

Approved 5-8-90
Date

MINUTES OF THE House COMMITTEE ON Appropriations

The meeting was called to order by Bill Bunten at
Chairperson

12:20 ~~am~~/p.m. on April 3, 1990 in room 514-S of the Capit

All members were present except: All present

Committee staff present: Ellen Piekalkiewicz, Debra Duncan, Legislative Research
Jim Wilson, Revisor of Statutes
Sharon Schwartz, Administrative Aide
Sue Krische, Committee Secretary

Conferees appearing before the committee:

Paul Shelby, Office of Judicial Administration
Gabriel Faimon, Commissioner, Rehabilitation Services, SRS
Richard Curry, Chairman of the Board, Wichita Industries and Services
for the Blind
Robert Wunsch, KUMC
Gene Schmidt, President, Hutchinson Hospital
Representative Mike O'Neal
Representative Jesse Harder

Others attending: See attached list.

HB 3093 - Repealer, requirement of at least one judge in each county.

Representative David Heinemann explained that HB 3093 repeals the statute requiring that there shall be at least one district court judge in each county of the state. Representative Heinemann feels the caseload warrants another magistrate judge in Finney county and believes that problem could be addressed through redistribution of judges in the area.

Paul Shelby, Office of Judicial Administration, testified that the judiciary is neutral on HB 3093 stating it is a Legislative decision. The Office of Judicial Administration feels they have an excellent assignment system across the state. Representative Helgerson asked for information from Mr. Shelby on the caseload levels in various districts.

Representative Heinemann moved to recommend HB 3093 favorably for passage. Representative Helgerson seconded. Motion carried. Several members feel this change will allow flexibility to the Court to locate judges where caseloads are heaviest.

HB 3092 - Salary of district magistrate judges.

Representative Hoy explained that HB 3092 was a request of the subcommittee on the Judicial Branch. HB 3092 would require that the salary amount paid to district magistrate judges be 47.22 percent of the salary of a district judge. Representative Hoy suggested this bill would preclude the two groups coming in at different times for salary increases. Magistrate salaries are currently 47.22 percent of district judge salaries.

Representative Hoy moved that HB 3092 be recommended favorably for passage. Representative Hensley seconded. Motion carried.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Appropriations

room 514-S, Statehouse, at 12:20 ~~am~~/p.m. on April 3, 1990

SB 662 - Sale of property used as a workshop for the blind.

Gabriel Faimon, Commissioner, Rehabilitation Services, SRS, testified in support of SB 662 (Attachment 1). The bill authorizes transfer of the sheltered workshop for the blind in Kansas City intact as an operating manufacturing plant to non-profit, private sector ownership and control. In its 1989 Budget Request, SRS proposed a five-year plan to transfer operation, management and ownership of the Kansas City workshop to the private sector. Mr. Faimon advised that Wichita Industries and Services for the Blind has documented plans, contingent upon receipt of title, to invest \$1,552,067 in plant construction, maintenance and equipment over a five-year period. In response to a question, Mr. Faimon advised that currently the state is responsible for maintenance of the plant. The state subsidized the operation of the workshop from 1986-1988 by approximately \$1.5 million. Mr. Faimon stated the selection of the private owner was an open competitive bidding process. The value of the plant is \$554,705, including real estate and personal property.

Richard Curry, Chairman of the Board, Wichita Industries and Services for the Blind, appeared in support of SB 662 stating Wichita Industries took over the management of the Kansas City workshop two years ago. They plan to develop new products in an effort to increase employment. Mr. Curry stated Wichita Industries would prefer that Section 2(b) be stricken from the bill and their second choice of action by the Committee would be to insert the language into the bill that if the time comes that the building is given back to the state, the state would reimburse Wichita Industries for capital expenditures made on the building. In addition, Wichita Industries would like language to provide that if they need to move to a new building, they could use proceeds from the sale of the present building to buy another site in the Kansas City area for a workshop for the blind.

Representative Shriver asked if the sighted employees get paid more than the blind workers at the workshop and an employee representative stated the blind workers were raised to minimum wage on February 26, 1990. However, the company does have a bonus arrangement per piece on certain products, so there is a small differential in some cases. Representative Helgerson requested Mr. Curry to provide him a list of people on the Board of Wichita Industries and Services for the Blind, the last annual report, and amount of cash reserves.

Representative Kline suggested that the legal description in the bill should be verified as it may be incorrect. Representative Shriver moved to restore Section 2(b) back to its original status that the workshop will be operated for the blind for 10 years from the date of sale or lease, or revert back to the state. Representative Chronister seconded. Representative Wisdom made a substitute motion to insert language that the state will compensate the private operator for capital improvements if the state takes the building back. Representative Pottorff seconded. Motion failed. Representative Pottorff made a substitute motion to strike Section 2(b) from the bill. Representative Gatlin seconded. Motion failed. On Representative Shriver's original motion, the motion carried. Representative Chronister moved that SB 662, as amended, be recommended favorably for passage. Representative Hoy seconded. Motion carried. Representative Wisdom is recorded as voting "no."

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Appropriations,

room 514-S, Statehouse, at 12:20 ~~a.m.~~ p.m. on April 3, 1990

SB 542 - Terms and conditions of scholarships available to medical students.

Robert Wunsch, KUMC, appeared in support of SB 542 and provided written testimony (Attachment 2). SB 542 would allow a student who first received benefits under the medical scholarship program prior to January 1, 1986 to establish a qualifying practice anywhere in Kansas except within the counties of Douglas, Johnson, Leavenworth, Sedgwick, Shawnee, or Wyandotte irrespective of whether or not any one of these 99 counties was designated underserved or critically underserved for the particular practitioner's specialty. It also provides that a practice would be established even in the six populated counties if in any such county there were fewer than three doctors engaged in the full time practice of medicine or surgery in the new doctor's designated specialty.

Further, the bill would enable physicians to satisfy their service obligations by practicing in a Veterans Administration hospital. Additionally, the bill provides for the satisfaction of a repayment obligation if a scholarship recipient devotes at least 100 hours per month to a local health department or non-profit organization serving medically indigent persons.

These proposed changes would benefit recruitment of doctors in areas such as Hutchinson, Concordia, and Hays. In response to a question, Mr. Wunsch stated this bill would dilute part of the original intent of this program to place doctors in underserved areas.

Gene Schmidt, President, Hutchinson Hospital, testified in support of SB 542 stating Hutchinson has a critical problem in attracting obstetricians, specifically, and this bill may alleviate that situation.

Representative Mike O'Neal and Representative Jesse Harder appeared in support of SB 542 stating this bill attempts to keep scholarship recipients in the state, as, at present, there is no set of circumstances that will keep a number of recipients in the state.

The meeting was adjourned at 2:10 p.m.

GUEST LIST

COMMITTEE: HOUSE APPROPRIATIONS

DATE: 4-3-90

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
CLANTHA CARRIGN McCARDY	TOPEKA	BOARD OF REGENTS
Craig Grant	Topeka	K-NEA
Radine Burch	"	KCA #
Joy BountREF	K.C. KS.	Wardotte Community Corrections
Katie Klassen	Topeka	SRS
E Eugene Stephens	Topeka	SRS
Joyce Sugrue	Topeka	"
Dawn Durham	Topeka	Ks Pharmacists Assoc
Robert Williams	Topeka	"
Tom Hitchcock	"	Bd. Pharmacy
John Pearce	"	Washburn U.V
Blaine Ours	Topeka	Washburn U.
Richard Schultz	Topeka	SRS
GENE SCHMIDT	HUTCHINSON	HUTCHINSON HOSPITAL
Anne Smith	Topeka	Ks Assoc. of Counties
Victoria Thomas	Lawrence	KUMC
Robert Wunsch	Lawrence	KUMC
Dones B O'Connor	Seneca	DMJA.
Brad Swoot	Topeka	Pfizer
Jack Goodman	Baton Rouge, LA	GLAXO INC
Oren Dougherty	Dallas TX	ELI LILLY & Co.
PAULA DUHAIME	WASH DC	PMA
Bill Henry	Topeka	PMA
Robert Newman	Baton Rouge, LA	Moore Newman & Assoc's.
THOMAS C (Tim) OWENS	TOPEKA	SRS

Department of Social and Rehabilitation Services

Winston Barton - Secretary

Statement Regarding: Senate Bill No. 662

Title: An act authorizing the Secretary of Social and Rehabilitation Services to sell or lease certain property currently being used as a workshop for the blind.

Purpose: The purpose of the bill is to authorize transfer of the sheltered workshop for the blind in Kansas City intact as an operating manufacturing plant to nonprofit private sector ownership and control.

Background: A sheltered workshop provides employment to persons with disabilities in a noncompetitive, i.e., sheltered setting. Community-based, private nonprofit organizations own and operate more than 30 sheltered workshops throughout Kansas, employing approximately 2,600 Kansans with a wide range of disabling conditions. Two workshops, known as Kansas Industries for the Blind, are owned by the State of Kansas through the Department of Social and Rehabilitation Services. One workshop is located in Kansas City.

Kansas Industries for the Blind experienced operating losses totaling more than \$1.5 million in the three-year period, FY 1986 - 1988, necessitating appropriation of State General Revenue Funds to cover the losses. As part of its FY 1989 Budget Request, the Department of Social and Rehabilitation Services proposed a five-year plan to transfer operation, management and ownership of the Kansas City workshop to the private sector. Several factors were considered in development of the plan, not the least of which was:

- * To arrest the pattern of operating losses;
- * To continue opportunities for sheltered employment for Kansans who are blind;
- * In early 1988, employees at the Kansas City Workshop expressed preference for private sector management instead of remaining under State administration; and
- * Location of the Kansas City Workshop in the heart of a major industrial district favored its transfer to private sector operation and management.

To support implementation of the Department of Social and Rehabilitation Services proposal, \$250,000 were appropriated. Through a publicly announced competitive selection process, on July 12, 1988 the Secretary of Social and Rehabilitation Services entered into an agreement with Wichita Industries and Services for the Blind which formalized the plan. The agreement provided for gubernatorial and legislative oversight of the privatization effort by recognizing that: (i) an annual appropriation would determine the amount of funds available for each year of the transition effort; and (ii) appropriate legislation would need to be enacted to authorize the Secretary of Social and Rehabilitation Services to effect transfer of title of real estate and personal property as an intact operating manufacturing plant.

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Attachment 1

Senate Bill No. 662 reaffirms the State's commitment to continued sheltered employment opportunities for Kansans who are blind. The transition subsidy makes that commitment operable, recognizing the Workshop's financial history and the capitalization needs associated with expanding and diversifying the product line.

Production and employment at the Kansas City workshop has stabilized under management and operation by Wichita Industries and Services for the Blind. On March 27, 1989, all subminimum wage workers started receiving the statutory minimum wage. As of February 26, 1990, all minimum wage workers received an increase to \$3.80 per hour, preceding the statutory minimum wage increase effective for April 1, 1990.

The agreement specifies that Wichita Industries and Services for the Blind may exercise an option to purchase the facility on or before twenty-four months from the closing date of the agreement, provided the Secretary of Social and Rehabilitation Services receives written notice of intent to exercise the option on or before eighteen months from the closing date. A written notice of intent to exercise that option was submitted on January 10, 1990 by the Chairman of the Board, Wichita Industries and Services for the Blind.

The total value of the manufacturing plant is \$554,705, including real estate and personal property.

A Five Year Plan, 1990 - 1995, filed with Rehabilitation Services, cites four primary goals which Wichita Industries and Services for the Blind seeks to achieve for the Kansas City workshop:

1. Increase the total number of blind persons employed.
2. Increase sales by expanding current product lines and developing new product lines.
3. Achieve financial independence and stability by the end of 1993.
4. Explore needs, other than vocational, of blind employees.

Key interests of the State are addressed in the plan, including a significant increase in employment of workers who are blind from an average of 15 in 1989 to an average of 29 in 1994. Six new product lines are currently under research for production at the workshop. The projected profit and loss statement reflects a net gain of \$155,000 in 1993 (with no State subsidy) and a net gain of \$145,000 in 1994 (with no State subsidy). Projected capital expenditures for the five years are \$1,552,067 (see attached table for greater detail).

Effect of Passage: Passage of Senate Bill No. 662 would allow the State to privatize ownership and control of the sheltered workshop for the blind in Kansas City. Wichita Industries and Services for the Blind has documented plans, contingent upon receipt of title, to invest \$1,552,067 in plant construction, maintenance and equipment over a five-year period. An investment of this magnitude would expand and diversify the product line and substantially increase the number of blind or visually impaired persons employed at the plant. By privatization, the workshop would be in a better position to develop new products and compete for new markets to stabilize employment for its workers. The State would, subject to annual appropriation of funds, be able to plan for terminating operational subsidies without further capital outlay while

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being reasonably certain, based upon demonstrated successful operation of more than 30 similar facilities owned and operated by community-based nonprofit organizations across the State, that the workshop would be sustained as a viable manufacturing enterprise and employer.

Recommendation: The Department of Social and Rehabilitation Services recommends Senate Bill No. 662 be reported favorably for passage by the Kansas House of Representatives.

For more information contact:
Gabriel R. Faimon, Commissioner
Rehabilitation Services
296-3911

Presented to:
House Committee on Appropriations
April 3, 1990

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FIVE-YEAR PLAN SUMMARY
Wichita Industries and Services for the Blind
Kansas City Division

Calendar Year	No. Blind Workers	CAPITAL EXPENDITURES				Transition Grant
		Machinery & Equipment	Building Construction	Building Maintenance	Total	
1990	17	\$ 18,567		\$3,500	\$ 22,067	\$250,000
1991	19	46,950	\$600,000	4,500	651,450	200,000
1992	23	523,050		5,000	528,050	150,000
1993	25	186,800		8,000	194,800	
1994	29	149,700		6,000	155,700	
						500,000 *
TOTAL		\$925,067	\$600,000	\$27,000	\$1,552,067	\$1,100,000

*Total, 1988 and 1989

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Testimony before the House Appropriations Committee on SB 542

April 2, 1990

Robert Wunsch
University of Kansas
Medical Center

Thank you Mr. Chairman. I am appearing as a conferee on behalf of the University of Kansas Medical Center.

By way of review, the Legislature enacted the Medical Scholarship Program in 1978 in response to legislative concern about the supply and distribution, if you will, of doctors in Kansas. Retention of our own graduate doctors in Kansas was one legislative goal. The other was to increase the number of doctors practicing in underserved areas of our state.

There are two types of scholarships:

- A) TYPE I -- tuition (\$5915 per year) and a stipend of \$500 per month while the student is enrolled.
- B) TYPE II -- tuition (\$5915 per year).

For each year a scholarship recipient practices medicine in a qualifying area in Kansas, he/she satisfies the conditions of the scholarship contract.

Beginning in fiscal year 1987, the Legislature delegated the administration of the Medical Scholarship Program to the Medical Center.

Senate Bill 542 concerns only those students who first received benefits prior to January 1, 1986. Presently these students must establish a practice in a critically medically underserved area or a medically underserved area in order to comply with the conditions of their scholarship. As other conferees will address, there are areas, however, such as Hutchinson, Concordia and Hays which are not underserved areas, where the recruitment and placement of doctors would certainly be facilitated if locating in these communities satisfied one's service obligation requirements.

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Attachment 2

Senate Bill 542 as initially introduced would allow a student who first received benefits prior to January 1, 1986 to establish a qualifying practice anywhere in Kansas except within the counties of Douglas, Johnson, Leavenworth, Sedgwick, Shawnee, or Wyandotte irrespective of whether or not any one of these 99 counties was designated underserved or critically underserved for the particular practitioner's specialty. It also provides that a practice could be established even in the six populated counties if in any such county there were fewer than three doctors engaged in the full time practice of medicine or surgery in the new doctor's designated specialty. Under the Bill it is considered that a minimum number of physicians in a consulting specialty cannot be fewer than three without, in effect, constituting the area being underserved.

Further, the Bill would enable physicians to satisfy their service obligations by practicing in a medical center operated in the State of Kansas by the Veterans Administration of the United States.

Additionally, the Bill in its present form provides for the satisfaction of a repayment obligation if a scholarship recipient devotes at least 100 hours per month to a local health department or non-profit organization serving medically indigent persons.) Medically indigent persons is defined on lines 21 through 27, page 5.

These various changes do liberalize the ability of scholarship recipients to fulfill their service obligations. However, there is one change proposed within Senate Bill 542 which limits options currently available. Currently, individuals may satisfy their obligations by filling a full-time faculty position at the University of Kansas School of Medicine in primary care -- internal medicine, pediatrics, or family practice. This Bill would allow satisfaction of these service obligations only in full-time faculty positions in family medicine.

This Bill was amended in Senate committee so as not to fully forgive the repayment obligation of a recipient awarded a Type I scholarship if he/she was satisfying the repayment obligation through new subsection (e)(3) of K.S.A. 76-375 found on lines 28

through 39, page 5. The amendment requires the repayment of the stipend, i.e., living expenses plus interest. Certainly, the retention of this Senate amendment is left to the wisdom of the Legislature. We do support Senate Bill 542 in its original or amended form.

In view of the initial goals of the Legislature in establishing the Medical Scholarship Program, I thought that perhaps you might like to have information available concerning the percentage of scholarship doctors practicing in Kansas compared to the total number of scholarship recipients. Such information is as follows:

<u>Year of Graduation</u>	<u>In Compliance</u>	<u>Out of Compliance</u>	<u>Total in Kansas</u>
1986	67.9%	7.1%	75.0%
1985	66.7%	4.0%	70.7%
1984	52.7%	6.4%	59.1%
1983	53.5%	10.6%	64.1%
1982	56.5%	7.2%	63.7%
1981	48.5%	13.6%	62.1%
1980	44.3%	5.2%	49.5%
1979	45.9%	8.2%	54.1%

We would suggest in the way of a technical amendment that line 16, page 3 and line 18, page 4 be amended by striking the reference to "family medicine" and inserting "family medicine or family practice". "Family practice" comes within the definition of primary care as found on lines 40 and 41 of page 2. However, the curriculum in Wichita apparently is spoken of as "family medicine" and thus the desire for the double reference.

Those who administer the program at the Medical Center would ask that if the aforesaid Senate amendment requiring the repayment of living expenses is left in the Bill that reference be made to K.S.A. 76-376 (a)(5) within subsection (e)(3) of K.S.A. 76-375. This reference would assure that anyone reading subsection (e)(3) could not overlook the living expense repayment requirement.

Thank you.