

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Stephen Morris at 10:40 a.m. on March 21, 2002 in Room 123-S of the Capitol.

All members were present except: All present

Committee staff present:

Alan Conroy, Chief Fiscal Analyst, Kansas Legislative Research Department
Deb Hollon, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Leah Robinson, Kansas Legislative Research Department
Audrey Nogle, Kansas Legislative Research Department
Paul West, Kansas Legislative Research Department
Michael Corrigan, Assistant Revisor of Statutes
Judy Bromich, Assistant to the Chairman
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Connie Hubbell, Secretary, Department on Aging

Others attending: See attached list

Chairman Morris called the Committee's attention to discussion of:

HB 2690--University research and development enhancement act

Copies of information about the Aviation Research were distributed to the Committee (Attachment 1).

Senator Kerr moved, with a second by Senator Feleciano, to amend HB 2690 and adopt the proposed balloon amendment regarding the National Institute for Aviation Research (Attachment 2) and to recommend funding the research which would be in the amount of \$1.0 million in FY 2004, \$2.0 million in FY 2005, \$2.0 million in FY 2006 and \$2.0 million in FY 2007 (Attachment 3). Motion carried on a voice vote.

Senator Kerr moved, with a second by Senator Adkins, to amend HB 2690 to eliminate the language that makes up the cap on page 5, line 4, that specifies \$110.0 million. Committee questions and discussion followed.

Senator Barone moved a substitute amendment on HB 2690, with a second by Senator Feleciano, to place the cap on bonds issued at \$130.0 million. Motion for the substitute amendment carried on a voice vote.

Senator Adkins moved, with a second by Senator Barone, to amend HB 2690, on page 14 regarding construction manager at risk bidding procedures, after the sentence that ends "and amendments thereto," to insert the language "all firms submitting proposals shall be bonded as provided in K.S.A. 60-1111 and must present proof of same to construction manager at risk prior to submitting a bid or be deemed unqualified". Motion carried on a voice vote.

Senator Adkins moved, with a second by Senator Kerr, a technical amendment for HB 2690, page 5, line 2, to drop the language "if the corporation is so formed" because the bill requires that the corporation be formed and that portion of the sentence is not necessary. Motion carried on a voice vote.

Senator Adkins moved, with a second by Senator Feleciano, to go back to the original language in HB 2690 regarding the source of funding of transfers for debt service payments on bonds issued back to the State General Fund. Motion carried on a voice vote.

CONTINUATION SHEET

Senator Feleciano moved, with a second by Senator Schodorf, to amend **HB 2690** that the Executive Director of the Board of Regents serve as temporary Chair to conduct the election of the Chair, and then those seven members after they are organized, elect a Chair. Motion carried on a voice vote.

Senator Adkins moved, with a second by Senator Schodorf, to amend **HB 2690** for a time frame requiring appointment of members of the Board of Directors 60 days after the enactment of the bill. Motion carried on a voice vote.

Senator Feleciano moved, with a second by Senator Barone, to amend **HB 2690** to change on page 11, line 32, concerning the amount of notice before negotiations to obtain project services from 15 to 30 days. Motion failed.

Senator Jordan moved, with a second by Senator Jackson, to amend **HB 2690** section 11, page 16, striking language regarding prevailing wage. Motion carried by a voice vote. Senator Barone, Senator Downey and Senator Feleciano requested to be recorded as voting "No" on the motion.

Information was distributed by Senator Barone to the Committee:

- Comparison of Regents' School Endowments (Attachment 4)
- \$64,990,000 Kansas Development Finance Authority Revenue Bonds (Preliminary), University Research and Development (Attachment 5)

Senator Barone moved, with a second by Senator Downey, to amend **HB 2690** with a balloon amendment (Attachment 6). Motion failed.

Senator Kerr moved, with a second by Senator Adkins, to move **HB 2690** favorably as amended. Motion carried on a roll call vote.

The Chairman opened the public hearing on

SB 644--Medicaid payment and rate schedules

Staff briefed the Committee on the bill.

Connie Hubbell, Secretary, Department on Aging, testified in support of **SB 644** (Attachment 7). Secretary Hubbell spoke regarding the amendments in the bill and mentioned that the bill was drafted to make Kansas law consistent with the repeal of the Boren amendment. She noted that the central theme of her testimony was to revise current state law to make it consistent with federal requirements.

Committee questions and discussion followed and the Chairman thanked Secretary Hubbell for appearing before the Committee. Chairman Morris mentioned that the hearing on **SB 644** would continue the following day, March 22, 2002..

The meeting was adjourned at 12:00 p.m. The next meeting is scheduled for March 22, 2002.

**SENATE WAYS AND MEANS COMMITTEE
GUEST LIST**

DATE March 21, 2002

NAME	REPRESENTING
Julie Thomas	DOR
Cindy Denton	Budget
Theresa Klinkenberg	KU
Jon Josseland	University of Kansas
Anoua Braden	Cure Council of Greater KC
Sue Peterson	K-STATE
John Burger	SKS
Joe Fritton	DOFA/DFM
Gary Hibbs	DOA/DFM
JAY ARNOLD	Coalition For Independence
D. KEITH MEYERS	ADMINISTRATION
Mary Ellen Conlee	Via Christi Regional Medical Center
Tom Slattery	AGC/Ks
Dale Duffin	Families Together
Jessie Torres	KCOO
Shannon Jones	SICK

Aviation Research

The aviation industry continues to be a primary contributor to the economic vitality of Kansas, representing ten percent of the net income of the state. However, this growth is dependent on the ability of Kansas' aviation companies to compete in a global economy far different from the past. Kansas and the aviation industry must invest today in the products of tomorrow.

Aviation Week recently selected Wichita for its 2001 Quality Center Award stating, "Few regions of the world have had a greater impact on aerospace than Wichita. It is one of the top breeding grounds for some of the most significant developments in aeronautics." Clearly, the Kansas aviation industry is a national resource.

To sustain and grow the aviation industry in Kansas will require a significant increase in research and development funding from federal, state and other (including industry) sources. Senator Pat Roberts and Congressman Todd Tiahrt have provided important leadership in helping to secure federal funding for research at Wichita State University's National Institute for Aviation Research (NIAR) for the past three years, totaling nearly \$15 million. However, **funding is insufficient for near-term requirements of critical technical thrusts**. In an Associated Press article published in *The Wichita Eagle* on July 31, 2001, Senator Roberts warned officials that without major improvements in the state's research infrastructure, millions in federal grants would bypass Kansas. In the worst case, future airplane programs could follow aviation research out of Kansas.

In order to sustain and grow the aviation industry in the state of Kansas, and to leverage additional federal grants and other matching sources for research funding, Boeing, Bombardier Aerospace, Cessna Aircraft, and Raytheon Aircraft join in requesting an annual state appropriation of \$5 million for aviation-related research and development to NIAR, a Kansas Center of Excellence.

The request by the four aviation companies does not duplicate the proposal by the Kansas Board of Regents (KBOR). The KBOR proposal is for the state to offer and guarantee construction bonds to support defined goals at the state universities. The aviation industry and KBOR initiatives are complementary and together lead to increased federal funding for research at Kansas universities, helping to ensure economic growth in our state.

Economic Impact of the Kansas Aviation Industry

- Manufacturing accounts for 25 percent of all jobs and 32 percent of earnings in the Wichita metropolitan area. For the total state economy, manufacturing accounts for 16 percent of jobs and 17 percent of earnings.
- Boeing, Bombardier Aerospace, Cessna Aircraft, and Raytheon Aircraft directly account for almost 60 percent of the Wichita-area manufacturing jobs and earnings.
- Total employment of the four major aircraft companies at year-end 2000 was 43,200 (a total impact of 142,000 jobs in Kansas). Total payroll was \$2.2 billion, yielding a total impact on state earnings of over \$5 billion.
- Every 1,000 Kansas aircraft manufacturing jobs creates an additional 2,300 jobs, generating a total of \$23 million in federal taxes and \$9 million in state and local taxes annually.

Senate Ways and Means
3-21-02
Attachment 1

PROPOSED AMENDMENT
House Bill 2690

Sec. 13. The state board of regents is hereby authorized to initiate and complete capital improvement projects for the acquisition and installation of laboratories and equipment for icing and wind tunnels, crash testing and advanced manufacturing, including associated construction, remodeling or renovation, and such capital improvement projects are hereby approved for the National Institute for Aviation Research for the purposes of subsection (b) of K.S.A. 74-8905, and amendments thereto, and the authorization of the issuance of bonds by the Kansas development finance authority in accordance with that statute. In accordance with the provisions of appropriation acts, the board of regents is hereby authorized to make expenditures from the aviation research facility fund which is hereby established in the state treasury for the acquisition, construction, installation and equipment of the capital improvement projects authorized by this section. In accordance with the provisions of appropriation acts, the board of regents may make expenditures from the aviation research facility fund for the payment of debt service on any revenue bonds issued to finance such project. The aggregate amount of all such revenue bonds issued for such capital improvement project shall not exceed \$13,000,000, plus all amounts required for costs of bond issuance, costs of interest on any bonds issued for such capital improvement project during the period of acquisition, installation and construction, remodeling or renovation for such project and any required reserve for the payment of principal and interest on the bonds. All moneys received from the issuance of any such bonds shall be deposited and accounted for as prescribed by applicable bond covenants. Debt service for any such bonds for such capital improvement project shall be financed by appropriations from the state general fund or any appropriate special revenue fund or funds, and shall be in addition to any other amounts authorized within this act.

Senate Ways and Means
3-21-02
Attachment 2

Aviation Research Request

Investment (in millions)	FY04	FY05	FY06	FY07	Total
Fund By Bonding:					
Equipment w/life > 10 years*	\$0.0	\$0.0	\$3.0	\$3.0	\$6.0
Equipment w/life < 10 years**	\$3.0	\$2.0	\$1.0	\$1.0	\$7.0
Fund By Appropriation:					
Research Projects	\$1.0	\$2.0	\$2.0	\$2.0	\$7.0
Total	\$4.0	\$4.0	\$6.0	\$6.0	\$20.0
* - Icing and wind tunnels					
** - Crash lab, composite structures, and advanced manufacturing equipment					

Senate Ways and Means
3-21-02
Attachment 3

COMPARISON OF REGENTS' SCHOOL ENDOWMENTS

NAME OF SCHOOL	TAX YEAR 1999 ASSETS BEGINNING OF YEAR	TAX YEAR 1999 ASSETS ENDING OF YEAR	TAX YEAR 2000 ASSETS BEGINNING OF YEAR	TAX YEAR 2000 ASSETS ENDING OF YEAR
Kansas University	\$870, 788,771	\$952,401,091		
Kansas State University	\$238,178,624	\$264,251,335		
Wichita State University	\$102,714,927	\$105,257,681		
Emporia State University	\$ 34,510,532	\$ 40,377,888	\$ 40,377,888	\$ 43,487,382
Fort Hays State University	\$ 30,703,619	\$32,657,788		
Pittsburg State University	\$27,239,488	\$ 33,393,029		

SOURCE: Federal IRS Return for Organization Exempt from Income Tax under 501-C, Form 990, as Prepared and Filed by the Endowments

*Senate Ways and Means
3-21-02
Attachment 4*

\$64,990,000 Kansas Development Finance Authority Revenue Bonds
University Research and Development
 \$55m dated 01.15.03 capitalized int until FY05

SOURCES & USES

Dated 01/15/2003

Delivered 02/01/2003

SOURCES OF FUNDS

Par Amount of Bonds.....	\$64,990,000.00
Accrued Interest from 01/15/2003 to 02/01/2003.....	133,946.22

TOTAL SOURCES..... **\$65,123,946.22**

USES OF FUNDS

Total Underwriter's Discount (0.75%).....	487,425.00
Costs of Issuance.....	812,375.00
Deposit to Debt Service Fund.....	133,946.22
Deposit to Debt Service Reserve Fund (DSRF).....	5,173,790.00
Deposit to Capitalized Interest (CIF) Fund.....	3,516,088.34
Deposit to Project Construction Fund.....	55,000,000.08
Rounding Amount.....	321.58

TOTAL USES..... **\$65,123,946.22**

These projections should be used for estimation purposes only. Assumptions made for these projections are based on the best available information at the time. No representation is made that these assumptions will prevail for the proposed transaction. Changes to these assumptions may have a material impact on the proposed transaction.

Kansas Development Finance Authority
 ALJ

capitalized int until FY05- SINGLE PURPOSE
 2/12/2002 2:55 PM

*Senate Ways and means
 3-21-02
 Attachment 5*

\$64,990,000 Kansas Development Finance Authority Revenue Bonds

*University Research and Development
\$55m dated 01.15.03 capitalized int until FY05*

NET DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	DSR	CIF	PCF	Net New D/S	FISCAL TOTAL
2/01/2003	-	-	-	-	-	-	-	-	-
4/01/2003	-	-	-	-	(41,744.97)	-	-	(41,744.97)	-
6/30/2003	-	-	-	-	-	-	-	-	(41,744.97)
10/01/2003	-	-	2,143,139.56	2,143,139.56	(126,248.09)	(2,204,099.86)	(778,938.94)	(966,147.33)	-
4/01/2004	-	-	1,506,895.00	1,506,895.00	(126,248.09)	(1,525,731.19)	(384,719.84)	(529,804.12)	-
6/30/2004	-	-	-	-	-	-	-	-	(1,495,951.45)
10/01/2004	2,160,000.00	2.600%	1,506,895.00	3,666,895.00	(126,248.09)	-	(213,733.25)	3,326,913.66	-
4/01/2005	-	-	1,478,815.00	1,478,815.00	(126,248.09)	-	(47,496.36)	1,305,070.55	-
6/30/2005	-	-	-	-	-	-	-	-	4,631,984.21
10/01/2005	2,215,000.00	3.100%	1,478,815.00	3,693,815.00	(126,248.09)	-	-	3,567,566.91	-
4/01/2006	-	-	1,444,482.50	1,444,482.50	(126,248.09)	-	-	1,318,234.41	-
6/30/2006	-	-	-	-	-	-	-	-	4,885,801.32
10/01/2006	2,280,000.00	3.400%	1,444,482.50	3,724,482.50	(126,248.09)	-	-	3,598,234.41	-
4/01/2007	-	-	1,405,722.50	1,405,722.50	(126,248.09)	-	-	1,279,474.41	-
6/30/2007	-	-	-	-	-	-	-	-	4,877,708.82
10/01/2007	2,360,000.00	3.800%	1,405,722.50	3,765,722.50	(126,248.09)	-	-	3,639,474.41	-
4/01/2008	-	-	1,360,882.50	1,360,882.50	(126,248.09)	-	-	1,234,634.41	-
6/30/2008	-	-	-	-	-	-	-	-	4,874,108.82
10/01/2008	2,450,000.00	4.000%	1,360,882.50	3,810,882.50	(126,248.09)	-	-	3,684,634.41	-
4/01/2009	-	-	1,311,882.50	1,311,882.50	(126,248.09)	-	-	1,185,634.41	-
6/30/2009	-	-	-	-	-	-	-	-	4,870,268.82
10/01/2009	2,550,000.00	4.200%	1,311,882.50	3,861,882.50	(126,248.09)	-	-	3,735,634.41	-
4/01/2010	-	-	1,258,332.50	1,258,332.50	(126,248.09)	-	-	1,132,084.41	-
6/30/2010	-	-	-	-	-	-	-	-	4,867,718.82
10/01/2010	2,655,000.00	4.300%	1,258,332.50	3,913,332.50	(126,248.09)	-	-	3,787,084.41	-
4/01/2011	-	-	1,201,250.00	1,201,250.00	(126,248.09)	-	-	1,075,001.91	-
6/30/2011	-	-	-	-	-	-	-	-	4,862,086.32
10/01/2011	2,770,000.00	4.400%	1,201,250.00	3,971,250.00	(126,248.09)	-	-	3,845,001.91	-
4/01/2012	-	-	1,140,310.00	1,140,310.00	(126,248.09)	-	-	1,014,061.91	-
6/30/2012	-	-	-	-	-	-	-	-	4,859,063.82
10/01/2012	2,890,000.00	4.500%	1,140,310.00	4,030,310.00	(126,248.09)	-	-	3,904,061.91	-
4/01/2013	-	-	1,075,285.00	1,075,285.00	(126,248.09)	-	-	949,036.91	-
6/30/2013	-	-	-	-	-	-	-	-	4,853,098.82
10/01/2013	3,020,000.00	4.600%	1,075,285.00	4,095,285.00	(126,248.09)	-	-	3,969,036.91	-
4/01/2014	-	-	1,005,825.00	1,005,825.00	(126,248.09)	-	-	879,576.91	-
6/30/2014	-	-	-	-	-	-	-	-	4,848,613.82
10/01/2014	3,160,000.00	4.700%	1,005,825.00	4,165,825.00	(126,248.09)	-	-	4,039,576.91	-
4/01/2015	-	-	931,565.00	931,565.00	(126,248.09)	-	-	805,316.91	-
6/30/2015	-	-	-	-	-	-	-	-	4,844,893.82
10/01/2015	3,310,000.00	4.800%	931,565.00	4,241,565.00	(126,248.09)	-	-	4,115,316.91	-
4/01/2016	-	-	852,125.00	852,125.00	(126,248.09)	-	-	725,876.91	-
6/30/2016	-	-	-	-	-	-	-	-	4,841,193.82
10/01/2016	3,465,000.00	4.900%	852,125.00	4,317,125.00	(126,248.09)	-	-	4,190,876.91	-
4/01/2017	-	-	767,232.50	767,232.50	(126,248.09)	-	-	640,984.41	-

These projections should be used for estimation purposes only. Assumptions made for these projections are based on the best available information at the time. No representation is made that these assumptions will prevail for the proposed transaction. Changes to these assumptions may have a material impact on the proposed transaction.

\$64,990,000 Kansas Development Finance Authority Revenue Bonds

University Research and Development
\$55m dated 01.15.03 capitalized int until FY05

NET DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	DSR	CIF	PCF	Net New D/S	FISCAL TOTAL
6/30/2017	-	-	-	-	-	-	-	-	4,831,861.32
10/01/2017	3,635,000.00	5.000%	767,232.50	4,402,232.50	(126,248.09)	-	-	4,275,984.41	-
4/01/2018	-	-	676,357.50	676,357.50	(126,248.09)	-	-	550,109.41	-
6/30/2018	-	-	-	-	-	-	-	-	4,826,093.82
10/01/2018	3,820,000.00	5.100%	676,357.50	4,496,357.50	(126,248.09)	-	-	4,370,109.41	-
4/01/2019	-	-	578,947.50	578,947.50	(126,248.09)	-	-	452,699.41	-
6/30/2019	-	-	-	-	-	-	-	-	4,822,808.82
10/01/2019	4,015,000.00	5.100%	578,947.50	4,593,947.50	(126,248.09)	-	-	4,467,699.41	-
4/01/2020	-	-	476,565.00	476,565.00	(126,248.09)	-	-	350,316.91	-
6/30/2020	-	-	-	-	-	-	-	-	4,818,016.32
10/01/2020	4,220,000.00	5.200%	476,565.00	4,696,565.00	(126,248.09)	-	-	4,570,316.91	-
4/01/2021	-	-	366,845.00	366,845.00	(126,248.09)	-	-	240,596.91	-
6/30/2021	-	-	-	-	-	-	-	-	4,810,913.82
10/01/2021	4,435,000.00	5.200%	366,845.00	4,801,845.00	(126,248.09)	-	-	4,675,596.91	-
4/01/2022	-	-	251,535.00	251,535.00	(126,248.09)	-	-	125,286.91	-
6/30/2022	-	-	-	-	-	-	-	-	4,800,883.82
10/01/2022	4,670,000.00	5.200%	251,535.00	4,921,535.00	(126,248.09)	-	-	4,795,286.91	-
4/01/2023	-	-	130,115.00	130,115.00	(126,248.09)	-	-	3,866.91	-
6/30/2023	-	-	-	-	-	-	-	-	4,799,153.82
10/01/2023	4,910,000.00	5.300%	130,115.00	5,040,115.00	(5,300,038.09)	-	-	(259,923.09)	-
6/30/2024	-	-	-	-	-	-	-	-	(259,923.09)
Total	64,990,000.00	-	40,585,079.56	105,575,079.56	(10,391,706.66)	(3,729,831.05)	(1,424,888.39)	90,028,653.46	-

These projections should be used for estimation purposes only. Assumptions made for these projections are based on the best available information at the time. No representation is made that these assumptions will prevail for the proposed transaction. Changes to these assumptions may have a material impact on the proposed transaction.

\$65,135,000 Kansas Development Finance Authority Revenue Bonds
University Research and Development
 \$55m dated 01.15.04 capitalized int until FY06

SOURCES & USES

Dated 01/15/2004

Delivered 02/01/2004

SOURCES OF FUNDS

Par Amount of Bonds.....	\$65,135,000.00
Accrued Interest from 01/15/2004 to 02/01/2004.....	137,579.78
TOTAL SOURCES.....	\$65,272,579.78

USES OF FUNDS

Total Underwriter's Discount (0.750%).....	488,512.50
Costs of Issuance.....	814,187.50
Deposit to Debt Service Fund.....	137,579.78
Deposit to Debt Service Reserve Fund (DSRF).....	5,218,375.00
Deposit to Capitalized Interest (CIF) Fund.....	3,611,469.16
Deposit to Project Construction Fund.....	55,000,000.08
Rounding Amount.....	2,455.76
TOTAL USES.....	\$65,272,579.78

These projections should be used for estimation purposes only. Assumptions made for these projections are based on the best available information at the time. No representation is made that these assumptions will prevail for the proposed transaction. Changes to these assumptions may have a material impact on the proposed transaction.

Kansas Development Finance Authority
 ALJ

capitalized int until FY06- SINGLE PURPOSE
 2/12/2002 2:55 PM

\$65,135,000 Kansas Development Finance Authority Revenue Bonds
University Research and Development
\$55m dated 01.15.04 capitalized int until FY06

NET DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	DSR	CIF	PCF	Net New D/S	FISCAL TOTAL
2/01/2004	-	-	-	-	-	-	-	-	-
4/01/2004	-	-	-	-	(42,764.92)	-	-	(42,764.92)	-
6/30/2004	-	-	-	-	-	-	-	-	(42,764.92)
10/01/2004	-	-	2,201,276.44	2,201,276.44	(129,349.01)	(2,263,890.40)	(778,938.94)	(970,901.91)	-
4/01/2005	-	-	1,547,772.50	1,547,772.50	(129,349.01)	(1,567,119.66)	(384,719.84)	(533,416.01)	-
6/30/2005	-	-	-	-	-	-	-	-	(1,504,317.92)
10/01/2005	2,120,000.00	3.100%	1,547,772.50	3,667,772.50	(129,349.01)	-	(213,733.25)	3,324,690.24	-
4/01/2006	-	-	1,514,912.50	1,514,912.50	(129,349.01)	-	(47,496.36)	1,338,067.13	-
6/30/2006	-	-	-	-	-	-	-	-	4,662,757.37
10/01/2006	2,185,000.00	3.400%	1,514,912.50	3,699,912.50	(129,349.01)	-	-	3,570,563.49	-
4/01/2007	-	-	1,477,767.50	1,477,767.50	(129,349.01)	-	-	1,348,418.49	-
6/30/2007	-	-	-	-	-	-	-	-	4,918,981.98
10/01/2007	2,260,000.00	3.800%	1,477,767.50	3,737,767.50	(129,349.01)	-	-	3,608,418.49	-
4/01/2008	-	-	1,434,827.50	1,434,827.50	(129,349.01)	-	-	1,305,478.49	-
6/30/2008	-	-	-	-	-	-	-	-	4,913,896.98
10/01/2008	2,345,000.00	4.000%	1,434,827.50	3,779,827.50	(129,349.01)	-	-	3,650,478.49	-
4/01/2009	-	-	1,387,927.50	1,387,927.50	(129,349.01)	-	-	1,258,578.49	-
6/30/2009	-	-	-	-	-	-	-	-	4,909,056.98
10/01/2009	2,440,000.00	4.200%	1,387,927.50	3,827,927.50	(129,349.01)	-	-	3,698,578.49	-
4/01/2010	-	-	1,336,687.50	1,336,687.50	(129,349.01)	-	-	1,207,338.49	-
6/30/2010	-	-	-	-	-	-	-	-	4,905,916.98
10/01/2010	2,545,000.00	4.300%	1,336,687.50	3,881,687.50	(129,349.01)	-	-	3,752,338.49	-
4/01/2011	-	-	1,281,970.00	1,281,970.00	(129,349.01)	-	-	1,152,620.99	-
6/30/2011	-	-	-	-	-	-	-	-	4,904,959.48
10/01/2011	2,650,000.00	4.400%	1,281,970.00	3,931,970.00	(129,349.01)	-	-	3,802,620.99	-
4/01/2012	-	-	1,223,670.00	1,223,670.00	(129,349.01)	-	-	1,094,320.99	-
6/30/2012	-	-	-	-	-	-	-	-	4,896,941.98
10/01/2012	2,770,000.00	4.500%	1,223,670.00	3,993,670.00	(129,349.01)	-	-	3,864,320.99	-
4/01/2013	-	-	1,161,345.00	1,161,345.00	(129,349.01)	-	-	1,031,995.99	-
6/30/2013	-	-	-	-	-	-	-	-	4,896,316.98
10/01/2013	2,895,000.00	4.600%	1,161,345.00	4,056,345.00	(129,349.01)	-	-	3,926,995.99	-
4/01/2014	-	-	1,094,760.00	1,094,760.00	(129,349.01)	-	-	965,410.99	-
6/30/2014	-	-	-	-	-	-	-	-	4,892,406.98
10/01/2014	3,025,000.00	4.700%	1,094,760.00	4,119,760.00	(129,349.01)	-	-	3,990,410.99	-
4/01/2015	-	-	1,023,672.50	1,023,672.50	(129,349.01)	-	-	894,323.49	-
6/30/2015	-	-	-	-	-	-	-	-	4,884,734.48
10/01/2015	3,170,000.00	4.800%	1,023,672.50	4,193,672.50	(129,349.01)	-	-	4,064,323.49	-
4/01/2016	-	-	947,592.50	947,592.50	(129,349.01)	-	-	818,243.49	-
6/30/2016	-	-	-	-	-	-	-	-	4,882,566.98
10/01/2016	3,320,000.00	4.900%	947,592.50	4,267,592.50	(129,349.01)	-	-	4,138,243.49	-
4/01/2017	-	-	866,252.50	866,252.50	(129,349.01)	-	-	736,903.49	-
6/30/2017	-	-	-	-	-	-	-	-	4,875,146.98
10/01/2017	3,485,000.00	5.000%	866,252.50	4,351,252.50	(129,349.01)	-	-	4,221,903.49	-
4/01/2018	-	-	779,127.50	779,127.50	(129,349.01)	-	-	649,778.49	-

These projections should be used for estimation purposes only. Assumptions made for these projections are based on the best available information at the time. No representation is made that these assumptions will prevail for the proposed transaction. Changes to these assumptions may have a material impact on the proposed transaction.

\$65,135,000 Kansas Development Finance Authority Revenue Bonds
University Research and Development
 \$55m dated 01.15.04 capitalized int until FY06

NET DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total P+I	DSR	CIF	PCF	Net New D/S	FISCAL TOTAL
6/30/2018	-	-	-	-	-	-	-	-	4,871,681.98
10/01/2018	3,660,000.00	5.100%	779,127.50	4,439,127.50	(129,349.01)	-	-	4,309,778.49	-
4/01/2019	-	-	685,797.50	685,797.50	(129,349.01)	-	-	556,448.49	-
6/30/2019	-	-	-	-	-	-	-	-	4,866,226.98
10/01/2019	3,845,000.00	5.100%	685,797.50	4,530,797.50	(129,349.01)	-	-	4,401,448.49	-
4/01/2020	-	-	587,750.00	587,750.00	(129,349.01)	-	-	458,400.99	-
6/30/2020	-	-	-	-	-	-	-	-	4,859,849.48
10/01/2020	4,040,000.00	5.200%	587,750.00	4,627,750.00	(129,349.01)	-	-	4,498,400.99	-
4/01/2021	-	-	482,710.00	482,710.00	(129,349.01)	-	-	353,360.99	-
6/30/2021	-	-	-	-	-	-	-	-	4,851,761.98
10/01/2021	4,250,000.00	5.200%	482,710.00	4,732,710.00	(129,349.01)	-	-	4,603,360.99	-
4/01/2022	-	-	372,210.00	372,210.00	(129,349.01)	-	-	242,860.99	-
6/30/2022	-	-	-	-	-	-	-	-	4,846,221.98
10/01/2022	4,470,000.00	5.200%	372,210.00	4,842,210.00	(129,349.01)	-	-	4,712,860.99	-
4/01/2023	-	-	255,990.00	255,990.00	(129,349.01)	-	-	126,640.99	-
6/30/2023	-	-	-	-	-	-	-	-	4,839,501.98
10/01/2023	4,705,000.00	5.300%	255,990.00	4,960,990.00	(129,349.01)	-	-	4,831,640.99	-
4/01/2024	-	-	131,307.50	131,307.50	(129,349.01)	-	-	1,958.49	-
6/30/2024	-	-	-	-	-	-	-	-	4,833,599.48
10/01/2024	4,955,000.00	5.300%	131,307.50	5,086,307.50	(5,347,724.01)	-	-	(261,416.51)	-
6/30/2025	-	-	-	-	-	-	-	-	(261,416.51)
Total	65,135,000.00	-	41,389,376.44	106,524,376.44	(10,564,449.33)	(3,831,010.06)	(1,424,888.39)	90,704,028.66	-

These projections should be used for estimation purposes only. Assumptions made for these projections are based on the best available information at the time. No representation is made that these assumptions will prevail for the proposed transaction. Changes to these assumptions may have a material impact on the proposed transaction.

[As Amended by House Committee of the Whole]

As Amended by House Committee

Session of 2002

HOUSE BILL No. 2690

By Committee on Appropriations

1-24

PROPOSED AMENDMENTS

Senate Ways and Means
3-21-02
Attachment 6

12 AN ACT concerning the state board of regents; relating to scientific re-
13 search and development facilities for educational institutions under the
14 control and supervision of the state board of regents.

15
16 *Be it enacted by the Legislature of the State of Kansas:*

17 Section 1. Sections 1 through ~~11~~ [12] and amendments thereto shall
18 be known and may be cited as the university research and development
19 enhancement act.

20 Sec. 2. (a) The legislature of the state of Kansas hereby finds and
21 declares that:

22 (1) The performance of scientific research is essential to promote the
23 economic development of the state; and

24 (2) the needs of the citizens of the state of Kansas and of the state
25 educational institutions under the control and supervision of the board of
26 regents will be best served if the board of regents is granted specific
27 authority to assist the state educational institutions in the provision of
28 scientific research.

29 (b) The exercise of the powers authorized by this act are deemed an
30 essential governmental function in matters of public necessity for the
31 entire state in the provision of scientific research.

32 Sec. 3. As used in this act, the following words and phrases have the
33 following meanings unless a different meaning clearly appears from the
34 content:

35 (a) "Board of regents" means the state board of regents of the state
36 of Kansas established by K.S.A. 2001 Supp. 74-3202a and amendments
37 thereto.

38 (b) "Bonds" means any bonds, notes, lease certificates of participa-
39 tion or other evidences of indebtedness, whether or not the interest on
40 which is subject to federal income taxation, issued by the Kansas devel-
41 opment finance authority on behalf of the board of regents pursuant to
42 act to finance a scientific research and development facility.

43 (c) "Scientific research and development facility" means any facility,

1 authority shall not issue any bond or bonds on behalf of the corporation
 2 formed by the board of regents under this act, if the corporation is so
 3 formed. The Kansas development finance authority shall not issue bonds
 4 under this act for more than \$110,000,000, in the aggregate, plus all
 5 amounts required for costs of any bond issuance, costs of interest on any
 6 bond issued or obtained for such scientific research and development
 7 facilities and any required reserves for payment of principal and interest
 8 on any such bond.

9 (2) Except as may otherwise be expressly provided by the board of
 10 regents, every obligation of the board of regents with respect to such
 11 bonds shall be an obligation of the board of regents payable out of any
 12 revenues or moneys of the board of regents derived from annual appro-
 13 priations of the legislature. Subject only to any agreements with holders
 14 of particular bonds pledging any particular revenues, the board of regents
 15 shall use moneys derived from scientific research and development facil-
 16 ities to provide funds sufficient to pay principal and interest on any bonds
 17 issued pursuant to this act commencing ~~in the sixth calendar year follow-~~
 18 ~~ing the date of issuance of such bonds~~ [after the date a project is
 19 completed and has been accepted by the board of regents]. The
 20 legislature shall make appropriations from such revenues as furnished by
 21 the board of regents, or from any other available funds, in amounts suf-
 22 ficient to pay principal and interest on the bonds until the bonds are finally
 23 paid. [Subject to the provisions of appropriation acts, payment of
 24 principal and interest on the bonds shall be made by the state
 25 board of regents from annual appropriations by the legislature
 26 from such revenues as are furnished by the board of regents, or
 27 from any other available funds, in amounts sufficient to pay prin-
 28 cipal and interest on the bonds until the bonds are finally paid.]

29 (3) Upon acceptance by the board of regents of each project
 30 initiated and completed under this act and upon a determination
 31 by the board of regents that the period for repayment of debt for
 32 such project is to commence, the board of regents shall certify to
 33 the director of accounts and reports that principal and interest
 34 payments for such project are to commence and the dates and
 35 amounts of all principal and interest payments for such project.
 36 Pursuant to each such certification [and commencing ~~on or after~~
 37 ~~July 1, 2004~~], the director of accounts [and reports] shall transfer,
 38 from the state general [economic development initiatives] fund to
 39 the debt service fund or funds at a state educational institution as
 40 specified in the certification for such project, the amount certified
 41 or before the respective payment date therefor. Transfers shall
 42 be made under this section pursuant to any such certification on
 43 or after July 1, 2003 ~~[[2004]]~~. The aggregate of all such transfers

on or after the first day of the 61st month
 commencing after the date such project is
 completed and has been accepted by the board
 of regents

which occurs on or after the first day of the
 61st month commencing after the date such
 project is completed and has been accepted by
 the board of regents

2008



State of Kansas Department on Aging

Connie L. Hubbell, Secretary

Janis DeBoer
Deputy Secretary
New England Building
503 S. Kansas Avenue
Topeka, Kansas 66603
phone: (785) 368-6684
fax (785) 296-0256

Doug Farmer
Assistant Secretary
New England Building
503 S. Kansas Avenue
Topeka, Kansas 66603
phone: (785) 296-6295
fax (785) 296-0767

Senate Ways and Means Committee
March 21, 2002

Report on Senate Bill 644

For information contact:
Sheli Sweeney, Legislative Liaison
(785) 296-5222 or michelle@aging.state.ks.us

Senate Ways and Means
3-21-02
Attachment 7

**PRESENTATION TO THE SENATE WAYS AND MEANS COMMITTEE
BY
SECRETARY CONNIE HUBBELL
KANSAS DEPARTMENT ON AGING
March 21, 2002**

Good morning, Mr. Chairman and members of the committee. Thank you for this opportunity to present testimony regarding Senate Bill 644. I would like to speak to the amendments in the bill, in particular starting on page five of the bill, line 1, section (x) and ending on line 9. This bill has been drafted to make Kansas law consistent with the repeal of the Boren amendment. Though I will be more specific, the central theme of my testimony is to revise current state law to make it consistent with federal requirements.

I. Boren Amendment

The Boren Amendment was removed from the federal Medicaid law, 42 U.S.C. § 1396a(13)(A), in August, 1997. It was replaced with a new public notice process for Medicaid rate setting. This new public notice process requires states to: 1) publish its methodology for Medicaid rate setting, proposed rates, and justifications for the proposed rates; 2) ask for comments from providers, beneficiaries, and the public at large; and 3) publish final rates and justifications. Kansas, like all states, has followed these requirements since 1998. We have not been challenged on how the State meets the public notice requirement.

The repealed Federal Boren language stated in pertinent part “. . . which the State finds and makes assurances satisfactory to the Secretary [of HHS], are reasonable and adequate to meet the costs which must be incurred by efficiently and economically operated facilities in order to provide care and services in conformity with applicable state and federal laws . . .” Many states, including Kansas, were sued under this provision. For example, in the 1998 lawsuit filed by Americare against SRS and KDOA, and despite the fact the Boren amendment was repealed, the plaintiffs alleged, among other things, that the State’s Medicaid payments to nursing facilities were not reasonable and adequate to meet the costs incurred by efficiently and economically operated Nursing Facilities.

The present state law K.S.A. 39-708c(x)(2) contains some of the Boren language and states, “The secretary [of SRS] shall establish payment schedules . . . that are reasonable and adequate to meet the costs which must be incurred by efficiently and economically operated facilities in conformity with applicable state and federal laws . . .” By amending this statute, SRS will not be subject to a repealed federal law. This will also bring SRS’ statute in line with KDOA’s statute K.S.A. 75-5945(k) which does not contain the Boren language. By making the limited changes as suggested in SB 644, SRS’ statute will be similar to KDOA’s in terms of a Secretary’s authority to set Medicaid reimbursement rates. From a legal and business perspective, I believe it would be prudent to revise the state law so it is consistent with current federal requirements.

In addition, there is another provision in the federal Medicaid statutes at 42 U.S.C. § 1396a(a)(30)(A), which is sometimes incorrectly referred to as “baby Boren”. Fortunately, recent Courts that have addressed this provision refer to it as the “equal access” requirement.

It states in pertinent part, states shall “. . . provide such methods and procedures relating to the utilization of, and the payment for, care and services available under the [State] plan . . . as may be necessary to safeguard against unnecessary utilization of such care and services and to assure that **payments are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers** so that care and services are available under the plan at least to the extent that such care and services are available to the general population in the geographic area; . . .” (Emphasis added).

This “equal access” provision requires that payments for care and services under an approved state Medicaid Plan be consistent with efficiency, economy, quality and access to care. The current SRS statute still uses the old Boren language that requires payments to be adequate to meet the costs which must be incurred by efficiently and economically operated **facilities**. Leaving the old Boren language fragments in the SRS statute creates an unnecessary and confusing standard for the State. Federal law only requires that the **payments** be consistent with efficiency, economy, quality and access to care.

This proposed change to K.S.A. 39-708c(x) would better position the State in defending its payment rates to providers by eliminating a standard that is no longer required by federal law. There are many federal court decisions that were decided under the now repealed Boren language that are unfavorable to states. By eliminating the Boren language from the SRS statute, this would make it clear that these cases, which were decided under a now repealed standard, provide no authority, persuasive or otherwise, under Kansas law.

II. Brief summary of recent NF litigation:

A. Pending

KHCA, et al. V. Chronister et al., 93-4045-RDR (D.Kan). This lawsuit was filed in 1993 alleging the methodology the State uses to determine Medicaid reimbursement rates violated state and federal law, specifically the Boren amendment. The Judge granted a temporary injunction in 1993 and ordered SRS to pay approximately \$500,000 into an escrow account with the Court. This case has tentatively settled for \$425,000, with the balance to be returned to SRS. We are waiting for plaintiffs’ counsel to complete filing the settlement documents with the court.

B. Dismissed with prejudice on February 1, 2002:

Americare, et al v. Chronister, et al., 98 CV1017 (Shawnee County District Court). This was a putative class action alleging that the methodology used by the State violates state and federal laws. This case was not tried on the merits. All counsel for Americare and the putative class withdrew. All named plaintiffs were given adequate notice that if counsel did not appear this action would be dismissed. No counsel showed after reasonable notice was given and it was

dismissed with prejudice. Americare raised many issues in this action, in the end the only issue that survived was whether our methodology violates K.S.A. 39-708c(x).

Abilene et al. v. KDOA and SRS, 99 C 1661 (Shawnee County District Court). This case was the result of a massive administrative appeals filing in 1998 challenging the Medicaid rates effective July 1, 1998. This case made its way to District Court on purely legal matters concerning administrative exhaustion. It too was dismissed February 1, 2002 for lack of counsel. These cases essentially raised the same issues as in the Americare matter.

Mr. Chairman and members of the committee, thank you for the opportunity to discuss Senate Bill 644 with you. I will now stand for questions.