 10-108, which the fiscal agent has no obligation to do, and the fiscal agent is complying with an industry standard calling for live authenticating signatures.

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Thus, the treasurer's manual signature on bonds on which the treasurer is not fiscal agent is not simply a "policy" of the treasurer's office (Draft, p. 11, last sentence continuing to p. 13), it reflects compliance with the requirements of K.S.A 10-108. On page 10 of the draft report, in the portion of the chart describing bond issues where a Kansas bank is fiscal agent, the parenthetical statement in the first paragraph indicates that the treasurer has discretion to decide whether the registration signature will be live or by facsimile. Under the requirement of K.S.A. 1986 Supp. 10-108 that the treasurer's registration be affixed only after the attorney general's approval of the transcript, and given the practice of printing bonds in advance of approval and registration, it is necessary to have some measure of control

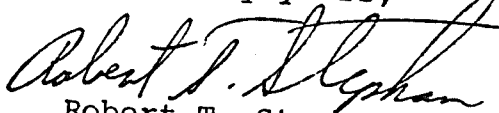
over the bonds until approval of the issuance is given at the state level. The "live" signature affixed after approval provides this measure of control and complies with K.S.A. 1986 Supp. 10-108. Otherwise, as you correctly note, a facsimile signature on the registration could verify an approval of bonds which has never occurred.

In short the report fails to recognize the significance of K.S.A. 1986 Supp. 10-108 to the exploration of the requirements for live signatures on Kansas bonds. The Uniform Facsimile Signature law, while significant to the scheme, is not nearly as important as K.S.A. 1986 Supp. 10-108 in explaining why the treasurer affixes a live signature to Kansas bonds. This is not simply a policy of the state treasurer's office which goes beyond what the law requires, it is an integral part of the process of issuing bonds under Kansas law.

Finally, I must take exception to the statement that Kansas' practice of signing bonds goes "beyond what other states require" and that Kansas involvement in municipal bond issuances is much greater than in other states. Apparently, this statement is based upon telephone contacts with undisclosed parties in only 4 states, Missouri, Nebraska, Colorado and Iowa. The requirements of Kansas law vary from those of other states, but it is not accurate to assume that the requirements exceed those of states not contacted nor is it necessary to imply that Kansas requirements are excessive or not necessary to insure compliance with Kansas law. Other states, including Michigan, Texas, Kentucky, Louisiana and Nevada, have procedures in place for state level approval of municipal bonds. The mechanisms for enforcing such requirements may vary from those in Kansas but I believe it is incorrect to assume that Kansas' involvement in such issues necessarily exceeds that of other states.

I trust this will clarify some of the issues involved in your report.

Very truly yours,



Robert T. Stephan  
Attorney General

RTS:crw