

MINUTES OF THE SENATE WAYS & MEANS COMMITTEE.

The meeting was called to order by Chairperson Dave Kerr at 10:45 a.m. on April 6, 2000 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Chief Fiscal Analyst, KLRD
Rae Anne Davis, KS Legislative Research Department
Debra Hollon, KS Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Asst. Revisor of Statutes
Judy Bromich, Administrative Assistant to the Chairman
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

Senator Morris offered a motion to approve the minutes of the March 17 and 22 meetings. The motion was seconded by Senator Jordan and carried on a voice vote.

HB 2814: Senior pharmacy assistance program

Senator Salisbury noted that the reason a subcommittee had been assigned to review this bill was because of the difficulty in determining the number of potential participants and the potential amount of money in this program. She stated that using the same assumptions made by the Division of the Budget (an 8% return on investments and an April 1 implementation date for the program), the cumulative earnings would total \$2.7 million (Attachment 1). She said that because this kind of projection is difficult, the subcommittee decided to change the effective date to July 1, 2001 in order to get one year's investment growth. She told members that it was the subcommittee's intent to give the Secretary on Aging full flexibility to manage the program within the revenue stream and that the subcommittee did not wish to lead senior citizens to think that this program was an entitlement. Instead, it was the subcommittee's desire to help the most medically needy. Senator Salisbury stated that it is anticipated that the program will be modest initially but, as the corpus grows, the Legislature may wish to make the program more liberal. She added that the Federal government may act to incorporate a similar program in Medicare and, if that occurs, the state could use the interest earnings for another purpose.

Senator Salisbury reviewed the proposed amendments which the subcommittee made to **HB 2814** (Attachment 2). In discussing the amendments, Senator Salisbury noted that the subcommittee gave the Secretary of Aging flexibility to determine the dispensing fee, that the \$1200 annual cap on drug benefits is based on the Medicaid average for persons who are not disabled or in a nursing home, and that the \$1200 cap does not include copay. Senator Salisbury noted that the revisor had suggested inserting the words "take any one or more of the following actions" after the word "may" on page 2, line 35 of the bill.

Concern was expressed that the number of eligible participants under the guidelines established in the balloon version of the bill had not been identified. Senator Salisbury noted that last year there were 105,000 households with individuals over 65 who had incomes of \$15,000 or less. This number is not reliable for this program, however, because it is unknown how many of those are eligible for other insurance or covered by Medicaid. She added that persons who are eligible for Medicaid may not be eligible for this program because the guidelines for Medicaid eligibility in terms of income are more liberal than the guidelines contained in the balloon. Senator Ranson noted that she had asked for information about the cost of Rhode Island's senior pharmacy program because they use disease specific allocations. Action on the bill was delayed in order to obtain more information.

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HB 2591: Sub for H 2591 by Committee on Education--State education technology network, establishment

The Chairman noted that this bill had been heard on April 5, 2000 and was before the Committee for action. He asked that the Committee consider the following issues:

- Does the Committee want to pass the bill?
- Does the bill satisfy the concerns of the private sector?
- Does the Committee have a comfort level with E-rate discount and the availability of monies from the Universal Service Fund?
- Is the Committee comfortable knowing that there will be a minimum of \$4.5 million in annual recurring costs?

Members discussed at length whether the E-rate discounts associated with the KAN-ED program would provide an incentive or disincentive for the private sector. Bruce Roberts, Deputy Director of the Bureau of Administrative Services within DISC, stated that funding that could come from E-rates might stimulate build-outs for districts that do not have services. Senator Ranson expressed concern about the availability of E-rate discounts in the out-years and the ongoing costs of the program, particularly if those discounts did not materialize. Members questioned whether school districts really envisioned connectivity to Internet II or simply wanted high speed access to the commercial Internet. There was some discussion about the databases which would be available only on the Intranet or Internet II and the benefits those databases might provide in linking school districts and libraries across the state. It was noted that benefits could include expanding curriculum in rural school districts, teacher in-service education and the sharing of Foster Care information. In answer to a question, Don Heiman, Executive Director of DISC, stated that some universities currently have access to information on the backbone. Senator Jordan voiced his support of program, but inquired whether greater efficiencies could be achieved if implementation were delayed for another year. Senator Lawrence, a member of the interim committee, noted that this issue has been the top priority of the Department of Education for the last two years, but concurred with Senator Jordan because of unanswered questions. Senator Salmans suggested that the Joint Committee on Information Technology monitor the progress of the private sector in providing internet access, determine whether the pipeline is sufficient to provide Internet II, determine the availability of Universal Service Fund monies, and report to the Legislature next year.

Lynne Holt, KLRD, stated that there were two issues addressed by the Interim Committee in their decision to recommend this bill. The first was that as a network is expanded and more people use it, it has more value. The second issue was that of equity - how to bring access to all districts and libraries at an affordable cost.

In answer to the Chairman, a representative from Cox Cable stated that his company's recent announcement that they would provide free Internet service to schools is an extension of the free cable TV service that they have provided to schools for seven years. He stated that Cox Cable anticipates free connectivity and Internet service for the 400 schools and the libraries in their service area within the next 12 months. He also noted that other private companies are aggressively providing access to services in their areas. There was discussion about why schools districts might not choose to take advantage of the state's obligation to provide broadband services at discounted prices. Dale Dennis, Deputy Commissioner, Department of Education, stated that the monthly service charge for districts ranges from a minuscule amount to nearly \$2,000 per month.

Senator Lawrence moved, Senator Salisbury seconded, that HB 2591 be amended to delay implementation of the KAN-ED program for a year and that technical amendments be made to the bill so that it can be published in the statute books. The motion carried on a voice vote.

Senator Jordan distributed copies of a balloon which he asked that the Committee consider (Attachment 3). It was moved by Senator Downey and seconded by Senator Feleciano that the word "provide" be replaced by the word "implement" on page 16, line 1. The motion carried on a voice vote. In answer to concerns, Mr. Heiman stated that the Department understands that the Legislature does not want DISC to own or buy a network and lay fiber, but instead wants to have DISC manage or lease a network. Responding to Senator Jordan, Mr. Heiman stated that the Department's bid for service would be done

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functionally, there would be performance standards, and the Department would be accommodating to the industry. He stated that if the Legislature does not restrain the program, he would anticipate that KAN-ED would stimulate the development of the infrastructure in remote areas of the state.

Senator Downey moved, Senator Gilstrap seconded, that **HB 2591** as amended be recommended favorably for passage. The motion carried on a roll call vote. The Chairman noted that he would send a letter to the Joint Committee on Information Technology requesting that this program be reviewed over the summer.

The Chairman adjourned the meeting at 1:00 p.m. The next meeting is scheduled for April 7, 2000.

SENATE WAYS & MEANS COMMITTEE GUEST LIST

DATE: April 6, 2000

NAME	REPRESENTING
Sal Tayani	Dept of Ed
Dale Pennis	dept of Ed

Senior Service Trust Fund

FY 2001	July 2000	Aug 2000	Sept 2000	Oct 2000	Nov 2000	Dec 2000	Jan 2001	Feb 2001	Mar 2001	Apr 2001	May 2001	June 2001
Corpus	14,400,000	28,800,000	28,800,000	28,800,000	43,200,000	43,200,000	43,200,000	57,600,000	57,600,000	57,600,000	72,000,000	72,000,000
Monthly Earnings	96,000	192,000	192,000	192,000	288,000	288,000	288,000	384,000	384,000	384,000	480,000	480,000
Cumulative Earnings	96,000	288,000	480,000	672,000	960,000	1,248,000	1,536,000	1,920,000	2,304,000	2,688,000	3,168,000	3,648,000
8.0 Percent Rate	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%

FY 2002	July 2001	Aug 2001	Sept 2001	Oct 2001	Nov 2001	Dec 2001	Jan 2002	Feb 2002	Mar 2002	Apr 2002	May 2002	June 2002
Corpus	72,000,000	88,800,000	88,800,000	88,800,000	105,600,000	105,600,000	105,600,000	122,400,000	122,400,000	122,400,000	139,200,000	139,200,000
Monthly Earnings	480,000	592,000	592,000	592,000	704,000	704,000	704,000	816,000	816,000	816,000	928,000	928,000
Cumulative Earnings	480,000	1,072,000	1,664,000	2,256,000	2,960,000	3,664,000	4,368,000	5,184,000	6,000,000	6,816,000	7,744,000	8,672,000
8.0 Percent Rate	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%

FY 2003	July 2002	Aug 2002	Sept 2002	Oct 2002	Nov 2002	Dec 2002	Jan 2003	Feb 2003	Mar 2003	Apr 2003	May 2003	June 2003
Corpus	139,200,000	156,000,000	156,000,000	156,000,000	172,800,000	172,800,000	172,800,000	189,600,000	189,600,000	189,600,000	206,400,000	206,400,000
Monthly Earnings	928,000	1,040,000	1,040,000	1,040,000	1,152,000	1,152,000	1,152,000	1,264,000	1,264,000	1,264,000	1,376,000	1,376,000
Cumulative Earnings	928,000	1,968,000	3,008,000	4,048,000	5,200,000	6,352,000	7,504,000	8,768,000	10,032,000	11,296,000	12,672,000	14,048,000
8.0 Percent Rate	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%	0.667%

HOUSE BILL No. 2814

By Representatives Mayans and Glasscock, Aday, Alldritt, Barnes, Ben- lon, Burroughs, Compton, Empson, Faber, Farmer, Flower, Free- born, Gatewood, Gilbert, Hayzlett, Henry, Hermes, Horst, Howell, Huff, Hutchins, Johnston, P. Long, Loyd, Mason, Mays, McClure, McCreary, Merrick, Minor, Mollenkamp, Judy Morrison, Myers, O'Neal, E. Peterson, Pottorff, Powell, Powers, Ruff, Sharp, Stone, Tanner, Tedder, Thimesch, Tomlinson, Toplikar, Vickrey, Vining and Wilk

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17 AN ACT establishing the senior pharmacy assistance program; providing
18 for administration of the program by the secretary of ~~social and re-~~
19 ~~habilitation services aging~~.

20
21 *Be it enacted by the Legislature of the State of Kansas:*

22 Section 1. (a) Within the limits of appropriations therefor, the sec-
23 retary of ~~social and rehabilitation services aging~~ shall establish a senior
24 pharmacy assistance program in accordance with the provisions of this
25 section. The senior pharmacy assistance program shall provide financial
26 assistance to eligible individuals for the purchase of prescription drugs.

27 (b) The secretary of ~~social and rehabilitation services aging~~ shall
28 adopt rules and regulations establishing eligibility for the senior pharmacy
29 assistance program subject to the following criteria:

30 (1) An individual to be eligible for the program must be ~~not less than~~
31 ~~62 years of age~~ 67 years of age or older ~~except that commencing~~
32 ~~with fiscal year 2003 an individual to be eligible for the program~~
33 ~~must be 65 years of age or older.~~

34 (2) unless modified as provided in section 2 and amendments
35 thereto, an eligible individual's income must not exceed ~~\$14,000~~ and the
36 individual's household income must not exceed ~~\$16,000~~;

37 (3) an eligible individual must not qualify for any other local,
38 state or federal prescription drug program,

39 (4) an eligible individual must not be covered under any pri-
40 vate prescription reimbursement plan,

41 (5) an eligible individual must not have voluntarily canceled a
local, state or federal prescription drug program or a private pre-
scription reimbursement plan within six months prior to applica-

150% of the federal poverty guidelines for a
one person family unit
150% of the federal poverty guidelines for a
two person family unit
funding from

Senate Ways and Means Committee

Date April 6, 2000

Attachment # 2

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1 tion for enrollment in the senior pharmacy assistance program,
2 (6) unless modified as provided in section 2 and amendments
3 thereto, ~~all prescription drugs covered by the state medical program~~
4 ~~shall be eligible for reimbursement,~~

5 (7) a copayment of ~~\$12~~ for each prescription ~~in an amount not to~~
6 ~~exceed 30% of the cost of each prescription shall be established,~~

7 (8) unless modified as provided in section 2 and amendments
8 thereto, a maximum annual drug benefit of ~~(\$1,500)~~ shall be established
9 for each eligible individual, and

10 (9) the ~~cost reimbursement to the pharmacy shall be the average~~
11 ~~wholesale price, minus 10%, or the usual and customary cost, whichever~~
12 ~~is lower, and~~

13 (10) ~~the pharmacy dispensing fee shall be \$3.00 for each prescription~~
14 ~~dispensed.~~

15 (c) The secretary of social and rehabilitation services aging shall
16 adopt rules and regulations as necessary to implement the provisions of
17 the senior pharmacy assistance program. Enrollment in the program shall
18 be in accordance with applications and procedures established by the
19 secretary. ~~New enrollment in the program during a fiscal year shall cease~~
20 ~~if the secretary determines that costs of the program will exceed funds~~
21 ~~appropriated for the program during that fiscal year.~~

22 (d) Appropriations for the senior pharmacy assistance program shall
23 be from the interest or earnings from the senior services trust fund
24 and shall be made in accordance with appropriation acts.

25 Sec. 2. (a) To implement the provisions of this act, the secre-
26 tary of aging is hereby authorized to negotiate and enter into con-
27 tracts for the performance of the powers, duties and functions es-
28 tablished under this act, receive grants, gifts or donations from the
29 United States government, or its agencies, or any other source
30 whatsoever for the purposes of the program established under this
31 act. Any moneys so received shall be deposited in the state treasury
32 and credited to the senior services trust fund.

33 (b) In the event that the secretary determines that the funds
34 appropriated may not meet projected expenditures for the fiscal
35 year, the secretary may:

36 (1) Adjust the maximum benefit set forth in subsection (b) of
37 section 1 and amendments thereto;

38 (2) adjust the income eligibility levels set forth in subsection
39 (b) of section 1 and amendments thereto;

40 (3) adjust the copayment level as set forth in subsection (b) of
41 section 1 and amendments thereto;

42 (4) ~~limit the program to maintenance drugs; or~~

43 (5) establish a period of open enrollment which shall be not

prescription drugs

shall be limited to maintenance drugs for specified disease states

of

\$1,200

pharmacy

and dispensing fee shall be established by the secretary of aging

(e) As used in this section:

(1) "Income" means income from whatever source derived; and

(2) "federal poverty guidelines" means the most recent poverty guidelines as published annually in the federal register by the United States department of health and human services.

or

2-3

1 less than 30 days and which shall include an enrollment period for
2 those who become age eligible during the year. Any such changes
3 will be effective 30 days after notice of the same is published in
4 the Kansas register.

5 (c) The secretary of social and rehabilitation services shall
6 serve as fiscal agent for the senior pharmacy assistance program
7 pursuant to agreements entered into with the secretary of aging.

8 Sec. 2-3. This act shall take effect and be in force from and after
9 ~~April~~ 1, 2001, and its publication in the statute book.

July

Substitute for HOUSE BILL No. 2591

By Committee on Education

3-8

10 AN ACT establishing the state education technology network.

11

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

13 Section 1. (a) There is established the state education technology
14 network hereinafter referred to as KAN-ED. ~~KAN-ED shall provide In-~~
15 ~~ternet connectivity and promote technology integration~~ **The purpose of**
16 **KAN-ED shall be to provide internet connectivity with a minimum**
17 **speed of 128 kilobits per second, distance learning capability and**
18 **integration of technology into curriculum** for school districts, school
19 district interlocal cooperatives, school district cooperatives, **nonpublic**
20 **schools accredited by the state board of education** and public li-
21 braries in this state. KAN-ED shall be part of the multi-service, high
22 speed backbone network provided for by the division of information sys-
23 tems and communications under the supervision of the secretary of
24 administration.

25 (b) KAN-ED shall not provide two-way, voice grade commu-
26 nications except as an integral component of a distance learning
27 activity. School districts, school district interlocal cooperatives,
28 school district cooperatives, nonpublic schools accredited by the
29 state board of education and public libraries in this state shall not
30 use KAN-ED to provide internet access to other persons.

31 (c) KAN-ED shall not be limited to technology existing on the
32 effective date of this act and may interconnect or reconfigure as
33 required to facilitate the use of future technology for intercon-
34 nectivity with KAN-ED technology.

35 (d) Nothing in this section shall be construed to prevent serv-
36 ices described in subsection (a) from being provided by any pro-
37 vider using a network other than KAN-ED.

38 Sec. 2. (a) The commissioner of education or the commissioner's
39 designee and the state librarian or the state librarian's designee, after
40 consultation with the chief executive officer of the state board of regents
41 or the chief executive officer's designee, shall prepare an information
42 technology project plan for KAN-ED and jointly shall submit the plan to
43 the executive chief information technology officer as provided in K.S.A.

assist in the implementation of

Senate Ways and Means Committee

Date April 6, 2000

Attachment # 3