

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 20, 2003, in Room 123-S of the Capitol.

All members were present except: All present

Committee staff present:

Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Melissa Calderwood, Kansas Legislative Research Department
Becky Krahl, Kansas Legislative Research Department
Debra Hollon, Kansas Legislative Research Department
Carolyn Rampey, Kansas Legislative Research Department
Amy VanHouse, Kansas Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Assistant Revisor of Statutes
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Clark Duffy, Director, Kansas Water Office
Gary Rulon, Chief Judge, Kansas Court of Appeals

Others attending: See attached list

Bill Introduction

Senator Adkins moved, with a second by Senator Jordan, to introduce a bill regarding campaign finance; applicability to certain educational institutions (3rs0967). Motion carried on a voice vote.

Senator Adkins moved, with a second by Senator Feleciano, to introduce a conceptual bill regarding oil and gas percent of proceeds gas purchase contracts. Motion carried on a voice vote.

Chairman Morris opened public hearings on:

HB 2397—Establishing the water supply storage assurance fund
HB 2399—Authorizing the Kansas water office to borrow funds for certain purposes
HB 2400—Establishing the local water project match fund

Staff briefed the committee on the bills.

Clark Duffy, Director, Kansas Water Office, testified in support of **HB 2397**, **HB 2399** and **HB 2400** (Attachment 1). Mr. Duffy explained the following:

- **HB 2397** creates the water supply storage assurance fund
- **HB 2399** authorizes the Pooled Money Investment Board (PMIB) to loan money to the Kansas Water Office to maintain cash flow of the water marketing fund and requires payment of these monies within five years
- **HB 2400** creates the local water project match fund for receiving matching funds from local government entities and instrumentalities

There being no further conferees to come before the meeting, the Chairman closed the public hearings on **HB 2397**, **HB 2399** and **HB 2400**.

Senator Feleciano moved, with a second by Senator Adkins, to amend **HB 2397** and insert the language of **HB 2399** and **HB 2400** into **HB 2397**. Motion carried on a voice vote.

CONTINUATION SHEET

Senator Feleciano moved, with a second by Senator Adkins, to recommend **HB 2397** favorable for passage as amended. Motion carried on a roll call vote.

Copies of the Kansas Legislative Research Department Budget Analysis Report for FY 2003 and FY 2004 were distributed to the committee.

Subcommittee reports on:

Kansas Department of Health and Environment (Attachment 2)

Subcommittee Chairman Adkins reported that the Subcommittee concurs with the recommendation of the Governor with notation for FY 2003.

Subcommittee Chairman Adkins reported that the Subcommittee concurs with the recommendation of the Governor with adjustments and notations for FY 2004.

Copies of the State Water Plan Fund Expenditures (Attachment 3) and FY 2003 and FY 2004 Children's Initiatives Fund (Tobacco) (Attachment 4).

Senator Adkins moved, with a second by Senator Schodorf, to adopt the subcommittee budget report on the Kansas Department of Health and Environment for the FY 2003 and FY 2004 budget. Motion carried on a voice vote.

Chairman Morris opened the public hearing on:

SB 259—Delay of phased in increase of court of appeals to 14 judges

Staff briefed the committee on the bill.

Chief Judge Gary W. Rulon, Kansas Court of Appeals, spoke regarding **SB 259** (Attachment 5). Judge Rulon explained that the Court of Appeals concurs with the legislation.

There being no further conferees to come before the committee, the Chairman closed the public hearing on **SB 259**.

Senator Feleciano moved, with a second by Senator Jordan, to recommend **SB 259** favorable for passage. Motion carried on a roll call vote.

Subcommittee report on:

Kansas Commission on Veterans' Affairs (Attachment 6)

Subcommittee Chairman Jackson reported that the Subcommittee concurs with the recommendation of the Governor with notations for FY 2003.

Subcommittee Chairman Jackson reported that the Subcommittee concurs with the recommendation of the Governor with notations for FY 2004.

Senator Jackson moved, with a second by Senator Feleciano, a provision in the subcommittee report that the Committee on State Building Construction review any sale of land regarding Item No. 2 in FY 2004. Motion carried on a voice vote.

Senator Salmans moved, with a second by Senator Downey, to look at waiting lists and staffing levels at the Kansas Soldiers' Home in FY 2004 at Omnibus. Motion carried on a voice vote.

CONTINUATION SHEET

Senator Feleciano moved, with a second by Senator Jackson, to adopt the subcommittee report on the Kansas Commission on Veterans' Affairs for the FY 2003 and FY 2004 budget as amended. Motion carried on a voice vote.

The meeting adjourned at 11:55 a.m. The next meeting is scheduled for March 21, 2003.

Senate Ways and Means Committee
10:30 a.m., Room 123-S
March 20, 2003

Kansas Water Office
Testimony on **HB 2397, 2399 and 2400**
By Clark Duffy, Director

Mr. Chairman and members of the Senate Ways and Means Committee, I am pleased to appear before you today in support of House Bills 2397, 2399 and 2400.

The intent of these legislative proposals have been included in previous years as appropriations provisos and on February 14, 2003, this Committee also recommended including these items in the Omnibus Appropriations bill for FY2004 as appropriations provisos.

House Bill 2397 creates the water supply storage assurance fund.

Further, the language provides for transferring monies from this account for the following purposes:

- 1) Payment to the federal government for annual capital costs of water supply storage in federal reservoirs under the water assurance program;
- 2) Payment and reimbursement to the water marketing fund for water supply storage space previously paid for with revenue from the water marketing fund;
- 3) Payment to the federal government of annual operations, maintenance and repair costs associated with water supply storage space; and
- 4) Payment and reimbursement to the water marketing fund and state general fund for costs incurred by the state for administration and enforcement of the water assurance program.

The Kansas Water Office routinely conducts these transactions since the creation of the Water Assurance Program. However, in 1998 the statute that established the Water Assurance Fund was inadvertently abolished. Either this bill or an appropriations proviso is necessary for the agency to receive and expend monies in accordance with the Water Assurance Act.

House Bill 2399 authorizes the Pooled Money Investment Board (PMIB) to loan money to the Kansas Water Office to maintain cash flow of the water marketing fund and requires repayment of these monies within five years. Passage of this legislation would allow the Kansas Water Office to maintain a stable rate when unusual expenses occur. When these unusual expenses occur, it is anticipated that the actual rate increase would be less than 1 cent per thousand gallons of this law is enacted.

K.S.A. 82a-1315(c)(b)(5) was enacted in 1991 to allow the Kansas Water Office to maintain a reserve account within the Kansas Water Marketing Fund to meet any shortfall in revenue or unusual expenses. The primary objective of that statutory change in 1991 was to stabilize the annual rate charged for water so customers would

not be subjected to dramatic one-year increases in rates and so that future customers could be assured of a stable rate.

During the 1999 Legislative Session, the Kansas Legislature removed \$633,360 from the account and deposited it into the State General Fund. During that same year, the Legislature added an appropriation proviso to authorize the Kansas Water Office to borrow funds, for water marketing rate stabilization purposes, from the Pooled Money Investment Board to meet unusual expenses, including 'cash flow' needs for this program. This appropriation proviso has been included in the Kansas Water Office appropriation bill since 1999.

Either passage of this legislation or an appropriations proviso is necessary to allow the Kansas Water Office to maintain a stable rate when unusual expenses occur as was envisioned in K.S.A. 82a-1315(c)(b)(5).

House Bill 2400 creates the local water project match fund for receiving matching funds from local government entities and instrumentalities. Monies deposited in this fund would be used to leverage more federal dollars through the Federal Corps of Engineers Planning Assistance to States Program. The Kansas Water Office is the state's representative in these projects.

Each state has a maximum receipt cap of \$500,000 based on availability of funding. Recent years, this has been limited to \$250,000, in FY 2003, the KWO budgeted approximately \$160,000 and have requested \$100,000 for FY04.

The federal government can only make money available to states through the Planning Assistance to States Program. Additional federal matching funds are available for use in Kansas. Unfortunately, there are not enough state resources available to match all of the federal funds. The creation of this fund would allow the Kansas Water Office to partner with local governments to increase the amount of federal funding accessed in Kansas.

During the 2001 Legislative Session, the Legislature added an appropriations proviso creating a fund for receiving and passing through local match funds for federal cost-share programs. This proviso has been included each year.

Passage of HB 2400 or continuation of an appropriation proviso is necessary to establish a fund for receiving and passing through local match funds for federal cost-share programs.

Thank you Chairman Morris and members of the Senate Ways and Means Committee for this opportunity to address these legislative proposals. I am pleased to respond to questions that the Committee may have.

SENATE SUBCOMMITTEE REPORT

FY 2003 and FY 2004

Kansas Department of Health and Environment



Senator David Adkins, Chair



Senator Christine Downey



Senator Jean Schodorf

House Budget Committee Report

Agency: Department of Health and Environment **Bill No.** HB 2026

Bill Sec. 21

Analyst: Hollon

Analysis Pg. No. Vol. II, p. 607

Budget Page No. 173

Expenditure Summary	Agency Est. FY 03	Gov. Rec. FY 03	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 116,935,456	\$ 116,576,046	\$ 0
Aid to Local Units	41,309,509	40,658,814	0
Other Assistance	30,500,000	31,937,248	0
TOTAL	\$ 188,744,965	\$ 189,172,108	\$ 0
State General Fund:			
State Operations	\$ 18,510,639	\$ 17,667,436	\$ 0
Aid to Local Units	9,550,122	9,299,427	0
Other Assistance	0	0	0
TOTAL	\$ 28,060,761	\$ 26,966,863	\$ 0
FTE Positions	1,002.0	1,001.0	0.0
Non-FTE Unclass. Perm. Positions	70.4	67.4	0.0
TOTAL	1,072.4	1,068.4	0.0

Agency Estimate/Governor's Recommendation

The agency's estimate for FY 2003 operating expenditures of \$188,744,965 is an increase of \$12,115,140 (6.9 percent) from the approved budget. The State General Fund estimate of \$28,060,761 is an increase of \$1,098,834 (4.1 percent) due to the budget submission deadline falling prior to the November Governor's allotment on State General Fund agencies. The net increase is due mainly to the receipt of federal bioterrorism funds.

The Governor's recommendation for FY 2003 operating expenditures is \$189,172,108 which is an increase of \$12,542,283 (7.1 percent) from the approved budget. The State General Fund recommendation of \$26,966,863 is an increase of \$4,936 from the approved amount. The Governor's recommendation includes a transfer of \$10.0 million from the Underground Petroleum Storage Tank Release Trust Fund to the State General Fund and a transfer of \$1,000,000 from the Waste Tire Management Fund to the State General Fund.

The Governor's recommendation reflects the August 2002 allotment which reduced State General Fund expenditures for this agency by \$592,564 and the November 2002 allotment which reduced State General Fund expenditures by an additional \$1,098,834.

House Budget Committee Recommendations

The House Budget Committee concurs with the Governor's recommendation with the following notation:

1. The Budget Committee notes the large amount of testimony received concerning the Governor's recommendation to transfer \$10,000,000 from the Underground Petroleum Storage Tank Release Trust Fund to the State General Fund. The conferees expressed concern over the balance of this fund and the agency's continued ability to pay contractors in a timely fashion. The Budget Committee recommends continued monitoring of the balance in the fund so that adjustments in the transfer amount can be made if necessary.

House Committee Recommendation

The House Committee concurs with the Budget Committee's recommendation.

Senate Subcommittee Report

Agency: Department of Health and Environment **Bill No.** SB 30 **Bill Sec.** 21

Analyst: Hollon **Analysis Pg. No.** Vol. II, p. 607 **Budget Page No.** 173

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All Funds:			
State Operations	\$ 116,935,456	\$ 116,576,046	\$ 0
Aid to Local Units	41,309,509	40,658,814	0
Other Assistance	30,500,000	31,937,248	0
TOTAL	<u>\$ 188,744,965</u>	<u>\$ 189,172,108</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 18,510,639	\$ 17,667,436	\$ 0
Aid to Local Units	9,550,122	9,299,427	0
Other Assistance	0	0	0
TOTAL	<u>\$ 28,060,761</u>	<u>\$ 26,966,863</u>	<u>\$ 0</u>
FTE Positions	1,002.0	1,001.0	0.0
Non-FTE Unclass. Perm. Positions	70.4	67.4	0.0
TOTAL	<u>1,072.4</u>	<u>1,068.4</u>	<u>0.0</u>

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prior to the November Governor's allotment on State General Fund agencies. The net increase is due mainly to the receipt of federal bioterrorism funds.

The Governor's recommendation for FY 2003 operating expenditures is \$189,172,108 which is an increase of \$12,542,283 (7.1 percent) from the approved budget. The State General Fund recommendation of \$26,966,863 is an increase of \$4,936 from the approved amount. The Governor's recommendation includes a transfer of \$10.0 million from the Underground Petroleum Storage Tank Release Trust Fund to the State General Fund and a transfer of \$1,000,000 from the Waste Tire Management Fund to the State General Fund.

The Governor's recommendation reflects the August 2002 allotment which reduced State General Fund expenditures for this agency by \$592,564 and the November 2002 allotment which reduced State General Fund expenditures by an additional \$1,098,834.

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the Governor's recommendation with the following notation:

1. The Subcommittee acknowledges the need to replace the funding of \$120,695 reduced in the Infant Toddler Program by the Governor's November, 2002, allotment. The acceptance of the allotment in this program diminishes the state's maintenance of effort and puts over \$3,000,000 of federal funds at risk. The Subcommittee recommends that revenue be identified at Omnibus to replace the allotment.

House Budget Committee Report

Agency: Department of Health and Environment **Bill No.** HB 2444

Bill Sec. 50 and 51

Analyst: Hollon **Analysis Pg. No.** Vol. II, p. 607

Budget Page No. 173

Expenditure Summary	Agency Est. FY 04	Gov. Rec. FY 04	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 118,138,402	\$ 100,571,832	\$ 0
Aid to Local Units	35,861,307	35,308,233	(1,992,000)
Other Assistance	38,648,000	30,500,000	0
TOTAL	<u>\$ 192,647,709</u>	<u>\$ 166,380,065</u>	<u>\$ (1,992,000)</u>
State General Fund:			
State Operations	\$ 25,474,015	\$ 16,465,924	\$ 0
Aid to Local Units	9,892,667	9,759,357	(1,992,000)
Other Assistance	2,202,000	0	0
TOTAL	<u>\$ 37,568,682</u>	<u>\$ 26,225,281</u>	<u>\$ (1,992,000)</u>
FTE Positions	999.0	876.5	0.0
Non-FTE Unclass. Perm. Positions	90.8	67.8	0.0
TOTAL	<u>1,089.8</u>	<u>944.3</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The agency request for FY 2004 operating expenditures of \$192,647,709 is an increase of \$3,902,744 (2.1 percent) from the FY 2003 estimate. The State General Fund request of \$37,568,682 is an increase of \$9,507,921 (33.9 percent) from the FY 2003 estimate. The agency's request includes enhancements totaling \$18,794,704 (\$7,410,332 SGF).

The Governor's recommendation for FY 2004 operating expenditures of \$166,380,065 is a decrease of \$22,792,043 (12.0 percent) from the FY 2003 recommendation. The Governor recommends \$26,225,281 from the State General Fund which is a decrease of \$741,582 (2.7 percent) from the FY 2003 recommendation. The Governor's recommendation includes a 4.0 percent reduction package in addition to the following:

1. The nursing home regulation function is transferred from the Department of Health and Environment to the Department on Aging. The resulting affect on the KDHE budget will be a reduction of \$6,096,202 (\$568,750 SGF) and 116.0 FTE positions. Statutory changes are required to complete the transfer.
2. As a result of the above transfer, the remainder of the Health Facilities Regulation Program which is responsible for hospital and health center regulation is shifted to the Child Care Licensure Program. This shift involves

\$1,024,147 and 17.0 FTE positions. The Health Facilities Regulation Program is therefore eliminated.

- 3. The Health Promotion Program is eliminated and the functions performed by that program are shifted to the office of the Director of Health to create administrative efficiencies and savings. The resulting reductions include \$100,000 SGF.
- 4. The Governor accepts the agency's proposal to make the Center for Health and Environmental Statistics a completely fee-funded program. Currently, a portion of the fees charged to customers is transferred to the State General Fund. The proposal recommends a fee increase of \$1 as well as the authority to retain the fees. Statutory changes are required to increase the fee and allow the agency to retain those fees. The table below outlines the affect on the State General Fund.

	<u>FY 2002 Actual</u>	<u>FY 2003 Estimate</u>
Transfer to State General Fund	\$ 2,003,200	\$ 2,020,000
State General Fund Appropriations	\$ 1,842,454	\$ 1,778,122

Staff Note: The agency's proposal included a reduction in the State General Fund appropriation for the Administration Program to reflect the funding of rent costs (\$285,534) for CHES operations through the fee fund. The Governor's recommendation does not include this aspect of the proposal. As a result, the numbers in the table do not include the rent costs.

- 5. The Administrative Appeals unit in the Administration Program is eliminated. The resulting reduction is \$152,927 (\$30,585 SGF) and 2.5 FTE positions.

Under the Governor's FY 2004 **statutory budget recommendation**, the Governor's recommendation for this agency's budget would have to be reduced by an additional \$5,520,895.

House Budget Committee Recommendations

The House Budget Committee concurs with the Governor's recommendation with the following adjustments and notations:

- 1. Delete \$1,992,000 as the State General Fund portion of the Infant Toddler Program pending a review of the program's total funding at Omnibus. The Budget Committee emphasizes that the funding is only being set aside for later review and not eliminated entirely due to supplantation concerns with the federal government. The Budget Committee requests that the agency provide a report at Omnibus outlining funding received by the local service provider networks from all sources including the Department of Health and Environment, the Department of Education, the Department of Social and Rehabilitation Services, and local entities.

The Budget Committee notes the many success stories told by conferees and that many of the children who have been enrolled in the program show a decreased need for special education services when entering school. State funding for this program has remained constant over the last several years, but the number of children needing services has increased. The Budget Committee suggests that the agency explore the possibility of means testing the families or developing a sliding fee scale to provide for participation from the families in the costs of services.

In addition, the Budget Committee recommends a review at Omnibus of the potential for combining the Infant Toddler Program with the Early Head Start and Head Start programs in an effort to gain efficiencies in funding and to avoid potential duplication of services.

- 2. The Budget Committee notes the Governor’s recommendation to transfer the nursing facility regulation function from the Department of Health and Environment to the Department on Aging and that the two agencies have formed a transition team to work on the details and logistics of the transfer. The Budget Committee requests a report from this transition team prior to Omnibus in order to more clearly understand the policy implications and budgetary effects of the move before making a final decision. The Budget Committee suggests that any FTE positions involved in the transfer be designated as unclassified positions so that adjustments to staffing levels may be made in the future if necessary.

In addition, the Budget Committee notes the funding differential in the Governor’s recommendation concerning this transfer (see table below) and requests that information on the funding be included in the transition team’s report.

	<u>SGF</u>	<u>All Funds</u>
Removed from KDHE	\$ 568,750	\$ 6,069,202
Added to Dept. On Aging	\$ 1,197,965	\$ 6,848,288

- 3. The Budget Committee acknowledges the agency’s enhancement request of \$16,602,000 (\$5,612,628 SGF) to expand the Tobacco Use Prevention Program to the entire state. While the Budget Committee would not be able to recommend the entire amount requested, it would like to review the possibility of some increase at Omnibus should additional funds be available. The Budget Committee requests information from the agency at that time regarding total funding received for the program (including grants from the American Legacy Foundation) as well as measures of the effectiveness of the program.
- 4. The Budget Committee notes that the Pregnancy Maintenance Initiative Program was eliminated in the Governor’s August 2002 State General Fund allotment and recommends a review at Omnibus of potential funding sources for this program. This review should include information from the contract service providers and measures of the effectiveness of the program.

5. The Budget Committee recommends adding \$1,000,000 at Omnibus for community based primary care clinics should additional funds be available. These clinics provide access to comprehensive primary health care for uninsured and underinsured individuals throughout Kansas. State funding for this program has remained constant for several years, but demand for services has increased greatly. Any addition of funds to this program, however, would include the following requirements as to the use of those funds:
 - a. Implementation, expansion, and maintenance of access to general primary care; expansion of dental care; integration of mental health services; provision of pharmacy services; expansion of services in certain specialty areas; continuance of outreach and enabling services;
 - b. Development of new access points in high risk areas of the state; and
 - c. Purchase of equipment and development of infrastructure.
6. The Budget Committee notes that there is no funding for FY 2004 for the Funeral Assistance Program in the budget of either the Department of Health and Environment or the Department of Social and Rehabilitation Services. This program was moved from the Department of Social and Rehabilitation Services to the Department of Health and Environment by the 2002 Legislature. The Budget Committee recommends a review of the program at Omnibus to determine the appropriate agency to perform this function and to discuss potential funding sources.
7. The Budget Committee recommends a discussion at Omnibus on the possibility of transferring the regulatory and inspection function for day care and foster care from the Department of Health and Environment to the Department of Social and Rehabilitation Services to avoid potential duplication and requests information from the two agencies on this topic prior to that time. The Budget Committee suggests that any FTE positions involved in the transfer be designated as unclassified positions so that adjustments to staffing levels may be made in the future if necessary.
8. The Budget Committee acknowledges the increased challenges faced by local health departments due to the issues of homeland security and bioterrorism. The Budget Committee notes the agency's FY 2003 federal bioterrorism funding of \$11,948,606 received from the Centers for Disease Control and Prevention and the Department of Health and Human Services. The majority of these funds are forwarded to the local health departments and other local entities for emergency preparedness. The Budget Committee also notes that FY 2004 funding has not been finalized and requests an update from the agency at Omnibus on the status of that funding.
9. The Budget Committee notes the agency's enhancement request of \$37,500 SGF to cover the increased costs of criminal background checks required for employment applicants of adult care homes, home health agencies, and staffing agencies. The Kansas Bureau of Investigation is increasing fees for these record checks from \$3.75 to \$5.00 as of July 1, 2003. The Budget Committee is concerned about the potential for a delay in requesting the

information should the Department of Health and Environment be unable to pay and recommends a review of the fees at Omnibus.

10. The Budget Committee recommends that legislation be introduced to implement the Governor's recommendation for the transfer of the nursing facility regulation function and the change to make the Center for Health and Environmental Statistics completely fee-funded if that legislation has not already been introduced.

House Committee Recommendation

The House Committee concurs with the Budget Committee's recommendation with the following adjustment:

1. Adjust Item #1 above to review the entire budget of \$5,953,253 (\$1,992,000 SGF) for the Infant Toddler Program until March 17, when the House Committee deliberates the entire FY 2004 appropriations bill. The House Committee expects to receive the requested information prior to that date so that the issue can be resolved before Omnibus.

Senate Subcommittee Report

Agency: Department of Health and Environment

Bill No. 263

Bill Sec. 50 and 51

Analyst: Hollon

Analysis Pg. No. Vol. II, p. 607

Budget Page No. 173

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All Funds:			
State Operations	\$ 118,138,402	\$ 100,571,832	\$ 208,357
Aid to Local Units	35,861,307	35,308,233	0
Other Assistance	38,648,000	30,500,000	0
TOTAL	<u>\$ 192,647,709</u>	<u>\$ 166,380,065</u>	<u>\$ 208,357</u>
State General Fund:			
State Operations	\$ 25,474,015	\$ 16,465,924	\$ 0
Aid to Local Units	9,892,667	9,759,357	0
Other Assistance	2,202,000	0	0
TOTAL	<u>\$ 37,568,682</u>	<u>\$ 26,225,281</u>	<u>\$ 0</u>
FTE Positions	999.0	876.5	2.0
Non-FTE Unclass. Perm. Positions	90.8	67.8	0.0
TOTAL	<u>1,089.8</u>	<u>944.3</u>	<u>2.0</u>

Agency Estimate/Governor's Recommendation

The agency request for FY 2004 operating expenditures of \$192,647,709 is an increase of \$3,902,744 (2.1 percent) from the FY 2003 estimate. The State General Fund request of \$37,568,682 is an increase of \$9,507,921 (33.9 percent) from the FY 2003 estimate. The agency's request includes enhancements totaling \$18,794,704 (\$7,410,332 SGF).

The Governor's recommendation for FY 2004 operating expenditures of \$166,380,065 is a decrease of \$22,792,043 (12.0 percent) from the FY 2003 recommendation. The Governor recommends \$26,225,281 from the State General Fund which is a decrease of \$741,582 (2.7 percent) from the FY 2003 recommendation. The Governor's recommendation includes a 4.0 percent reduction package in addition to the following:

- The nursing home regulation function is transferred from the Department of Health and Environment to the Department on Aging. The resulting affect on the KDHE budget will be a reduction of \$6,096,202 (\$568,750 SGF) and 116.0 FTE positions. Statutory changes are required to complete the transfer.
- As a result of the above transfer, the remainder of the Health Facilities Regulation Program which is responsible for hospital and health center regulation is shifted to the Child Care Licensure Program. This shift involves \$1,024,147 and 17.0 FTE positions. The Health Facilities Regulation Program is therefore eliminated.
- The Health Promotion Program is eliminated and the functions performed by that program are shifted to the office of the Director of Health to create administrative efficiencies and savings. The resulting reductions include \$100,000 SGF.
- The Governor accepts the agency's proposal to make the Center for Health and Environmental Statistics a completely fee-funded program. Currently, a portion of the fees charged to customers is transferred to the State General Fund. The proposal recommends a fee increase of \$1 as well as the authority to retain the fees. Statutory changes are required to increase the fee and allow the agency to retain those fees. The table below outlines the affect on the State General Fund.

	<u>FY 2002 Actual</u>	<u>FY 2003 Estimate</u>
Transfer to State General Fund	\$ 2,003,200	\$ 2,020,000
State General Fund Appropriations	\$ 1,842,454	\$ 1,778,122

Staff Note: The agency's proposal included a reduction in the State General Fund appropriation for the Administration Program to reflect the funding of rent costs (\$285,534) for CHES operations through the fee fund. The Governor's recommendation does not include this aspect of the proposal. As a result, the numbers in the table do not include the rent costs.

- The Administrative Appeals unit in the Administration Program is eliminated. The resulting reduction is \$152,927 (\$30,585 SGF) and 2.5 FTE positions.

Under the Governor's FY 2004 **statutory budget recommendation**, the Governor's recommendation for this agency's budget would have to be reduced by an additional \$5,520,895.

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the Governor's recommendation with the following adjustments and notations:

1. The Subcommittee acknowledges the Governor's recommendation to transfer the nursing facility regulation function from the Department of Health and Environment to the Department on Aging and expresses concern over the potential impact of the move. The two agencies have formed a transition team to examine the logistics involved and to develop recommendations for the Governor concerning the overall feasibility and implications of the transfer. The Subcommittee encourages the parties involved to be cognizant of the need for distributing any potential impact of the transfer to both employee bases, that any adverse effects be minimized, and that early retirement packages be offered if at all possible. In addition, the Subcommittee does not support any policy which would convert all of the positions transferred from KDHE to the Department on Aging to unclassified positions. The Subcommittee requests an update from the transition team at Omnibus including an assurance from the current administration that the transfer will not impact the quality of the functions performed.
2. The Subcommittee notes a documented loss of outside funding for the agency's programs due to a lack of state match money and/or staffing. Specifically, increased resources would be available at the local level by leveraging private sponsorships for injury prevention activities. Several such statewide sponsorships have been offered to the agency during the past two years, but the agency did not have the staff to pursue the offers. In addition, the Legacy Foundation would provide a 1:1 match for every state dollar invested in tobacco use prevention. State funding for this program, however, has remained constant since the program's implementation in FY 2001 leaving Legacy Foundation dollars on the table.
3. The Subcommittee expresses concern over the impact of the July 1, 2003, increase in fees charged to this agency by the Kansas Bureau of Investigation for criminal background checks of child care and nursing facility employees. The Subcommittee notes that the recommended budget of the KBI includes the additional revenues from this fee increase, but that the recommended budget for KDHE does not include the funding to pay the increase. In addition, the KBI uses the revenues to fund a variety of operational activities, not just maintenance of the database. The Subcommittee commends the Department of Health and Environment for prioritizing budget reductions so that Aid to Local Unit expenditures in the Division of Health are held harmless. This commitment to funding for local units of government has often been made at the expense of the agency's operational budget leading to constraints in areas such as the fees for criminal background checks and agency staffing. The Subcommittee

believes that the fees should remain at the current level absent a Governor's Budget Amendment.

4. The Subcommittee adds \$134,350 from within the agency's State General Fund resources and 2.0 FTE positions to establish a State Dental Office and oral health program to assure access to preventative and treatment services. The recommendation includes the authorization for the agency to use ending balances of the Trauma Fund to cover operational costs normally funded through SGF dollars in an amount equal to the amount expended for the oral health program. Implementation of dental programs to improve utilization of preventative services, adoption of public health approaches to reducing dental disease, and strengthening of the safety net system may, over time, result in reduced Medicaid and HealthWave expenditures. The Subcommittee encourages the agency to work with professional health organizations and philanthropic groups to leverage additional funding.
5. The Subcommittee adds \$74,007 from within the agency's State General Fund resources to implement the addition of a Hepatitis B immunization to the list of those vaccines required for school entry as recommended by the Centers for Disease Control and Prevention and the American Academy of Pediatrics. Kansas is currently one of only five states in the nation in which this vaccination is not required. The recommendation includes the authorization for the agency to use ending balances of the Trauma Fund to cover operational costs normally funded through SGF dollars in an amount equal to the amount expended for the implementation.
6. The Subcommittee recommends that legislation be introduced to implement the Governor's recommendation to make the Center of Health and Environmental Statistics completely fee-funded. A bill had been introduced in the House, but failed to advance on General Orders. This bill should be given the highest priority.
7. The Subcommittee recommends that funding for the Infant Toddler Program (tiny-k) be reviewed at Omnibus. The state is federally mandated under Part C of the Individuals with Disabilities Education Act to provide services to children aged birth to three years with or at risk of developmental disabilities/delays.

The state funding level has remained constant for the last several fiscal years, but the utilization and cost of services provided have increased. As a result, the funding per child has decreased over the same time period. In addition, funding reserves utilized by the program since FY 2000 have been spent down, leaving a gap in future funding levels. The chart below outlines the funding, utilization, and funding per child since FY 1999.

	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004 Estimate</u>
Children's Initiatives Fund	\$ 0	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
State General Fund	\$ 1,992,000	\$ 1,992,000	\$ 1,992,000	\$ 1,992,000	\$ 1,871,305	\$ 1,992,000
Federal Funds	<u>\$ 2,167,609</u>	<u>\$ 2,764,859</u>	<u>\$ 3,042,831</u>	<u>\$ 3,414,224</u>	<u>\$ 3,499,633</u>	<u>\$ 3,100,000</u>
TOTAL	<u>\$ 4,159,609</u>	<u>\$ 5,256,859</u>	<u>\$ 5,534,831</u>	<u>\$ 5,906,224</u>	<u>\$ 5,870,938</u>	<u>\$ 5,592,000</u>
Children Served	3,364	3,955	4,554	5,104	5,600	6,100
Funding Per Child	\$ 1,237	\$ 1,329	\$ 1,215	\$ 1,157	\$ 1,066	\$ 917

The Subcommittee notes the many success stories told by conferees and that many of the children who have been enrolled in the program show a decreased need for special education services when entering school. A recent evaluation performed by the US Department of Education showed Kansas to have one of the premier systems in the nation. Also, the Subcommittee commends the program for its high level of customer satisfaction demonstrated by the fact that there have been no due process proceedings or litigation initiated by parents to enforce their rights under IDEA. A failure to adequately fund this program could result in such lawsuits in the future.

8. The Subcommittee notes the differences in the recommendations made by the Children's Cabinet in the distribution of the Children's Initiatives Fund and the Governor's recommendation for those funds. The Children's Cabinet was created to "advise the governor and the legislature regarding the uses of the moneys credited to the children's initiatives fund." (KSA 38-2103) The recommendations of the Children's Cabinet, emphasizing programs that are data-driven and outcomes-based, have been repeatedly ignored. In addition, the moneys from the Children's Initiatives Fund are to be used to supplement funding for programs beneficial to children, not supplant State General Fund dollars for those programs. This supplantation appears to be the case in several programs in the Governor's recommendation over the past several years.

9. The Subcommittee notes that the Funeral Assistance Program, which was moved from the Department of Social and Rehabilitation Services to the Department of Health and Environment by the 2002 Legislature, is not funded in either agency's budget in FY 2004. Without funding, the expenses associated with burying deceased indigent individuals would fall to the counties. The Subcommittee requests a Governor's budget amendment to fund the program or, in its absence, requests that the full Ways and Means Committee identify a source of funding at Omnibus for the \$470,000 needed to continue funding the program at current levels.

10. The Subcommittee expresses grave concern over the current licensing surveyor staffing levels in the Child Care Licensure Program. The National Association for Regulatory Administration and the National Association for the Education of Young Children both recommend one licensing surveyor for every 75 child care facilities. The current rate in Kansas is one licensing surveyor for every 161 child care facilities. The Subcommittee finds this rate unacceptable and recommends increased funding at Omnibus should additional resources be available. In addition, The Subcommittee recommends a Legislative Post Audit to follow-up on the 1998 report on staffing levels with the intention that a closer examination will result in increased resources for the program or at least a consideration of the risks involved in not increasing those resources.

State Water Plan Fund Expenditures

Expenditures	Actual	Agency Est.	Gov. Rec.	Agency Req.	KWA Rec.	Gov. Rec.
Agency/Program	FY 2002	FY 2003	FY 2003	FY 2004	FY 2004	FY 2004
<i>State Conservation Commission</i>						
Aid to Conservation Districts	1,038,000	1,042,500	1,042,500	1,043,000	1,043,000	1,043,000
Watershed Dam Construction	794,552	677,451	677,451	705,000	705,000	352,500
Water Resources Cost Share	4,663,555	4,272,562	4,196,754	4,200,000	4,089,364	3,548,216
Multipurpose Small Lakes	230,000	-	-	1,412,548	200,000	-
Nonpoint Source Pollution Asst.	3,110,090	3,200,000	3,055,000	3,300,000	3,219,884	2,800,000
Riparian and Wetland Program	246,317	310,000	310,000	250,000	250,000	250,000
Water Quality Buffer Initiative	144,288	347,971	347,971	386,134	386,134	307,471
Water Rights Purchase	-	131,923	-	69,433	69,433	-
Total—Conservation Commission	\$ 10,226,802	\$ 9,982,407	\$ 9,629,676	\$ 11,366,115	\$ 9,962,815	\$ 8,301,187
<i>Kansas Water Office</i>						
Assessment and Evaluation	198,253	207,000	207,000	216,124	216,124	213,547
Federal Cost-Share Programs	250,000	160,285	160,285	100,000	100,000	100,000
GIS Data Access and Support Center	143,774	76,824	76,824	-	-	-
GIS Data Base Development	250,000	140,000	140,000	250,000	250,000	250,000
MOU - Storage Operations and Maintenance	438,795	390,715	390,715	419,385	419,385	419,385
Ogallala Aquifer Institute	45,000	40,000	40,000	40,000	40,000	40,000
PMIB Loan Payment for Storage	261,095	259,027	259,027	263,110	263,110	263,110
Public Information	28,592	35,000	35,000	35,000	35,000	35,000
Stream Gauging Program	412,946	353,180	353,180	367,331	367,331	353,203
Technical Assistance to Water Users	434,528	392,668	392,668	437,000	437,000	339,737
Water Planning Process	55,466	154,077	154,077	165,000	165,000	154,077
Water Resource Education	60,000	55,000	55,000	60,000	60,000	55,000
Weather Modification	176,500	100,119	100,119	9,000	9,000	9,000
Kansas Water Authority	-	22,101	22,101	25,000	25,000	25,000
Total—Kansas Water Office	\$ 2,754,949	\$ 2,385,996	\$ 2,385,996	\$ 2,386,950	\$ 2,386,950	\$ 2,257,059
<i>Department of Wildlife and Parks</i>						
River Recreation	-	-	-	100,000	-	-
Stream (Biological) Monitoring	49,979	50,000	50,000	50,000	50,000	40,000
Total—Department of Wildlife and Parks	\$ 49,979	\$ 50,000	\$ 50,000	\$ 150,000	\$ 50,000	\$ 40,000
<i>Department of Agriculture</i>						
Floodplain Management	128,396	64,185	64,185	135,836	135,836	65,836
Interstate Water Issues	274,269	241,423	241,423	240,076	240,076	240,076
Subbasin Water Resources Management	548,918	556,352	556,352	585,517	585,517	483,538
Water Appropriations Subprogram	-	71,028	71,028	74,420	74,420	74,420
Water Use	-	10,000	10,000	60,000	60,000	60,000
Total—Department of Agriculture	\$ 951,583	\$ 942,988	\$ 942,988	\$ 1,095,849	\$ 1,095,849	\$ 923,870
<i>Department of Health and Environment</i>						
Assessment of Sediment Quality	50,000	-	-	-	-	-
Contamination Remediation	1,397,335	1,216,831	1,200,624	1,400,001	1,300,000	1,060,434
Local Environmental Protection Program	1,789,764	1,630,236	1,630,236	1,800,000	1,800,000	1,630,236
Nonpoint Source Program	408,208	457,328	457,328	472,776	472,777	387,939
TMDL Initiatives	401,396	346,224	346,224	346,224	346,224	346,224
Total—Department of Health and Environment	\$ 4,046,703	\$ 3,650,619	\$ 3,634,412	\$ 4,019,001	\$ 3,919,001	\$ 3,424,833
<i>KCC—Well Plugging</i>	\$ 400,000	\$ -	\$ -	\$ 400,000	\$ 400,000	\$ -
<i>University of Kansas—Geological Survey</i>	\$ 50,001	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 40,000
Total Water Plan Expenditures	\$ 18,480,017	\$ 17,057,010	\$ 16,688,072	\$ 19,462,915	\$ 17,859,615	\$ 14,986,949
State Water Plan Resource Est.	Actual	Agency Est.	Gov. Rec.	Agency Req.	KWA Rec.	Gov. Rec.
	FY 2002	FY 2003	FY 2003	FY 2004	FY 2004	FY 2004
Beginning Balance	\$ 2,550,678	\$ 1,666,000	\$ 1,666,000	\$ (368,938)	\$ -	\$ -
Adjustments						
Prior Year Recovery	756,611	679,124	679,124	-	-	-
Transfer to State General Fund	(250,000)	-	-	-	-	-
Revenues						
State General Fund Transfer	5,981,400	3,773,948	3,773,948	6,000,000	6,000,000	3,773,949
Economic Development Fund Transfer	2,000,000	1,900,000	1,900,000	2,000,000	2,000,000	1,900,000
Municipal Water Fees	3,496,901	3,000,000	3,000,000	3,500,000	3,500,000	3,500,000
Industrial Water Fees	1,178,943	1,180,000	1,180,000	1,190,000	1,190,000	1,190,000
Stock Water Fees	315,742	315,000	315,000	315,000	315,000	315,000
Pesticide Registration Fees	912,700	920,000	920,000	920,000	920,000	920,000
Fertilizer Registration Fees	2,937,721	2,800,000	2,800,000	2,940,000	2,940,000	2,940,000
Pollution Fines and Penalties	-	70,000	70,000	75,000	75,000	75,000
Sand Royalty Receipts	265,321	384,000	384,000	373,000	373,000	373,000
Total Receipts	\$ 17,088,728	\$ 14,342,948	\$ 14,342,948	\$ 17,313,000	\$ 17,313,000	\$ 14,986,949
Total Available	\$ 20,146,017	\$ 16,688,072	\$ 16,688,072	\$ 16,944,062	\$ 17,313,000	\$ 14,986,949
Less Expenditures	18,480,017	17,057,010	16,688,072	19,462,915	17,859,615	14,986,949
Ending Balance	\$ 1,666,000	\$ (368,938)	\$ -	\$ (2,518,853)	\$ (546,615)	\$ -

Senate Ways and Means
3-20-03
Attachment 3
12:42 PM 2/7/2003

**FY 2003 - 2004
Children's Initiatives Fund
(Tobacco)**

Governor's Recommendation

<u>Agency/Program</u>	<u>Actual FY 2002</u>	<u>Gov. Rec. FY 2003</u>	<u>Children's Cabinet Recommendation FY 2004</u>	<u>Gov. Rec. FY 2004</u>
State Library				
Community Access Network	0	\$0	\$0	0
Subtotal - Misc.	\$0	\$0	\$0	\$0
Department of Health and Environment				
Healthy Start/Home Visitor	250,000	\$250,000	\$250,000	250,000
Infants and Toddlers Program	500,000	\$500,000	\$750,000	500,000
Smoking Cessation/Prevention Program Grants	500,000	\$500,000	\$1,225,000	500,000
Subtotal - KDHE	\$1,250,000	\$1,250,000	\$2,225,000	\$1,250,000
Juvenile Justice Authority				
Juvenile Prevention Program Grants	6,000,000	\$6,000,000	\$6,000,000	5,414,487
Juvenile Graduated Sanctions Grants	2,000,000	\$2,000,000	\$0	3,585,513
Subtotal - JJA	\$8,000,000	\$8,000,000	\$6,000,000	\$9,000,000
Department of Social and Rehabilitation Services				
Children's Mental Health Initiative	1,800,000	\$1,800,000	\$1,800,000	1,800,000
Family Centered System of Care	4,980,000	\$5,000,000	\$5,000,000	5,000,000
Therapeutic Preschool	1,000,000	\$1,000,000	\$1,000,000	1,000,000
Community Services - Child Welfare	2,600,000	\$3,056,219	\$2,600,000	3,106,230
Child Care Services	1,400,000	\$1,400,000	\$0	1,400,000
Children's Cabinet Accountability Fund	550,000	\$550,000	\$1,500,000	550,000
HealthWave	1,413,374	\$1,000,000	\$0	2,000,000
Smart Start Kansas - Children's Cabinet	3,000,000	\$3,000,000	\$6,000,000	4,300,000
Children's Medicaid Increases	3,000,000	\$3,000,000	\$0	3,000,000
Immunization outreach	0	\$500,000	\$0	500,000
Family Preservation	0	\$2,293,781	\$0	2,243,770
Grants to CMHC's to develop childrens programs	0	\$2,000,000	\$0	2,000,000
School Violence Prevention	0	\$228,000	\$0	228,000
Experimental wrap-around services	0	\$0	\$228,000	0
Subtotal - SRS	\$19,743,374	\$24,828,000	\$18,128,000	\$27,128,000
Department of Education				
Parent Education	2,499,990	\$2,500,000	\$2,500,000	2,500,000
Four-Year -Old At-Risk Programs	4,500,000	\$4,500,000	\$4,500,000	4,500,000
School Violence Prevention	474,392	\$0	\$0	0
Vision Research	300,000	\$300,000	\$400,000	300,000
Communities in Schools	0	\$0	\$0	0
Mentoring Program Grants	0	\$0	\$0	0
Reading Recovery	0	\$0	\$0	0
Special Education	0	\$1,225,000	\$0	0
General Aid*	0	\$0	\$0	1,225,000
Subtotal - Dept. of Ed.	\$7,774,382	\$8,525,000	\$7,400,000	\$8,525,000
University of Kansas Medical Center				
Tele-Kid Health Care Link	250,000	\$235,724	\$250,000	250,000
Pediatric Biomedical Research*	1,000,000	\$2,000,000	\$1,000,000	0
Subtotal - KU Medical Center	\$1,250,000	\$2,235,724	\$1,250,000	\$250,000
Transfer to State General Fund	\$0	\$3,873,144	\$0	\$0
TOTAL	\$38,017,756	48,711,868	35,003,000	46,153,000

Resource Estimate

	<u>Actual FY 2002</u>	<u>Gov. Rec. FY 2003</u>	<u>Children's Cabinet Recommendation FY 2004</u>	<u>Gov. Rec. FY 2004</u>
Beginning Balance	\$1,775,242	\$3,757,486	\$45,618	45,618
KEY Fund Transfer	40,000,000	45,000,000	46,125,000	46,125,000
Total Available	\$41,775,242	\$48,757,486	\$46,170,618	46,170,618
Less: Expenditures and Transfers	\$38,017,756	\$48,711,868	\$35,003,000	46,153,000
ENDING BALANCE	\$3,757,486	\$45,618	\$11,167,618	17,618

* The special education funding from FY 2003 is included in General Aid for FY 2004, reflecting a shift in accounting procedures.

*Senate Ways and Means
3-20-03
Attachment 4*

SB 259



KANSAS COURT OF APPEALS

GARY W. RULON
CHIEF JUDGE

301 WEST TENTH
TOPEKA, KANSAS 66612-1507

(785) 296-6184
FAX: (785) 296-7079

March 20, 2003

TESTIMONY OF
CHIEF JUDGE GARY W. RULON
OF THE
KANSAS COURT OF APPEALS


In light of the severe budget problems facing the State, our Court does not oppose HB 2418, amending K.S.A. 2002 Supp. 20-3002(a) to postpone funding for three additional Court of Appeals judges.

Senate Ways and Means
3-20-03
Attachment 5

Senate Subcommittee

FY 2003 and FY 2004

Kansas Commission on Veterans' Affairs



Senator Dave Jackson, Chair



Senator Paul Feleciano, Jr.

House Budget Committee Report

Agency: Kansas Commission on Veterans' Affairs **Bill No.** 2026

Bill Sec. --

Analyst: VanHouse

Analysis Pg. No. Vol. 1 - 590

Budget Page No. 438

Expenditure Summary	Agency Estimate FY 2003	Governor's Recommendation FY 2003	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 13,736,268	\$ 12,856,749	\$ 0
Aid to Local Units	0	0	0
Other Assistance	338	338	0
Subtotal – Operating	13,736,606	12,857,087	0
Capital Improvements	8,289,233	9,276,733	0
TOTAL	\$ 23,025,839	\$ 22,133,820	\$ 0
State General Fund:			
State Operations	\$ 4,968,490	\$ 4,296,134	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal – Operating	4,968,490	42,961,374	0
Capital Improvements	0	0	0
TOTAL	\$ 4,968,490	\$ 4,296,134	\$ 0
FTE Positions	558.8	558.8	0.0
Non FTE Uncl. Perm. Pos.	4.5	4.5	0.0
TOTAL	563.3	563.3	0.0

Agency Estimate/Governor's Recommendation

The Kansas Commission on Veterans' Affairs estimates \$13,736,606 for FY 2003 operating expenditures which is a decrease of \$564,545 (3.9 percent) from the amount approved by the 2002 Legislature. The amount includes \$4,968,490 from the State General Fund, which is an increase of \$187,994 (3.9 percent) from the approved amount and \$8,768,116 from all other funds, which is a decrease of \$752,539 (7.9 percent) from the approved amount. The estimate includes \$10,911,749 for salaries and wages to fund 558.8 FTE positions. The estimate also includes \$1,733,511 in contractual services, \$1,018,706 in commodities, and \$72,302 in capital outlay. The estimate includes the Governor's August 15, 2002 allotment (reduction) of \$93,454 from the State General Fund.

The Governor recommends \$12,857,087 for FY 2003 operating expenditures which is a decrease of \$1,444,064 (10.1 percent) from the amount approved by the 2002 Legislature. The amount includes \$4,296,134 from the State General Fund, which is a decrease of \$484,362 (10.1

percent) from the approved amount and \$8,560,953 from all other funds, which is a decrease of \$959,702 (10.1 percent) from the approved amount. The recommendation includes \$10,032,230 for salaries and wages to fund 558.8 FTE positions. The recommendation also includes \$1,733,511 in contractual services, \$1,018,706 in commodities, and \$72,302 in capital outlay. The recommendation includes the Governor's allotments (reductions) totaling \$268,543 with \$93,454 from August and \$175,089 from November.

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation.

House Committee Recommendation

The House Committee concurs with the Budget Committee's recommendation.

House Committee of the Whole Recommendation

The House Committee of the Whole has not yet considered this budget.

Senate Subcommittee Report

Agency: Kansas Commission on Veterans' Affairs **Bill No. 62**

Bill Sec. 18

Analyst: VanHouse

Analysis Pg. No. Vol. 1-590

Budget Page No. 438

Expenditure Summary	Agency Estimate FY 2003	Governor's Recommendation FY 2003	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 13,736,268	\$ 12,856,749	\$ 0
Aid to Local Units	0	0	0
Other Assistance	338	338	0
Subtotal – Operating	\$ 13,736,606	\$ 12,857,087	\$ 0
Capital Improvements	8,289,233	9,276,733	0
TOTAL	\$ 23,025,839	\$ 22,133,820	\$ 0
State General Fund:			
State Operations	\$ 4,968,490	\$ 4,296,134	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal – Operating	\$ 4,968,490	\$ 4,296,134	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 4,968,490	\$ 4,296,134	\$ 0
FTE Positions	558.8	558.8	0.0
Non FTE Uncl. Perm. Pos.	4.5	4.5	0.0
TOTAL	563.3	563.3	0.0

Agency Estimate/Governor's Recommendation

The Kansas Commission on Veterans' Affairs estimates \$13,736,606 for FY 2003 operating expenditures which is a decrease of \$564,545 (3.9 percent) from the amount approved by the 2002 Legislature. The amount includes \$4,968,490 from the State General Fund, which is an increase of \$187,994 (3.9 percent) from the approved amount and \$8,768,116 from all other funds, which is a decrease of \$752,539 (7.9 percent) from the approved amount. The estimate includes \$10,911,749 for salaries and wages to fund 558.8 FTE positions. The estimate also includes \$1,733,511 in contractual services, \$1,018,706 in commodities, and \$72,302 in capital outlay. The estimate includes the Governor's August 15, 2002 allotment (reduction) of \$93,454 from the State General Fund.

The Governor recommends \$12,857,087 for FY 2003 operating expenditures which is a decrease of \$1,444,064 (10.1 percent) from the amount approved by the 2002 Legislature. The amount includes \$4,296,134 from the State General Fund, which is a decrease of \$484,362 (10.1 percent) from the approved amount and \$8,560,953 from all other funds, which is a decrease of \$959,702 (10.1 percent) from the approved amount. The recommendation includes \$10,032,230 for salaries and wages to fund 558.8 FTE positions. The recommendation also includes \$1,733,511 in contractual services, \$1,018,706 in commodities, and \$72,302 in capital outlay. The recommendation includes the Governor's allotments (reductions) totaling \$268,543 with \$93,454 from August and \$175,089 from November.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation with the following notations:

1. The Subcommittee notes that the 2002 Legislature approved a \$70,980 appropriation from the State General Fund to avoid closure of two Veterans' Service Offices. However, this appropriation was inadvertently excluded from the 2002 Omnibus Appropriations Bill. The Subcommittee requests a Governor's Budget Amendment to correct this error.
2. The Subcommittee notes that the Kansas Soldiers' Home currently has a 18.6 percent shrinkage rate. The Home is currently keeping 20 beds and 25 positions open to meet this rate. The agency reported that the 20 beds could be filled if the shrinkage rate was lowered to 12.5 percent. For the last quarter of FY 2003, funding of \$74,000 would be required to meet this rate.

According to the agency, this is an inordinately high shrinkage rate that no other state health care institution has been asked to manage. The result of this high shrinkage rate is vacant health care positions which create empty beds unoccupied by needful Kansas veterans.

Empty beds results in the loss of both federal per diem payments and the loss of payments for care by residents who pay on an available income basis. Currently, the federal Veterans Administration (VA) provides 50 percent of the daily cost of care for a veteran at the Home. The veteran provides about 22 percent of the daily care, with the state providing the remaining 28 percent. The loss of the state's share of funding (\$25 per day for nursing home care and \$11 per day in assisted living), results in a loss of \$50 per day in nursing home care and \$19 per day for assisted living from federal per diem payments. Further, each veteran contributes \$22 per day for nursing home care or \$11 per day for assisted living. By keeping beds vacant, the funding from the federal VA is lost and the state is denying services to needful Kansas veterans who have borne the battle for freedom.

House Budget Committee Report

Agency: Kansas Commission on Veterans' Affairs **Bill No. --**

Bill Sec. --

Analyst: VanHouse

Analysis Pg. No. Vol. 1 - 590

Budget Page No. 438

Expenditure Summary	Agency Request FY 2004	Governor's Recommendation FY 2004	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 13,862,354	\$ 13,191,379	\$ 0
Aid to Local Units	0	0	0
Other Assistance	338	338	0
Subtotal – Operating	\$ 13,862,692	\$ 13,191,717	\$ 0
Capital Improvements	10,475,170	7,266,640	0
TOTAL	\$ 24,337,862	\$ 20,458,357	\$ 0
 State General Fund:			
State Operations	\$ 5,698,579	\$ 4,723,604	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal – Operating	\$ 5,698,579	\$ 4,723,604	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 5,698,579	\$ 4,723,604	\$ 0
 FTE Positions			
FTE Positions	559.8	558.8	0.0
Non FTE Uncl. Perm. Pos.	4.5	4.5	0.0
TOTAL	564.3	563.3	0.0

Agency Request/Governor's Recommendation

The Kansas Commission on Veterans' Affairs requests \$24,337,862 for FY 2004 operating expenditures which is an increase of \$126,086 (0.9 percent) from the FY 2003 estimate. The request includes \$5,698,579 from the State General Fund, which is an increase of \$730,089 (14.7 percent), and \$8,164,113 from all other funds, which is a decrease of \$604,003 (6.9 percent) from the FY 2003 estimate. The request includes \$10,949,766 for salaries and wages to fund 559.8 FTE positions. The request also includes \$1,776,655 in contractual services, \$1,063,631 in commodities, \$72,302 in capital outlay, and \$338 in other assistance. The request includes an enhancement package totaling \$685,392 from the State General Fund.

The Governor recommends \$13,191,717 for FY 2004 operating expenditures which is an increase of \$334,630 (2.6 percent) FY 2003 recommendation. The recommendation includes \$4,723,604 from the State General Fund, which is an increase of \$427,470 (10.0 percent) from the FY 2003 recommendation, and \$8,468,113 from all other funds, which is a decrease of \$92,840 (1.1 percent) from the FY 2003 recommendation. The recommendation includes \$10,419,275 for salaries

and wages to 558.8 FTE positions. The recommendation also includes \$1,629,149 in contractual services, \$1,030,653 in commodities, \$112,302 in capital outlay, and \$338 in other assistance. Included in the recommendation is a reduced resources package from the State General Fund of \$289,583. Under the Governor's FY 2004 **statutory budget recommendation**, the Governor's recommendation for this agency's budget would have to be reduced by an additional \$994,404.

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation with the following notation:

1. The Budget Committee heard testimony regarding the proposed purchase of Kansas Soldier's Home land by Aquila Energy Resources. According to the agency, Aquila indicated that a coal or gas fired simple cycle or combined cycle power plant may be constructed on the property. In addition, the company may need to construct extensive railroad facilities near the Home. Due to concerns of a loss of the buffer zone to adjacent lands; possible noise, air, and ground water pollution; and loss of state control over water resources and mineral rights the Commission recommended to the Secretary of Administration that the offer be declined. The agency reported that the executive director had written a lengthy letter to Aquila explaining the Commission's position on the proposed sale of land. The Budget Committee directs the agency to provide a copy of the letter to the Committee by Omnibus.
2. The Budget Committee expresses concern about the staffing at the Kansas Soldiers' Home, and recommends review of this issue during Omnibus.

House Committee Recommendation

The House Committee concurs with the Budget Committee's recommendation.

House Committee of the Whole Recommendation

The House Committee of the Whole has not yet considered this budget.

Senate Subcommittee Report

Agency: Kansas Commission on Veterans' Affairs **Bill No. --**

Bill Sec. --

Analyst: VanHouse

Analysis Pg. No. Vol. 1-590

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Expenditure Summary	Agency Request FY 2004	Governor's Recommendation FY 2004	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 13,862,354	\$ 13,191,379	\$ 0
Aid to Local Units	0	0	0
Other Assistance	338	338	0
Subtotal – Operating	\$ 13,862,692	\$ 13,191,717	\$ 0
Capital Improvements	10,475,170	7,266,640	0
TOTAL	\$ 24,337,862	\$ 20,458,357	\$ 0
State General Fund:			
State Operations	\$ 5,698,579	\$ 4,723,604	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal – Operating	\$ 5,698,579	\$ 4,723,604	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 5,698,579	\$ 4,723,604	\$ 0
FTE Positions	559.8	558.8	0.0
Non FTE Uncl. Perm. Pos.	4.5	4.5	0.0
TOTAL	564.3	563.3	0.0

Agency Request/Governor's Recommendation

The Kansas Commission on Veterans' Affairs requests \$24,337,862 for FY 2004 operating expenditures which is an increase of \$126,086 (0.9 percent) from the FY 2003 estimate. The request includes \$5,698,579 from the State General Fund, which is an increase of \$730,089 (14.7 percent), and \$8,164,113 from all other funds, which is a decrease of \$604,003 (6.9 percent) from the FY 2003 estimate. The request includes \$10,949,766 for salaries and wages to fund 559.8 FTE positions. The request also includes \$1,776,655 in contractual services, \$1,063,631 in commodities, \$72,302 in capital outlay, and \$338 in other assistance. The request includes an enhancement package totaling \$685,392 from the State General Fund.

The Governor recommends \$13,191,717 for FY 2004 operating expenditures which is an increase of \$334,630 (2.6 percent) FY 2003 recommendation. The recommendation includes \$4,723,604 from the State General Fund, which is an increase of \$427,470 (10.0 percent) from the

FY 2003 recommendation, and \$8,468,113 from all other funds, which is a decrease of \$92,840 (1.1 percent) from the FY 2003 recommendation. The recommendation includes \$10,419,275 for salaries and wages to 558.8 FTE positions. The recommendation also includes \$1,629,149 in contractual services, \$1,030,653 in commodities, \$112,302 in capital outlay, and \$338 in other assistance. Included in the recommendation is a reduced resources package from the State General Fund of \$289,583. Under the Governor's FY 2004 **statutory budget recommendation**, the Governor's recommendation for this agency's budget would have to be reduced by an additional \$994,404.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation with the following notations:

1. The Subcommittee notes that the budgeted shrinkage rate for the Kansas Soldiers' Home is 21.5 percent. The Home is currently keeping 20 beds and 25 positions open to meet their shrinkage rate. The agency reported that the 20 beds could be filled if the shrinkage rate was lowered to 12.5 percent. For FY 2004, funding of \$442,108 would be required to meet this rate.

According to the agency, this is an inordinately high shrinkage rate that no other state health care institution has been asked to manage. The result of this high shrinkage rate is vacant health care positions which create empty beds unoccupied by needful Kansas veterans.

Empty beds result in the loss of both federal per diem payments and the loss of payments for care by residents who pay on an available income basis. Currently, the federal Veterans Administration (VA) provides 50 percent of the daily cost of care for a veteran at the Home. The veteran provides about 22 percent of the daily care, with the state providing the remaining 28 percent. The loss of the state's share of funding (\$25 per day for nursing home care and \$11 per day in assisted living), results in a loss of \$50 per day in nursing home care and \$19 per day for assisted living from federal per diem payments. Further, each veteran contributes \$22 per day for nursing home care or \$11 per day for assisted living, which is also lost with empty beds. By keeping beds vacant, the funding from the federal VA is lost and the state is denying services to needful Kansas veterans who have borne the battle for freedom. Traditional nursing home care with medicaid is a more costly option for the state to provide these services.

2. The Subcommittee heard testimony regarding the proposed purchase of Kansas Soldier's Home land of 168 acres by Aquila Energy Resources. According to the agency, Aquila indicated that a coal or gas fired simple cycle or combined cycle power plant may be constructed on the property. In addition, the company may construct a single railyard with turnaround for coal car storage and redirection. The land also contains water rights and a well the agency is not currently using due to high nitrate levels in the water. With the water rights, the Subcommittee feels that the land may be worth up to \$5,000 per acre or \$840,000 less selling costs. These revenues could be used to offset other financial difficulties experienced by the agency. Because of the buffering area already existing between the facility and this acreage and because of the low frequency and speed of any railroad activity the Subcommittee recommends legislation

authorizing the sale of the proposed land with the proceeds to be used first to eliminate the negative fee fund balance at the Kansas Soldiers' Home and second to reduce the shrinkage rate to 12.5 percent in order to provide the care for Kansas Veterans.

- The Subcommittee notes that the Governor's recommendation includes increased expenditures of \$304,000 from the Veterans' Home Fee Fund and a transfer of \$150,000 SGF from the veterans services allocation for the opening of the first floor of Triplett Hall.

According to the agency, this may result in cash flow difficulties in this fund in the near future because of federal requirements that the full staff be hired and trained prior to acceptance of the first patient. Further, there is a 45 day delay in receipt of the federal portion of per diem costs, exacerbating the cash flow problem. The agency reports that cost estimates to open the first floor of Triplett Hall on October 1, 2003 is \$1,416,832. This amount will be partially offset by federal VA per diem payments of \$296,114 and resident fees of \$402,556, totaling \$698,670 in revenue.

The Governor recommends the opening of the first floor of Triplett Hall and, including the opening, shows an ending balance of \$370,281 in the Veterans' Home Fee Fund. With efficient management, the Governor shows that the Hall can be opened with the resources provided in the recommendation.

Kansas Veterans' Home Fee Fund

Resource Estimate	Actual FY 2002	Agency Estimate FY 2003	Gov. Rec. FY 2003	Agency Request FY 2004	Gov. Rec. FY 2004
Beginning Balance	\$ 545,690	\$ 382,957	\$ 382,957	\$ 0	\$ 215,663
Net Receipts	3,619,025	4,306,058	4,306,058	4,306,058	4,610,058
Total Funds Available	\$ 4,164,715	\$ 4,689,015	\$ 4,689,015	\$ 4,306,058	\$ 4,825,721
Less: Expenditures	3,781,758	4,689,015	4,473,352	4,172,440	4,455,440
Ending Balance	\$ 382,957	\$ 0	\$ 215,663	\$ 133,618	\$ 370,281
Ending Balance as Percentage of Expend.	10.1%	0.0%	4.8%	3.2%	8.3%

Note: Agency estimate does not include the opening of Triplett Hall.

- The Subcommittee heard testimony from the Kansas Veterans' Home that some employees meet the income qualifications for HealthWave; however, they are ineligible for enrollment in the program because they qualify for enrollment in the state employee health insurance plan. HealthWave is considerably less costly to enrollees than the state employee health insurance plan. The Home reported that in some instances this created barriers in hiring for certain positions. The Subcommittee notes that 2002 Senate Bill 151 allowed eligible state employees to enroll in HealthWave. This bill passed in the Senate by a vote of 37 to 3, but was rejected by the House. The Subcommittee recommends further consideration of this issue by the Committee on Ways and Means including the consideration of legislation similar to 2000 SB 151.

5. The Subcommittee heard an update on the cemetery program. The agency is utilizing inmate labor as much as possible to maintain the cemeteries in order to keep FTE staffing at a minimum. The agency reported that the federal Veterans' Administration pays \$300 for burial of war-time veterans; however, the agency does not receive reimbursement for burial of non war-time veterans.
6. The Subcommittee notes that, without the requested funding four of the 14 service offices will be closed. It is recommended that, in view of the funding shortages, offices be located in rent free facilities such as armories wherever possible to reduce expenditures.
7. The Subcommittee expresses its appreciation to the staff of the Kansas Commission on Veteran's Affairs for its dedication to the service of Kansas Veterans, especially in light of the severe budget limitations imposed on the agency.