Approved: December 31, 2003
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The 2003 Omnibus session was called to order by Chairperson Stephen Morris in Room 123-S of the Capitol at 10:10 a.m. on April 24, 2003. The times were as follows:

10:10 a.m. on April 24, recessed 12:00 p.m. and reconvened at 1:15 p.m., recessed 4:45 p.m.
Reconvened 9:10 a.m. on April 25, recessed 12:00 p.m., reconvened 1:35 p.m., recessed 4:05 p.m.
Reconvened 9:30 a.m. on April 28, recessed 12:00 p.m., reconvened 3:15 p.m., recessed 4:15 p.m.

All members were present except: Senator Bill Bunten - excused April 25 and 28, 2003
Senator Christine Downey - excused April 24, 2003

Committee staff present:
Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department
Leah Robinson, Kansas Legislative Research Department
Nicoletta Buonasera, Kansas Legislative Research Department
Melissa Calderwood, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Debra Hollon, Kansas Legislative Research Department
Becky Krahl, Kansas Legislative Research Department
Carolyn Rampey, Kansas Legislative Research Department
Audrey Nogle, Kansas Legislative Research Department
Amy VanHouse, Kansas Legislative Research Department
Robert Waller, Kansas Legislative Research Department
Paul West, 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: none

Others attending: See attached list

Bill Introduction

Senator Feleciano moved, with a second by Senator Barone, to introduce a bill concerning the Department of Commerce and Housing; relating to changing the name of such agency; relating to other changes required by 2002 ERO 30 (3rs1052). Motion carried on a voice vote.

Staff distributed and discussed the following information with the Committee:

- State General Fund Receipts, Expenditures and Balances, April 2003 Consensus Revenue Estimates In Millions, Kansas Legislative Research Department (Attachment 1)

- FY 2004 Approved Budget Highlights as of First Adjournment, Kansas Legislative Research (Attachment 2)

- Expenditures From All Funding Sources, Kansas Legislative Research Department (Attachment 3)

- Items for Omnibus Consideration (Referred by the Senate Committee), Kansas Legislative Research Department (Attachment 4)

- Items for Omnibus Consideration (Referred by the House Committee), Kansas Legislative Research Department (Attachment 5)

- Economic Development Initiatives Fund, Omnibus Consideration, Kansas Legislative Research Department (Attachment 6)

- State Water Plan Fund: FY 2003 and FY 2004, Kansas Legislative Research Department (Attachment 7)
- FY 2003 / FY 2004 Children's Initiatives Fund (Tobacco), Kansas Legislative Research Department (Attachment 8)
- Consensus Caseload Estimate, April 17, 2003 (Attachment 9)
- Family Preservation Consensus Estimate, Kansas Legislative Research Department (Attachment 10)
- Office of the Governor, Governor's Budget Amendments, April 23, 2003 (Attachment 11)
- Additional Items for Potential Action, April 24, 2003 (Attachment 12)
- Items for Omnibus Consideration, April 23, 2003 (Attachment 13)

ITEMS FOR OMNIBUS CONSIDERATION - (Refer to Attachment 13)

Kansas Lottery

A. Additional Revenues (Omnibus Review – House and Senate and GBA No. 3, Item 1, Page 2). Review sales estimates during Omnibus and adjust revenue estimate as needed in FY 2003 and FY 2004. Information supplied by the Kansas Lottery indicates that FY 2003 transfers to the State Gaming Revenues Fund (SGRF) will total $3.5 million higher than the $59.0 million previously estimated in the *Governor's Budget Report*. The legislative action in 2003 **SB 6** increased the estimate by $2.5 million each year in FY 2003 and in FY 2004. Although no adjustment is made in FY 2004, the Lottery reports an additional $1.0 million SGRF transfer will be made in FY 2003. This money will be net to the State General Fund (SGF) on June 25, 2003, when by statute all amounts in excess of $50.0 million accrued in the SGRF are transferred to the SGF. The FY 2003 amount may be increased from $9.0 million to a total of $12.5 million, or $1.0 million more than the amount approved in **SB 6**, according to the agency.

Sales have totaled $152,637,729 since July 1, 2002. To date, transfers to the SGRF have totaled $47,950,000 for monthly amounts from August 15 to April 15 this fiscal year. Remaining transfers in FY 2003 are scheduled from May 15 to July 15, with a total of three, and the agency assumes monthly amounts of $4.85 million, for a total of $14.55 million.

	Totals	Avg. Monthly
Aug. to Apr. – Actual	$ 47,950,000	$ 5,327,778
May to Jul. – Estimated	14,550,000	4,850,000
FY 2003 Transfers	$ 62,500,000	$ 5,208,333

The Governor recommends increasing the estimated FY 2003 transfers by $1.0 million that will enhance the SGF per GBA No. 3 Item 1.

The Committee concurred with this item.

B. Veterans Benefit Game (HB 2400 – Conference Committee). The bill, as amended, would permit a new instant ticket game, designated as a veterans benefit game, to be conducted by the Kansas Lottery. Net profits from this game would be dedicated for National Guard scholarship assistance and the Kansas Commission on Veterans Affairs. The bill would direct 50 percent to the State Board of Regents to be used for Kansas National Guard Educational Assistance Act scholarships and the other 50 percent to Kansas Commission on Veterans Affairs, to be used for either operating expenditures or capital improvements for the two soldiers and veterans homes and for the state Veterans Cemetery System. The bill would exempt the Veterans Benefit Game from a statutory requirement that the Governor must approve all new games. A second exemption would reference the statutory provision that pertains to transfers to the State Gaming Revenues Fund and would allow proceeds to be used for purposes specified in the bill. The Senate Committee amendment would limit the new game to the periods of between May 1 and November 30, in 2003 and in 2004. The bill would be effective upon publication in the *Kansas Register*.

The Lottery's Executive Director reports that preliminary planning for a Veterans Benefit Game (as authorized in **SB 280** and **HB 2400**) includes the use of $2.00 tickets and two runs of tickets in batches of 900,000 per run. Printing costs are estimated at $65,000 for each run which would supply tickets in two three-month periods. Prizes representing 60 percent (or 1:3.6 odds) would be paid on each run of tickets. Merchants' sales commissions of 5.0 percent and a cashing commission of 1.0 percent would be allowed. Based on projected FY 2004 sales of $3.6 million, as much as $1,094,000 could be generated for the designated purposes, after subtracting expenses of $2,506,000. There might be available $547,000 for National Guard scholarship assistance and $547,000 for the Kansas Commission on Veterans Affairs for FY 2005 since revenue accounting will take place on June 25, 2004, under SGRF transfer provisions.

*The Committee concurred with a Proviso to add $500,000 transfer in FY 2004 for Veteran's Benefit Game for January 2004 in order to fund the Board of Regents scholarships and Veterans Commission programs per **HB 2400** (Attachment 14).*

Kansas Racing and Gaming Commission

A. Commissioner's Salaries (Omnibus Review – Senate). Review during Omnibus information about compensation and work loads of commissioners per **SB 6**. The bill, as amended by the House Committee of the Whole, would alter the statute governing compensation for members of the Kansas Racing and Gaming Commission and repeal the current requirement for a yearly financial compliance audit of the Commission. The bill would change current law which allows the Governor to set compensation for Commissioners and would set future commissioner compensation to the per diem rate paid to legislators. The bill would be effective upon publication in the *Kansas Register.* (Staff Note: **SB 6** was gutted and became the Mega Appropriation bill for 2003.) The House Committee of the Whole amendment would change how compensation for members of the Racing and Gaming Commissions is set. Under current law, the Governor fixes the amount of compensation. Since the original Commissioners were appointed in the 1980s, compensation has been set at $2,000 per month by each Governor. Total budgeted amount for five commissioners is $120,000 in FY 2004. The agency plans to present materials on this subject.

The Committee did not accept this item.

B. Ending Balance (Omnibus Review -- House). Review status of the Horse Fair Racing Benefit Fund and whether any money above $300,000 may be transferred to the SGF. (Staff Note: The Conference Committee on 2003 **SB 6** concurred with a Senate offer and increased the transfer to $500,000 for the SGF in order to fund operating costs of Halsey Hall at the Kansas Soldiers Home. The transfer would occur on or after October 1, 2003, in order to allow receipts to augment any ending balance.)

For FY 2003, there was a beginning balance of $349,192, and monthly receipts have averaged $79,000 through March. Assuming the average monthly receipts continue, a total of $1.3 million would be available in FY 2003. The Governor's recommended expenditures are $950,184 in FY 2003 and $950,795 in FY 2004. Included in expenditures are $773,000 for grants and $243,942 for state operations. The ending FY 2003 balance would be $284,000 based on the Governor's recommendations. Staff for the Commissions have indicated expenditures may total $170,000 for administration and $800,000 for grants in FY 2003.

In recent years, the Commission has increased the amount of state operations financing for administrative expenses charged against this fund that historically has awarded grants to two race tracks. Prior the FY 1996, no administrative expenses were charged and only grants were paid. The FY 1996 budget included $53,404 for administrative expenses. By FY 2002, the administrative charges had risen to $213,920 when grants totaling $918,907 were awarded. For FY 2004, the estimated budget includes $244,553 for administration and $773,000 for grants. The agency plans to present materials on this subject.

The Committee reviewed this item, but took no action.

Department of Wildlife and Parks

A. Cheyenne Bottoms (House and Senate – Omnibus Review). Review at Omnibus any Governor's Budget Amendment on Cheyenne Bottoms grant of $1,999,264 and news that the project may involve expenditures of $8.5 million from various funding sources.

The Committee reviewed this item, but took no action.

B. Fee Increases (SB 43, HB 2078 – Law). These bills increase fees collected by the agency, but were not part of the Governor's recommended FY 2004 fee increases.

1. SB 43 (Law). The bill, as amended, would increase service fees charged for issuing licenses, permits and stamps provided by the Department of Wildlife and Parks. County clerks, private vendors and the agency currently sell the various documents and the service fee would rise from $.50 to $1.00 on licenses, permits and stamps, and from $.25 to $.50 on state migratory waterfowl stamps. In addition, the bill would authorize the agency to contract with private vendors to sell licenses and other documents over the telephone or internet, and also would allow additional service fees to be charged under the provisions of a contract with the agency. The bill also would repeal sunset of a provision which allows persons with unpaid camping or vehicle entry fees at State Parks to avoid being issued a citation if they either (1) pay both the permit fee and a $15 late payment fee within 24 hours; or (2) purchase an annual vehicle or camping permit.

The fiscal note indicates that the agency would receive an estimated $300,000 increase in services fees and that the vendors, including county clerks, would receive an estimated $640,000 increase. Fees for the agency would be prorated between the Park Fee Fund with $200,000 and Wildlife Fee Fund with $100,000. The *Governor's FY 2004 Budget Report* does not anticipate this new revenue.

The Committee reviewed this item, but took no action.

2. HB 2078 (Law). The bill establishes different maximum fees for big game tags for residents and nonresidents. For residents the maximum fee would be $20 and for nonresidents the fee will be $30. The maximum fee for nonresident applicants also increases from $5 to $25. The bill provides that beginning in 2003 and thereafter, the number of nonresident firearm and deer archery permits issued by KDWP will increase by 2 percent each year. Fines are increased on a number of wildlife species as values are increased in the bill.

The bill also directs the agency to develop a report containing recommendations for the establishment of a landowner deer management program. The bill requires the Secretary of KDWP to identify local geographical areas in which deer populations are causing significant property damage. The Secretary is authorized and directed to take actions necessary to reduce deer populations in these areas. Finally, the bill directs the agency to sell seized items, including wildlife parts with a dollar value, and certain firearms as described by the bill. The money will be credited to the Wildlife Fee Fund. The effective date for the bill is January 1, 2004. The fiscal notes indicates that $296,102 may accrue to the Wildlife Fee Fund with most of the money collected as a result of this legislation during FY 2005.

The Committee reviewed this item, but took no action.

C. HB 2036 (Law). The bill would require that all bulk motor-vehicle fuels purchased by state agencies be fuel blends containing at least 10 percent ethanol as long as the price is not more than $0.10 cents per gallon greater than regular fuel. Also, the bill requires that, where available under current state purchasing agreements, individual motor-vehicle purchases for state-owned motor vehicles are to be motor-vehicle blends containing at least 10 percent ethanol as long as the price is not more than $0.10 per gallon greater than regular fuel. Lastly, the bill requires that when there are diesel fuel purchases for state-owned diesel powered vehicles and equipment, those purchases are to be a 2 percent or higher blend of biodiesel, where available, as long as the price is not greater than $0.10 more per gallon than the price of diesel fuel. The agency's fuel consumption is shown according to bulk and pump purchases for FY 2002 and as estimated for FY 2003. An average is projected to FY 2004 by category to show the possible fiscal impact on expenditures for fuel purchases.

Fuel (Gallons)	Total Fuels	Bulk Gasoline	Bulk Diesel	All Other Pump
FY 2002 actual	$ 515,365	$ 118,766	$ 24,519	$ 372,080
FY 2003 est.	495,700	114,234	23,583	357,882
FY 2004 proj.	505,533	116,500	24,051	364,981
Max. $0.10 diff.	$ 50,553	$ 11,650	$ 2,405	$ 36,498

Chairman Morris mentioned that the Committee needs to visit with the Department of Administration and other state agencies affected by this item to negotiate with people that are already contracting and are offering ethanol at the same price as regular fuel.

D. Technical Item (and GBA No. 3, Item 32, Page 15). The Division of the Budget raised a question about the dollar amount appropriated from the SGF in FY 2004 as being inconsistent between the *Governor's Budget Report* and the Governor's appropriations bills as introduced. Ultimately, **HB 2444** (the Governor's bill as introduced) with the original SGF dollar amount was incorporated into **SB 6** with an amount of $3,189,583 for the FY 2004 SGF appropriation. The GBR had included a recommended amount of $3,159,583 SGF. The additional $30,000 amount was included in **SB 6** as approved by the 2003 Legislature.

The Governor recommends increasing the Wildlife Fee Fund by $30,000 in FY 2003 in order to offset a reduction in SGF associated with one of the allotments. (**Staff Note:** The additional $30,000 SGF noted previously was appropriated in FY 2004.)

The Committee concurred with this item for technical changes.

Kansas Public Employees Retirement System (KPERS)

A. Review Investment Management Costs (Omnibus Review – House and Senate). Adjust estimated expenditures in FY 2003 and FY 2004 based on latest KPERS projections for payments to investment managers. Based on poorer than expected market performance, investments and the related fee paid investment managers have been adjusted downward. For FY 2003, the estimate is reduced from

$17,843,762 to $16,872,480. For FY 2004, the estimate is reduced from $18,660,611 to $16,887,452.

The Committee concurred with this item to adjust the expenditure estimate for payments to investment managers.

B. 13th Check (Omnibus Review – House and GBA No. 3, Item 9, Page 4). Review during Omnibus the status of **HB 2325** or any other legislation that addresses the shortfall in FY 2004 funding estimated at $5.7 million for the 13th check payment due in October 2003. **HB 2325** remains in the House Select Committee on Pensions after being withdrawn from the House Appropriations Committee on March 7, 2003, and referred to the new Select Committee.

The Governor recommends providing that the divided payment would not be dependent on investment performance and that the full 13th check would be paid in FY 2004.

Senator Adkins mentioned that he would offer a motion in terms to honor the commitment under current law which does not entitle the retirees to a 13th check except as prorated based on investment performance.

Senator Adkins moved, with a second by Senator Kerr, that the Senate position be that the 13th check be paid pursuant to current statute and that no further action be taken by the Committee in that regard. Division was requested, the vote was taken by a show of hands and the motion carried 5 in favor and 4 opposed.

C. Redirect SGF Savings (Omnibus Review -- House). Pending passage of **SB 47** or similar death and disability moratorium legislation, review the $6.1 million FY 2003 savings and $24.0 million FY 2004 savings as an alternative source of SGF financing for other programs.

The Committee reviewed this item, but took no action.

D. HB 2014 (Conference Committee). The KPERS Omnibus bill has three items with fiscal impact in FY 2003 and FY 2004 that need to be addressed during deliberations on the Omnibus appropriations bill.

1. Death and Disability Lapse (HB 2014 – Conference Committee and GBA No. 3, Other Issues, Page 18). One section of the bill pertains to the FY 2003 and FY 2004 budgets for all state agencies. The Governor proposes a moratorium for the fourth quarter in FY 2003 and for four quarters in FY 2004 on payments by KPERS participating employers who provide for death and disability coverage of public employees. The fiscal note indicates that savings of $6,123,070 million for the state were estimated in FY 2003, including $5,265,070 million in SGF and $858,000 in special revenue fund expenditures. In addition, local units of government will save an estimated $1.59 million, according to KPERS. FY 2004 savings for the state will total an estimated $21,144,360 from all funds, with $17,758,360 in State General Fund and $3,386,000 in special revenue funds. In addition, local units of government will save an estimated $6.6 million, according to KPERS. Excluded from the FY 2003 and FY 2004 estimated SGF savings is money in Regents institutions budgets for death and disability payments since the Governor recommends holding these budgets harmless to preserve the operating grant concept.

For FY 2003, the Director of the Budget reports SGF reductions totaled $5,135,913 and all other funds reductions totaled $858,000 that were collected for the SGF. A shortfall of $129,570, compared with the projection for the SGF receipts, is noted in the actual moneys lapsed and collected for the SGF.

Not included in the SGF amount is money from the Board of Regents institutions. Regents fee fund money was collected, but no SGF money is lapsed. The Governor's FY 2003 recommendation was to leave SGF financing for death and disability payments in the Regents budgets, as was the recommendation in FY 2004, in order to protect the operating grant concept. (Staff Note: The proviso exempting the Regents institutions from SGF lapses was included in **HB 2444** for FY 2004, but not in **HB 2026** for FY 2003.)

Included in the FY 2003 SGF amount is $4,600,000 in reductions for the KPERS school group. The KPERS certification for the first quarter of CY 2003 indicates that $3,810,552.46 for the school group was the calculated amount for the death and disability transfer had the moratorium not been in place. (Staff Note: A difference of $789,447.54 is noted between the two amounts. The $789,447.54 represents an unpaid amount that was due April 1, 2003, and would be included in the $6,227,618 recognized in the *Governor's Budget Report* as a shortfall in FY 2003 financing for the KPERS school group contributions. The total amount of retirement financing shifted to FY 2004 is $5,337,766 SGF. The revised total amount is $6,127,214, including death and disability financing of $789,448 that was underpaid in FY 2002. This total is $100,404 less than the Governor's recommended amount in **SB 6**.)

The Governor urges passage of legislation to enact the five quarter moratorium on death and disability benefits payments.

The Committee reviewed this item, but took no action.

2. Regents $2,000,000 Payment (HB 2014 – Conference Committee). As part of 2003 **SB 6**, a plan to reduce Regents expenditures from $9.0 million to $2.0 million was included relative to designating a closed group comprised of Regents and Hospital Authority employees as special members of the KPERS in order to fund their retirement benefits. If **HB 2014** does not pass, then the $9.0 million will be owed in FY 2004 to KPERS. Alternatively, if **HB 2014** passes, then a payment of $2.0 million will be owed KPERS as part of the bonding plan to finance the remaining $15.5 million unfunded liability over 10 years with pension obligation bonds. In order to complete the FY 2004 transaction, a transfer of $2.0 million from the Regents Clearing Fund in 2003 **SB 6** needs to be included in the Omnibus bill to pay the KPERS Fund an amount to partially fulfill the final payment on the unfunded liability, contingent upon passage of **HB 2014** with the bonding provision included. The other payment will be $15.5 million in bond money to be remitted after issuance. If **HB 2014** does not pass with bonding, then a payment of $9.0 million needs to be made for KPERS as the annual payment for amortizing the unfunded liability.

The Committee reviewed this item, but took no action.

3. Legislator Retirement Benefits (HB 2014 – Conference Committee). Two provisions in the bill address legislator retirement. First, the bill authorizes retroactive payments for previous years when no contributions had been made for legislative service while legislators are on leave from a Regents institution. It is estimated to cost less than $20,000 by the Division of Legislative Administrative Services, and the payment would be made by a Regents institution. Second, the bill authorizes a defined contribution plan for legislator retirement to assist members of the Legislature who have retired from a KPERS participating employer and now serve in the Legislature. Currently, they are unable to "unretire" and join KPERS again. No employer contributions are paid for retirement, death, or disability insurance for these legislators. Likewise, they do not pay the 4.0 percent employee contribution to KPERS. The fiscal note for participating in the 8.0 percent defined contribution plan is less than $10,000 if all seven eligible members elect to participate. The bill permits a choice by legislators regarding participation. It would be possible to opt out of participating in the defined contribution plan. (Staff Note: A technical issue has arisen regarding legislator participation in the KPERS Death and Disability Plan if they are already retired. Currently, the bill would allow these retired members to have coverage, if they select the defined contribution plan. This provision would add 0.6 percent to the costs of participating in a defined contribution plan.)

The Committee reviewed this item, but took no action.

Department of Revenue

A. Electronic Databases Fee Fund Increase (GBA No. 3, Item 6, page 3). The Governor recommends increasing the expenditure limitation in FY 2003 by $324,327 in order to offset a reduction in SGF financing included in the *FY 2004 Governor's Budget Report.*

The Committee concurred to authorize a no limit fund for FY 2003.

B. Executive Reorganization (Omnibus Review -- House). Review ABC transfer issue during Omnibus and the status of any pending legislation, such as **HB 2458**. That bill remains in the House Appropriations Committee. (Staff Note: **SB 6**, as amended by the Conference Committee, was approved by the Governor.) The bill includes financing for the ABC Division from the State Highway Fund, and the program is left in the Department of Revenue. Staffing of 38.0 FTE positions was authorized for the ABC Division.

This item was already addressed.

C. Information on Tax Collections Omnibus Review -- Senate). Review during Omnibus period the budget cuts and effect on collecting taxes. Review during Omnibus period collections of accounts receivable and projections for other years. The agency plans to present materials on these subjects.

Information was distributed from Joan Wagnon, Secretary, Kansas Department of Revenue, regarding requests for information from the Committee (Attachment 15).

The Committee reviewed this item, but took no action.

D. Fee Increases (HB 2192, SB 16, HB 2193 – Law). These bills increase fees collected by the agency and redirect the disposition of some receipts.

1. HB 2192 (Law) establishes the Photo Fee Fund and redirects $1.5 million in photo fees previously deposited into the State Highway Fund to the new Photo Fee Fund. The new fund needs to be appropriated for the agency (see item 2 below for further details). **HB 2192** also increases the costs of driver licenses and identification cards by $1.00 per year. Estimated new revenue is $2,074,000 in FY 2004, which by statute is apportioned as follows: $1.4 million to the State Highway Fund, $657,000 to the State Safety Fund, and $17,000 to the Motorcycle Safety Fund.

The Governor's FY 2004 budget recommendations included estimated revenue increases to the State Highway Fund of $2,075,000, and likewise used that figure in offsetting SGF financing with DOV Operating Fund money. This bill implements one of the Governor's revenue proposals in FY 2004 as recommended. Proviso language was included in 2003 **SB 6** to expand the permitted uses of money in keeping with the Governor's FY 2004 budget recommendations in replacing $2.0 million of SGF financing for the agency. (Staff Note: Money deposited into the State Safety Fund and Motorcycle Safety Fund generally has been used for state aid to driver training courses in schools, but expenditures may be made for the administration of the drivers' license laws, according to KSA 8-267. Another statute, KSA 8-272 limits the amount of state aid that may be expended to $1,540,000 from the State Safety Fund and $210,000 from the Motorcycle Safety Fund. The Governor's recommended transfer from the State Highway Fund may be reduced by $674,000 in FY 2004, and the expenditures from the State Safety Fund and Motorcycle Safely Fund may be appropriated to replace financing from the DOV Operating Fund. Another alternative would be to replace SGF financing with fee fund money, at the expense of the State Highway Fund. The State Safety Fund had an unencumbered balance of $2,912,142 on June 30, 2002, and the Governor's recommended budget for FY 2003 and FY 2004 would reduce the amount to $2,017,840 on June 30, 2004, if revenue projections are realized in both fiscal years.)

The Committee reviewed this item, but took no action.

2. SB 16 (Law) requires collection of social security numbers for all applicants of drivers licenses and identification cards, and the bill increases the photo fees by $2.00, yielding an additional $1.5 million in revenue. Total revenue in FY 2004 is estimated at $3.0 million for the Photo Fee Fund, which needs to be appropriated since it is a new fund established by **HB 2192**. This bill was not introduced as part of the Governor's FY 2004 budget recommendations. Included in the Governor's FY 2004 budget recommendations is a transfer of $1,050,750 in FY 2004 from the State Highway Fund for production of 685,000 driver licenses with photos. (Staff Note: Previously, these photo fee revenues would have been deposited into the State Highway Fund, and in the Governor's FY 2004 budget recommendation, no expenditures are financed from this new fund. The Governor's recommended transfer from the State Highway Fund may be reduced by an amount up to $3.0 million in FY 2004, and the expenditures from the Photo Fee Fund may be appropriated to replace financing from the DOV Operating Fund. Another alternative would be to replace SGF financing with fee fund money, at the expense of the State Highway Fund, since funding already has been transferred in **SB 6** for FY 2004 to produce drivers licenses with photos.)

The agency's fiscal note for **SB 16** requests that a portion of the new revenues from the $2.00 photo fee increase be used to pay administrative costs associated with verifying social security numbers. The estimated cost is $1.25 per application, with an estimated annual cost of between $937,500 and $1,125,000 for these contracted services, depending upon bids and contract negotiations. These expenditures were not included in the Governor's recommended FY 2004 expenditures.

The Committee reviewed this item, but took no action.

3. HB 2193 (Law) amends existing law in regard to motor vehicle title fees and disposition of those fees. Specifically, the bill would: increase the cost of a motor vehicle title from $8.00 to $10.00; increase from $4.50 to $6.50 the fee for a reassignment form; repeal a provision in existing law whereby the title fee will be reduced from $8.00 to $3.50 on July 1, 2004; repeal the June 30, 2004, sunset of the transfer of $3.50 of each title fee to the Kansas Highway Patrol Motor Vehicle Fund; and increase from $1 to $3 the amount of each title fee transferred to the VIPS/CAMA Technology Hardware Fund. This bill implements one of the Governor's revenue proposals in FY 2004 as recommended.

The Department of Revenue estimates an increase of $1.6 million of receipts to the VIPS/CAMA Technology Hardware Fund in FY 2004, with revenue rising from $800,000 to $2.4 million. The estimate of revenue to the Highway Patrol's Motor Vehicle fund is $2.8 million annually after FY 2004 by removing the sunset. The VIPS/CAMA Technology Hardware Fund has been a source of financing for the Department of Revenue's Vehicle Information Processing System (VIPS) and the Division of Property Valuation's Computer Assisted Mass Appraisal System (CAMA) since 1993. KSA 74-2021 establishes this fund, and limits the use of money for the purpose of upgrading the VIPS/CAMA hardware for the state or for the counties. Proviso language was included in 2003 **SB 6** to expand the permitted uses of money in keeping with the Governor's FY 2004 budget recommendations in replacing $1.6 million of SGF financing for the agency.

The Committee concurred with this item.

E. SB 130 (Law). The bill concerns apportioned registration of fleet vehicles and requires registration of a converter gear. An annual fee of $1.00 shall be charged for each registration. The fiscal note indicates additional revenue of approximately $20,000 will be deposited in the State Highway Fund as a result of this bill. The agency indicates administrative costs of reprogramming will be absorbed.

This was an information item.

F. SB 159 (Law). The bill requires the Secretary of Revenue to make drivers' licenses and identification cards issued to persons under the age of 21 readily distinguishable by formatting them to be oriented vertically. The requirement would become effective on July 1, 2004. According to the agency, there is no administrative cost since implementation will coincide with installing a new driver's licensing system, and the changes required by this bill can be made at no additional cost.

This was an information item.

G. HB 2220 (Law). The bill makes numerous changes to the Uniform Commercial Drivers' Licenses Act to comply with recent federal regulations. New provisions implement a "S" endorsement for a commercial drivers licenses (CDL) that adds school bus drivers. In complying with federal regulations, the number and type of violations that can result in either new or longer sanctions against driving privileges will substantially increase the workload of the agency. The most significant change will include major and serious traffic violations, while operating a non-commercial motor vehicle, as a consideration towards disqualification from operating a commercial motor vehicle and holding a CDL. The agency's fiscal note suggests that the increase in workload can be accommodated with existing resources.

This was an information item.

H. HB 2208 (Law). The bill amends tax increment financing (TIF) laws to provide statewide authority for sales tax and revenue (STAR) bonds to be used for special bond projects of regional or statewide importance. The bill defines a special bond project as a project with at least a $50,000,000 capital investment and $50,000,000 in projected gross annual sales revenues. The bill includes in this definition projects located outside of metropolitan statistical areas, which have been found by the Secretary of Commerce to be in an eligible area under TIF law and of regional or statewide importance. The bill specifically excludes a project including a gambling casino from the definition of special bond project.

The bill modifies prior law as it relates to areas eligible for TIF to include a major commercial entertainment and tourism area as determined by the Secretary of Commerce and Housing. The bill also includes a major multi-sport athletic complex in the definition of major commercial entertainment and tourism area. Under the bill, river walk canal facilities are included in the list of redevelopment project costs which may be financed by STAR bonds. The bill is effective upon publication in the *Kansas Register.*

The agency requests $300,000 SGF for administrative costs associated with the bill. Included is a software package for $250,000 to track businesses in a redevelopment district. The application would be used for mapping business addresses. An annual software maintenance fee is estimated at $20,000 and modifications to the electronic tax filing systems will require contract programming estimated at $30,000.

*The Committee concurred to allow $300,000 State General Fund associated with **HB 2208**.*

I. HB 2005 (Conference) would implement streamlined sales tax and numerous other tax changes. Fiscal impact estimated at up to $71 million net gain to SGF in FY 2004, based on providing potential state sales tax revenue from remote sales not currently collected and submitted by out-of-state retailers. In a fiscal note for implementing the streamlined sales tax, the agency estimates costs of $28,580 would be absorbed.

This was an information item.

J. HB 2205 (Conference) would implement streamlined sales tax. Fiscal impact estimated at up to $71 million net gain to SGF in FY 2004, based on providing potential state sales tax revenue from remote sales not currently collected and submitted by out-of-state retailers. In a fiscal note for implementing the streamlined sales tax, the agency estimates costs of $28,580 would be absorbed.

This was an information item.

K. HB 2416 (Conference) would implement a tax amnesty program. Fiscal impact estimated at net gain to SGF in FY 2004 of $19.5 million. An earlier phase of the amnesty program that did not require legislation was estimated to yield $12.5 million for the SGF in FY 2003. In the original fiscal note, the agency stated that any administrative costs would be absorbed within existing resources. That original fiscal note anticipated net gain to SGF in FY 2004 of $4.5 million.

This is an information item.

Staff noted that the bills listed above are in conference committees and some fiscal impact is possible.

Economic Development Agencies

A. GBA No. 3, Item 12, Page 5 – Kansas, Inc. Independent Agency

Staff distributed copies of the Comparison of FY 2004 Funding Proposals, Kansas, Inc., Kansas Legislative Research Department (Attachment 16).

The Committee concurred with the original Senate position which leaves approximately $20,000 difference as to how much money was left in the Department of Commerce versus how much was transferred to the independent Kansas, Inc.

B. FY 2004 Funding (Conference Committee). The Conference Committee on **Senate Bill 6** (Mega Appropriations Bill) delayed FY 2004 funding for the Department of Commerce and Housing, the Kansas Technology Enterprise Corporation, and Kansas, Inc. pending the outcome of Executive Reorganization Order No. 30. ERO 30 transfers the Division of Housing from the Department of Commerce and Housing to the Kansas Development Finance Authority. The deadline for legislative action on the ERO was April 11. As the ERO was not disapproved by the Legislature, the transfer will take place on July 1.

The following tables note the Governor's FY 2004 recommendation and the House and Senate changes from that recommendation. The Governor's FY 2004 recommendation included the proposal to transfer the duties and responsibilities of Kansas, Inc. to the Department of Commerce and Housing and abolish the agency. The Senate's recommendation maintains Kansas, Inc. as an independent agency.

Economic Development Agencies – FY 2004 Funding

Agency	Governor's Rec.	House Changes	Senate Changes
Department of Commerce and Housing			
EDIF	$ 14,026,980	$ 0	$ (525,320)
Other Funds	98,110,325	0	(114,022)
All Funds	$ 112,137,305	$ 0	$ (639,342)
FTE	147.5	0.0	(1.0)
Kansas Technology Enterprise Corporation			
EDIF	$ 10,604,188	$ 0	$ 325,320
Other Funds	3,349,632	0	0
All Funds	$ 13,953,820	$ 0	$ 0
FTE	27.0	0.0	0.0
Kansas, Inc.			
EDIF	$ 0	$ 0	$ 200,000
Other Funds	0	0	251,755
All Funds	$ 0	$ 0	$ 451,755
FTE	0.0	0.0	4.0

The Committee came to a consensus to keep the Senate position to restore FY 2004 funding for the Kansas Department of Commerce, Kansas Technology Enterprise Corporation and Housing and Kansas, Inc.

The Committee concurred to carry over $3,000,000 and reduce the Economic Development Initiatives Fund by the amount budgeted for the Division of Housing.

C. Senate Substitute for House Bill No. 2208 (Law). Senate Substitute for HB 2208 would amend tax increment financing law to provide statewide authority for sales tax and revenue (STAR) bonds to be used for special bond projects of regional or statewide importance. To be eligible, a project must have at least a $50.0 million capital investment and $50.0 million in projected gross annual sales revenues. These requirements could be waived by the Secretary of Commerce if located outside of the metropolitan statistical areas and the project is of regional or statewide importance.

The bill would require that each special bond project be approved by the Secretary of Commerce based upon a feasibility study. In addition, Kansas, Inc. is required to include an analysis of STAR bonds in its annual report on the cost effectiveness of economic development tax exemptions and credits. Kansas, Inc. estimates that it would need an additional $600 to implement the requirements of the bill.

The Department of Commerce and Housing states that the fiscal impact of the bill would depend upon the number of applications received. The agency would be able to absorb the additional work within its existing resources if only one or two applications for STAR bond authority were received each year. If three or more applications were received, the agency would contract for the required analysis at a cost of $30,000 per year.

The Committee reviewed this item, but took no action.

Board of Indigents' Defense Services

A. GBA No. 3, Item 7, Page 4 – Assigned Counsel

The Committee concurred with this item .

B. FY 2003 Funding (Senate Subcommittee and House Budget Committee). The Senate Subcommittee requested a review of the agency's anticipated cash balances for the Death Penalty Defense Unit. The House Budget Committee requested a review of the agency's cash balances for the Death Penalty Defense Unit and the Assigned Counsel Program. The agency notes that it stopped paying assigned counsel on April 7.

The following table outlines the agency's revised FY 2003 expenditure estimates.

April 18, 2003	Agency Revised Estimate	Current Legislative Approved	Estimated Shortfall
Assigned Counsel Program	$ 5,925,165	$ 4,925,165	$ 1,000,000
Death Penalty Defense Unit	2,728,489	2,728,489	0
TOTAL	$ 8,653,654	$ 7,653,654	$ 1,000,000

Chairman Morris suggested, and the Committee concurred, that this should be considered as an item for study in the Legislative Budget interim committee.

Senator Bunten moved, with a second by Senator Jackson, to increase the appropriation $750,000 for the Board of Indigents' Defense Services budget in FY 2003. Motion carried on a voice vote.

C. FY 2004 Funding (Senate Subcommittee and House Budget Committee). The Senate Subcommittee requested a review of the agency's budget for the Death Penalty Defense Unit and Legal Services for Prisoners. The House Budget Committee requested a review of the agency's entire FY 2004 budget.

The 2003 Legislature passed House Bill 2121 which establishes an application fee for indigent defendants of $50 in FY 2004 and $100 in FY 2005 and beyond.

The following table outlines the agency's revised FY 2004 expenditure estimates.

	Agency Revised Estimate	Current Legislative Approved	Estimated Shortfall*	Estimated Revenue HB 2121
Administration	$ 702,705	$ 702,705	$ 0	
Assigned Counsel Program	5,794,869	4,794,869	1,000,000	
Legal Services for Prisoners	533,605	353,605	180,000	
Appellate Defender Program	1,497,324	1,497,324	0	
Public Defender Program	5,898,403	5,898,403	0	
Death Penalty Defense Unit	2,184,406	1,384,406	800,000	
TOTAL	$ 16,611,312	$ 14,631,312	$ 1,980,000	$ 117,000

* Estimated shortfall for FY 2004 assumes that the $1,000,000 shortfall in FY 2003 is addressed. It does not take the revenue from **HB 2121** into consideration.

Senator Adkins moved, with a second by Senator Feleciano, to add $1,500,000 to the Board of Indigents' Defense Services budget in FY 2004. A vote was taken, division requested and the motion carried (5 in favor and 3 opposed).

The Committee concurred with a Proviso to give the Board of Indigents' Defense Services the flexibility to shift funds between State General Fund accounts.

Department of Health and Environment

Copies were distributed of information regarding the Kansas Department of Health and Environment (Attachment 17).

A. GBA No. 3, Item 17, Page 8 – Nursing Transfer Correction

The Committee concurred with this item.

B. GBA No. 3, Item 18, Page 9 – Expenditure of Federal Funds and 1.0 Non-FTE Unclassified Permanent Position

The Committee concurred with this item.

C. GBA No. 3, Other Issues, Page 17 – Health and Environment - Vital Statistics

The Committee concurred with this item.

D. Special Revenue Funds (Technical adjustment). The line items for several of the agency's special revenue and federal funds were omitted from **Senate Bill 6** (Mega Appropriations Bill). In addition, a proviso specifying expenditures from the District Coroners Fee Fund was removed in error.

The Committee concurred with this item.

E. Balances of the Underground Petroleum Storage Tank Release Trust Fund (House Budget Committee). **House Bill 2026** (Supplemental Appropriations Bill) transferred $10,000,000 from the Underground Petroleum Storage Tank Release Trust Fund to the State General Fund. The House Budget Committee requested continued monitoring of the balances of the fund so that adjustments in the transfer may be made if necessary. The balance of the fund as of March 31 was $4,707,564. The one cent per gallon fee on gasoline and related products is triggered when the fund balance dips below $2,000,000.

The Committee concurred with this item.

F. FY 2003 Funding - Infant Toddler Program (Senate Subcommittee). The Senate Subcommittee recommended that a source of revenue be found to replace the $120,695 reduced in the Governor's November, 2002, allotment. **Senate Bill 6** (Mega Appropriations Bill) included an additional $300,000 from the Children's Initiatives Fund in FY 2004 for this program. It was specified that $120,000 of the additional funding was to replace the allotted funds.

The Committee concurred with this item.

G. Transfer of the Nursing Facility Regulation Function from KDHE to the Department on Aging (Senate Subcommittee and House Budget Committee). The Governor's recommendation for FY 2004 included the transfer of the nursing facility regulation function from the Department of Health and Environment to the Department on Aging. The two agencies formed a transition team to work on the details and logistics of the transfer. The Senate Subcommittee and the House Budget Committee requested an update from that transition team in order to more clearly understand the policy implications and budgetary effect of the transfer. The agency is still gathering information on this issue.

The Committee concurred with this item.

H. Funeral Assistance Program (Senate Subcommittee and House Budget Committee). The Governor's FY 2004 recommendation did not include funding for the Funeral Assistance Program in either the KDHE budget or the budget of the Department of Social and Rehabilitation Services. The Senate Subcommittee and House Budget Committee recommended a review of potential funding sources for the program. (See information from KDHE, page 1.)

See Item "X "under the Department of Social and Rehabilitation Services.

I. Tobacco Use Prevention Program (House Budget Committee). The House Budget Committee recommended a review of the possibility of increasing funding for this program and requested information from the agency on total funding received (including grants from the American Legacy Foundation) as well as effectiveness measures for the program. (See information from KDHE, page 2.)

The following table outlines the amounts and sources of funding for the program for FY 2003.

Children's Initiatives Fund	Centers for Disease Control and Prevention	American Legacy Foundation*	TOTAL
$ 500,000	$ 1,204,700	$ 500,000	$ 2,204,700

* 1:1 match of state funds

The Committee reviewed this item, but took no action.

Senator Feleciano requested a breakdown on how the $2 million dollars is spent.

J. Pregnancy Maintenance Initiative (House Budget Committee). The House Budget Committee recommended a review of potential funding sources for the Pregnancy Maintenance Initiative Program which was not funded in the Governor's FY 2004 recommendation. **Senate Bill 6** (Mega Appropriations Bill) included funding of $300,000 SGF for this program. The agency was also requested to provide information concerning effectiveness measures. (See information from KDHE, page 13.)

This was an information item.

K. Community Based Primary Care Clinics (House Budget Committee). The House Budget Committee recommended adding $1,000,000 for community based primary care clinics should additional funds be available. These clinics provide access to comprehensive primary health care for uninsured and under insured individuals. The House Budget Committee specified that any addition of funds to the program would include the following requirements as to the use of those funds:

- 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;

- Development of new access points in high risk areas of the state; and

- Purchase of equipment and development of infrastructure.

The Committee did not agree with this item.

L. Transfer of the Day Care and Foster Care Regulation Function from KDHE to the Department of Social and Rehabilitation Services (House Budget Committee). The House Budget Committee requested information from the Department of Health and Environment and the Department of Social and Rehabilitation Services on the possibility of transferring the day care and foster care regulation function to avoid potential duplication. The agency is still gathering information on this issue.

This was an information item.

M. Fees for Criminal Background Checks (House Budget Committee). The House Budget Committee recommended a review of fees charged by the Kansas Bureau of Investigation for criminal background checks required for employment applicants of adult care homes, home health agencies, and staffing agencies. The agency requested an enhancement of $37,500 SGF to cover a July 1 increase in those fees from $3.75 to $5.00. The Governor did not recommend the enhancement. (See information from KDHE, page 18.)

The following table outlines the fees charged to agencies by the Kansas Bureau of Investigation for fingerprints or record checks as of February, 2003.

Agency	Charge per Record Check	Charge per Fingerprint
State Gaming Agency (on behalf of Tribal Nations)		$ 54.00
Kansas State Gaming Commission		$ 54.00
Kansas Racing Commission		$ 54.00
Kansas State Lottery		$ 54.00
Department of Revenue		$ 54.00
Department of Education		$ 44.00
Board of Nursing	$ 15.00	
Department of Social and Rehabilitation Services	$ 15.00	
Department of Administration	$ 15.00	
Adjutant General	$ 15.00	
State Bank Commissioner	$ 15.00	
Insurance Department	$ 15.00	
Department of Human Resources	$ 15.00	
Pittsburg State University	$ 10.00	
Department of Health and Environment	$ 3.75	

The Committee concurred to not allow the Kansas Bureau of Investigation to change the fee charged to the Kansas Department of Health and Environment.

N. Federal Bioterrorism Funding (House Budget Committee). Neither the agency's request nor the Governor's recommendation included expenditures from federal bioterrorism funds for FY 2004 due to the uncertainty of continuation of that funding. The House Budget Committee requested an update on the status of the funding.

According to the agency, the US Department of Health and Human Services has announced that Kansas would be eligible for a total of $15,564,925. There has been no official notice, however, of the grant awards or required objectives for expenditures. (See information from KDHE, page 19.)

This was an information item.

O. Child Care Licensure Program (Senate Subcommittee). The Senate Subcommittee noted the staffing levels within the Child Care Licensure Program and requested a Legislative Post Audit of those staffing levels. 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 Senate Subcommittee recommended the addition of funds for staffing for this program should resources be available.

This was an information item.

P. House Bill 2247 (Law). HB 2247 would establish a process by which owners of environmentally contaminated property could apply to the Department of Health and Environment for approval of an "environmental use control" to prohibit or restrict use of that property. The program would be funded through a one-time fee which would be based upon the classification of each site. The bill would establish the Environmental Use Control Fund, but does not set an expenditure limitation on the fund.

The Committee concurred with this item to authorize a no limit fee fund.

Information was distributed to the Committee regarding Communities Receiving Smoking Prevention Funds (Attachment 18).

Adjutant General

A. Increased Insurance Costs. (House Budget Committee and Senate Subcommittee). During the 2003 Legislative Session, The House Budget Committee and Senate Subcommittee were informed of current law which mandates the agency to maintain fire and extended coverage insurance on armories. Subsequently, Senate Bill 240 was introduced to repeal the law mandating the agency maintain insurance on all armories. However, the agency would still maintain insurance on selected armories as dictated by bond covenant agreements in FY 2004, and self insure all other armories. The item was flagged by both the House Budget Committee and Senate Subcommittee's for Omnibus consideration at a cost of $115,000 (from the State General Fund) in FY 2003 to finance costs associated with the increase in extended coverage insurance on armories. In passing **SB 240**, the Committee's noted that some "savings" would be held for FY 2004. However, that amount is still indeterminate at this time. Lastly, it was noted that the Governor concurred with the repeal of the law, and reduced the agency's operating budget by $50,000 in FY 2004 with the belief the bill would be passed.

The Committee concurred that the Revisor check into a Proviso to have the Department of Administration include the National Guard Armories in the State blanket insurance coverage at some point and cancelling the private policy for the National Guard Armories and request a refund.

Sentencing Commission

A. GBA No. 3, Item 30, Page 14 – Coverdell Forensic Federal Grant

The Committee concurred with this item.

B. Senate Bill 123 (Law). Senate Bill 123 enacts a new sentencing policy for a defined target group of non-violent offenders convicted of drug possession that mandates drug treatment for up to 18 months and supervision through Community Corrections in lieu of incarceration. The bill contains specific provisions relating to failure/discharge from treatment and sets forth provisions for incarceration for third and subsequent drug possession convictions. The provisions of the bill are designated to be in effect for those offenders sentenced on or after November 1, 2003. Based on calender year 2002 data, it is projected that approximately 1,318 offenders a year would be eligible for treatment under the bill, at an average cost of $4,700. The bill would require modification to the sentencing database and re-programming of Prophet Projection Simulation Projection Software Model to accommodate the sentencing changes for drug offenders outlined in the bill at a cost of $18,650. The agency states that those costs will be absorbed within existing sources.

SB 123 sets forth the Sentencing Commission as the administrator of monies distributed from the newly established Substance Abuse Fund created by the bill to Community Corrections facilities at an average cost of $6.2 million per year. The Sentencing Commission estimates $4.6 million (from the State General Fund) would be needed to finance the provisions of the bill in FY 2004 due to the delayed implementation. The agency also requests $46,550 (from the State General Fund) and 1.0 FTE position to administer the newly created fund. Additionally, the Sentencing Commission will utilize a Federal Statistical Analyst Grant (SAG) in the amount of $50,000 to complete an 18 month evaluation of the impact and effectiveness of the drug sentencing policy set forth in **SB 123**. The grant would be sufficient to cover the cost of data collection, software, and equipment necessary to produce an evaluation report to Legislature.

(See Attachment A for a summary of the total FY 2004 fiscal impact of the bill.)

Staff Note: Senate Bill 6 (the Mega Appropriations Bill), grants the Sentencing Commission the authority to expend the $50,000 in SAG grant funding, in lieu of transferring the remaining federal law enforcement related grants to the Governor's Office.

The Committee concurred to add 1 FTE.

C. Criminal Justice Information System (CJIS) Project Manager (Senate Subcommittee). During testimony, the Senate Subcommittee was informed that the CJIS Project Manager's position and the funding associated with the position ($97,632 from the State General Fund) were eliminated within the *Governor's FY 2004 Budget Report.* The Senate Subcommittee flagged the item for Omnibus consideration in the event additional funding became available to restore the position.

The Committee concurred to fund the position out of current resources in the Department Administration in DISC, monitor it through the next year and research the possibility of the availability of federal money to replace State General Fund money and that Staff brief the Committee on its findings.

D. Operating Expenditures (House Budget Committee). Due to the Governor's recommendation to transfer federal Byrne grants from the Sentencing Commission to the Governor's Office, the House Budget Committee was informed of a reduction in agency operating funds. In transferring the administrative Byrne Grant funding ($256,532), financing utilized by the agency for operating expenses was reduced. Consequently this placed the agency in the position of not being able to fully fund its operations. In addressing the issue, the House Budget Committee drew attention to the Senate Committee's recommendation to transfer $147,505 ($167,311 from the State General Fund) to provide additional funding for the agency, and the recommendation to transfer the remaining federal grants to the Governor's office, those being: Local Law Enforcement Block (LLEBG), Residential Substance Abuse Treatment (RSAT), and National Criminal Improvement Program (NCHIP) grants. Additionally, the Senate Committee recommended the elimination of 4.0 positions (2.0 FTE and 2.0 other unclassified positions) due to the transfer of the federal funds, thereby reducing the Sentencing Commission's mandated duties to providing prison projections. Therefore, the House Budget Committee flagged the item for Omnibus consideration, and requested a Governor's Budget Amendment (GBA) to provide financing for the Sentencing Commission.

Staff Note: Senate Bill 6 (the Mega Appropriations Bill), provided the Sentencing Commission with $147,194 ($167,000 from the State General Fund), and eliminated 4.0 positions (2.0 FTE). Thus, made the Sentencing Commission solely a prison population projection/fiscal impact agency.

The Committee concurred with this item for technical adjustments.

Kansas Bureau of Investigation

A. Criminal Justice Information System (CJIS) Project Manager (House Budget Committee). During testimony, personnel from the Kansas Bureau of Investigation informed the House Budget Committee of the importance of the CJIS Project Manager in providing information to the Legislature relating to CJIS, managing the numerous state and local "connections" to the project, and maintaining the operation of the criminal justice database. The House Budget Committee flagged the item for Omnibus consideration to review the restoration of the $97,632, with the possibility of adding the position to the Division of Information Systems and Communications (DISC).

This item was already addressed under the Sentencing Commission section (Item C).

Kansas Highway Patrol

A. GBA No. 3, Item 4, Page 3 – Transfer to the State General Fund

The Committee concurred with this item.

B. Transferring the Division of Alcohol Beverage Control to the Kansas Highway Patrol (House Committee). Within the *Governor's FY 2004 Budget Report*, the Department of Revenue Division of Alcohol Beverage Control, $1,805,122 ($1,603,590 from the State Highway Fund and $201,632 from other special revenue sources), and 38.0 FTE positions were recommended to be transferred to the Kansas Highway Patrol. During testimony to the House Budget Committee, conferees stated that transferring only the enforcement segment of state alcohol administrative functions to KHP leaves important functions still residing within the Department of Revenue. The conferee raised concerns that due to the enforcement function relying heavily on licensing and compliance functions, ABC may not function effectively as compared to its current operation. The House Budget recommended the Governor research the possibility of transferring both the licensure and compliance functions to the Kansas Highway Patrol in FY 2005 (along with associated personnel and funding) to enhance the continued efficient operation of ABC. However, the House Budget Committee discussing the budget of the Department of Revenue recommended the transfer not take place, thus transferring ABC back to the Department of Revenue. Therefore, the House Committee flagged the item for Omnibus consideration for further discussion.

Staff Note: With the passage of **Senate Bill 6** (the Mega Appropriations Bill), the Conference Committee recommended the Division of Alcohol Beverage Control remain under the Department of Revenue, with financing from the State Highway Fund being paid by the State General Fund beginning in FY 2007.

The Committee concurred with this item.

Kansas Department of Transportation

A. GBA No. 3, Item 33, Page 15 – Change Special City and County Highway Fund Transfer Dates

The Committee concurred with this item.

B. House Bill 2036 (Law). HB 2036 would add a new provision to the illegal acts section of the Petroleum Products Inspection Act. The bill would make it a violation of the Act to represent that diesel fuel is or contains biodiesel fuel blend or that diesel fuel is made from renewable resources. The bill also would provide that biodiesel fuel used in biodiesel fuel blends would conform to specifications by the American Society of Testing and Materials, issued in March of 2002, or later versions adopted through rules and regulations of the Secretary of Agriculture. In addition, the bill would require that all bulk motor-vehicle fuels purchased by any state agency or individual purchases for use in state-owned motor vehicles be fuel blends containing at least 10 percent ethanol as long as the price is not more than 10 cents per gallon greater than regular fuel. Lastly, the bill would require that when there are diesel fuel purchases for state-owned diesel powered vehicles and equipment, those purchases are to be a 2 percent or higher blend of biodiesel. The Kansas Department of Transportation estimates that an increase of $0.009 per gallon for ethanol fuel and $0.06 per gallon for biodiesel fuel. The agency estimates an increase in expenditures of approximately $10,896 and $173,571 more per fiscal year as compared to regular unleaded fuel and biodiesel fuel respectively. The cost analysis is based on the FY 2002 actual fuel consumption. In addition, according to the Kansas Highway Patrol, using ethanol fuel in high-speed police vehicles could result in a long-range fiscal effect because of the increased wear and tear on engine parts.

Chairman Morris mentioned that possibly a proviso would be necessary changing the amount of the differential to something less than $.10 (see information under the Department of Wildlife and Parks) and he requested that the Department of Transportation get information back to the Committee as soon as possible.

Department of Corrections and Correctional Facilities

A. GBA No. 3, Item 22, Page 11, Food Service Contract Savings

The Committee concurred with this item.

B. GBA No. 3, Item 23, Page 11, Contract for Leasing Prison Beds

The Committee concurred with this item.

C. GBA No. 3, Item 24, Page 11, Offender Program Contract Savings

The Committee concurred with this item.

D. GBA No. 3, Item 25, Page 12, Visitor Centers

The Committee concurred with this item.

E. GBA No. 3, Item 26, Page 12, Bond Rebate Liability Overpayment

The Committee concurred with this item.

F. GBA No. 3, Item 27, Page 12, Community Corrections State General Fund Financing Offset

The Committee did not concur with this item.

G. GBA No. 3, Item 28, Page 13, Shift Interstate Compact Dues

The Committee concurred with this item.

H. GBA No. 3, Item 29, Page 13, Local Jail Cost Recalculation

The Committee concurred with this item.

I. Report amount needed to pay in full the sum owed by the Department of Corrections (KDOC) in local jail payments (House Budget Committee). The House Budget Committee asked the Secretary of Corrections to report regarding the amount that would be needed to pay off the entire amount owed in local jail payments. Because of the recent fluctuation in the number of "jail days," or the number of days inmates spent in county jails upon their arrest due to parole violation, some question existed as to whether the entire amount budgeted would be needed.

For several years, KDOC had experienced a growing gap between the amount expended for payment to the counties for incarcerating parole violators and the amount appropriated for this purpose. This situation arose because more was encumbered (*i.e.*, more "jail day" reimbursements were billed by counties) than was appropriated for that purpose. The Department operated under this situation by delaying payment for the last quarter of the previous fiscal year until the first quarter of the new fiscal year. However, the amount carried into the next fiscal year grew, leaving increasingly less remaining in the current year appropriation to pay for current year charges, once the previous year's charges were paid.

At the time of its FY 2004 budget request, KDOC estimated that FY 2002 costs deferred for payment in FY 2003 totaled $671,000. KDOC further estimated the liability for deferred FY 2002 and new FY 2003 costs, adjusted by the amount budgeted for FY 2003, would result in a deficit of $1.3 million at the end of the current fiscal year. If no relief were received, KDOC predicted the entire $1.3 million would be deferred for payment in FY 2004. To help counteract this growing deficit, KDOC requested an enhancement package of $671,000. The Governor recommended this enhancement package and added another $200,000 to the amount, for a total of $871,000 in additional funding for local jail payments. This additional recommended funding resulted in a total recommended of $2,605,000 for local jail payments.

Since then, the Secretary of Corrections has reported a significant reduction in the number of jail days for parole violators. Jail days for the third and fourth quarters of FY 2002 totaled 13,045 and 9,648, respectively. Preliminary estimates of jail days for the first and second quarters of the current fiscal year are 9,100 and 7,400, respectively.

As a result, the Secretary anticipates a reduction in the need for jail payment funding, ranging from $344,000 to $644,000 less than the recommended sum of $2,605,000. The actual amount will depend on the actual number of jail days experienced during FY 2004. (The smaller, more conservative estimated savings amount assumes a higher cost per FY 2004 quarter of $450,000. The larger amount assumes the cost per quarter will be equal to the average amount per FY 2003 quarter, or $375,000.) Both estimates assume the current reduction in jail days will continue through the end of FY 2003.

The Secretary cautions that these costs can be volatile; they will depend upon actual revocation experience and the ability of KDOC to transfer parole violators to a state correctional facility. If future bed space is less available, resulting in backlogs in county jails, then local jail costs will increase and the Secretary's estimates will be affected accordingly. Also, should the FY 2004 amount become insufficient to fully fund local jail payments, a supplemental appropriation would be required or payments would have to be deferred to FY 2005.

This item was addressed earlier. Information was distributed regarding the Kansas Department of Corrections Offender Evaluations Program (Attachment 19).

J. Review options that would help restore substance abuse services in the communities in FY 2004 (House Budget Committee). The Budget Committee noted the FY 2003 allotment decisions resulted in a reduction in substance abuse treatment services in both the facilities and the community. These reductions were preceded by an earlier reduction in FY 2002. Given the number of offenders with substance abuse issues, the Budget Committee noted its belief that restoration of offender management beds and substance abuse services in the community would assist the Department in reducing condition violations and returns to the prison system. The Budget Committee therefore asked the Secretary of Corrections to examine options to restore these services in the communities.

If sufficient funding were to become available, the Secretary indicated KDOC would restore substance abuse treatment services based on priorities supported by effective interventions research, principles and practice. The priorities analysis involves consideration of offender risk and need levels, the goal being to target the more intensive services to the higher risk-need offenders and the use of evidence-based program service models to which offender populations are more responsive.

Based on these criteria, KDOC would first seek to restore therapeutic community (TC) capacity, which would include both facility and community transition (TTC) components. Community residential transition services (CRB) to assist in safe and effective offender re-entry would be the next priority for restoration. The third set of priority programs would restore some capacity of intermediate residential treatment in community settings, and the fourth priority would be to restore some capacity for less intensive outpatient services in facilities as another part of the treatment continuum. The program priorities with estimated capacities and costs are outlined below:

KDOC Program Priorities, Capacities, and Costs

Program	Estimated Capacity	Cost/Fiscal Year	Notes
1(a) -- Male TC Facility - Medium Custody	65-75 beds	$285,000	
1(b) -- Community Transitional TC (TTC) - Med./Max.	24 beds	$245,000*	*The community component would be a second- and subsequent-year cost for the above TC.
2(a) -- Male TC Facility - Med./Max.	65-75 beds	$285,000	
2(b) -- Community Transitional TC (TTC)	24 beds	$245,000*	*This component would be a second- and subsequent-year cost for TC #2 (above).
3 -- Community Residential Transition Services (CRB)	Multiple sites, approx. 180 additional beds	$1,445,500	
4 -- Community-based Intermediate Residential Treatment	48 beds	$700,800	
5 -- Short-term Facility-based Treatment	96 slots	$475,000*	*This treatment modality is comparable to community-based outpatient treatment.

Funding options available to the Department to restore treatment services are primarily from three potential sources: State General Fund (SGF) appropriations, Inmate Benefit Fund (IBF) money, and federal or private grant funds. Given the state's current fiscal challenges, the Secretary notes it seems unlikely KDOC would receive additional SGF appropriations for restoring offender treatment services in FY 2004. Following is the Secretary's synopsis of the status of the remaining sources:

- KDOC has utilized a significant portion of IBF money to support various offender programs for many years. For FY 2004, after the proposed utilization of an additional amount of $240,000 to restore funding for Outside Connections' visitor centers, IBF money has been committed and is not available for restoring substance abuse treatment services.

- KDOC currently supports a 100-bed male TC program with federal Residential Substance Abuse Treatment (RSAT) grant funds.

- The Department will seek to restore a 65- to 75-bed TC program using federal Byrne Grant funding and has submitted an application to that end.

- KDOC will continue to explore potential grant funding for treatment services.

This was an information item.

K. Review past and future costs of not establishing a day reporting center or its equivalent in the Kansas City area; determination of whether costs are reduced when day reporting centers are operational. KDOC presently has two operational day reporting centers. The first to be established is located in Topeka; the second, in Wichita, opened toward the end of calendar year 2002. Although a third day reporting center was intended for the Kansas City area (specifically, Wyandotte County), plans for this one were never realized due to difficulties in securing an acceptable location for the center. As a result, the former Secretary of Corrections released the contractor from responsibility for establishing the Kansas City site. The current Secretary of Corrections has indicated he is pursuing a new effort to establish a service in the Kansas City area that would achieve similar outcomes to the day reporting centers while operating in a manner and location acceptable to the local community. The House Budget Committee requested the Secretary report on the cost of not establishing a day reporting center or its equivalent in the Kansas City area. As part of this report, the Committee also asked that the Secretary report on the cost benefit of such operations.

Based upon information received from the Kansas Sentencing Commission (KSC), a 60-slot day reporting center would reduce the need for additional bed capacity by an average of 150 beds annually over the fiscal year period 2004-2013. As long as KDOC's bed capacity is sufficient to house the inmates that otherwise would have been diverted from prison, there is not any cost associated with the absence of a day reporting center in the Kansas City area. The Secretary of Corrections explains this conclusion is based upon a comparison of the estimated marginal cost incurred to incarcerate 150 additional inmates ($300,000) and the estimated FY 2004 cost to operate a 60-slot day reporting center ($929,000). Once additional bed capacity is required, it can be assumed that a portion of the additional capacity would be attributable to the absence of a day reporting center. A detailed summary of the issue by the Secretary of Corrections will be distributed.

This was an information item.

Copies of a letter from Roger Werholtz, Secretary, Kansas Department of Corrections, regarding Information Requested by the House Public Safety Budget Committee was distributed to the committee, dated April 16, 2003 (Attachment 20).

L. Explore possible mechanisms to control inmate healthcare costs/use of Medicaid or similar model to control inmate healthcare costs (Senate Subcommittee). The Senate Subcommittee noted it was cognizant of potential cost changes with respect to renewal of the systemwide contract for inmate health and medical care. The current contract will expire at the end of FY 2005. This impending contract change caused the Subcommittee to identify as a possible point of comparison the payment practices of other state agencies (such as the Department of Social and Rehabilitation Services and the Juvenile Justice Authority) for hospital care for their clients. Specifically, the Subcommittee was questioning whether it would be possible to utilize Medicaid rates, or a similar rate model, as a basis for payment. If such a plan were possible, the Subcommittee asked the Secretary to comment regarding whether the healthcare contractor should be required to implement similar practices.

According to the Secretary, it appears such a decision would not result in immediate savings for the state *with respect to the current contract*, but it would improve the contract's profitability for Prison Health Services, the current contractor, by decreasing hospital payments. In addition, it would establish a cost history that would be of benefit to the state when negotiating for medical services for inmates in the next contract cycle. A complete explanation of the issue by the Secretary of Corrections will be distributed.

This was an information item.

M. Examine options to restore funding for the Visitors' Centers (House Appropriations Committee). The House Appropriations Committee requested the Secretary of Corrections report on any options that might be developed to restore funding for the Visitors' Centers operated by Outside Connections at Lansing, Hutchinson, Ellsworth and Norton. According to the Secretary, KDOC has identified Inmate Benefit Fund (IBF) resources to sustain a reduced funding level of $240,000 The amount that would have been expended in FY 2003, if the program had not been terminated, is $261,375.

The Secretary notes this reduced amount of $240,000 will be financed by using balances that were estimated to be available in KDOC and facility funds based upon the approved FY 2004 IBF budgets and by additional resources that were freed up in the Department's IBF budget (a) by freezing a position that was financed with IBF money, and (b) adding the $15,000 that would have been transferred to the Ombudsman for Corrections, had the Ombudsman office's funding not been eliminated for FY 2004.

In addition, KDOC has taken several steps to reduce the actual operating costs of the Visitors' Centers:

- Norton Correctional Facility -- Five buildings are located east of the medium-security compound that served as staff housing when the facility was a state hospital. If Outside Connections could obtain donated materials, which would allow KDOC to renovate three of those buildings, they could be made available at no cost for use by Outside Connections, with the capacity to provide overnight accommodations. It would be necessary for Outside Connections to maintain liability insurance as well as coverage for the repair of any damage beyond normal wear and tear. The Secretary notes this location would actually be more convenient for both visitors and the facility.

- Ellsworth Correctional Facility -- The City of Ellsworth rented an old motel, located across the street from the correctional facility, to Outside Connections for use as a visitors' center. When KDOC terminated the contract, the city agreed to make the building available to the program at no cost for the balance of the fiscal year. The Secretary states he has contacted the city to determine if the city would be willing to make the building available at no cost on a permanent basis, if the Department agreed to conduct the routine maintenance on the building. As has occurred in the past, the building could also be made available to the city to house stranded travelers or others needing shelter on a short-term basis, when it is not occupied by visitors to the facility.

- Lansing Correctional Facility (LCF) -- The federal government has made available to LCF some surplus buildings that can be disassembled and moved to the facility site. These are primarily small warehouse-type buildings. LCF will work to identify a building that could be used to house a visitors' center if materials could be donated to remodel and repair the interior as required to convert the building to such a purpose. It should be noted that the visitors' centers at Lansing and Hutchinson have not provided overnight shelter in the past, so the types of interior finishes required would not be as great as if it were planned to provide overnight accommodations. The building would be erected on facility property, and it could be provided rent free to Outside Connections.

- Hutchinson Correctional Facility -- A similar strategy using a surplus federal building is contemplated for HCF.

In order to align the operations of the Visitors' Centers more closely with the core functions of KDOC's public safety mission, the Secretary states Outside Connections would be expected to maintain and expand the recent effort to partner with KDOC's sex offender treatment contractor, DCCCA, to work with families of sex offenders regarding re-entry and management issues. Likewise, the Secretary indicates KDOC will encourage Outside Connections to develop programming (and pursue the appropriate revenue streams for that programming) targeted at youth offenders who are statistically much more likely to be incarcerated as adults than children who do not have an offender as a parent.

According to the Secretary, this plan, if implemented successfully, would bring two centers on line in July (Lansing and Ellsworth), and the others would be restored based on the availability of donated materials and construction/renovation schedules permitting.

This item was addressed earlier.

N. SB 110 (Law). As determined in Conference Committee, **SB 110** amends the Kansas Securities Act to (a) create graduated penalties for certain existing crimes – including violations of securities fraud statutes and the broker-dealer or agent registration statute – depending on the dollar amount at issue; (b) create several new crimes, and ©) increase civil penalties for violations of the Securities Act or a rule or order of the Securities Commissioner.

The Kansas Sentencing Commission (KSC) estimates that passage of this bill could increase prison admissions by two to twelve per year from FY 2004 through FY 2013. Based on this estimate, KDOC predicts the inmate population would be increased by four inmates in FY 2004 and by four to forty-three inmates by the end of FY 2013. KDOC estimates additional costs, for the gain of four inmates predicted for FY 2004, at the marginal cost level of $2,000 per inmate, or $8,000 for the year. Further, the Department states additional beds might be needed to implement the bill. One-time construction project costs for new housing units, as well as additional annual operating costs, would occur in this case. Construction costs are estimated to be $28,000 per bed for a double-celled (*i.e.*, medium security) or $56,000 per bed for a single-celled (*i.e.*, maximum security) unit. Annual operating costs would range from approximately $14,000 to $25,000 per inmate.

This was an information item.

O. HB 2088 (Law). HB 2088 amends current law in regard to the provision of a release gratuity of $100 to offenders released from a KDOC facility to a detainer, if the offender is subsequently released from the detainer into the community within 30 days. The current restrictions for eligibility for a release gratuity for inmates released from prison but not to a detainer would apply to those offenders released to a detainer and subsequently returned to the community within 30 days.

KDOC estimates its expenditures would be increased by $33,400 as a result of authorizing gate pay eligibility for inmates released through a detainer, if released within 30 days. This amount, the agency states, could be absorbed within existing resources.

This was an information item.

P. HB 2271 (Conference). HB 2271 amends several statutes regarding criminal offenses and their penalties:

- Theft – Increases sentences on the high-dollar end and decreases sentences on the low-dollar end, relating to the value of the theft of either property or services.

- Endangering a child – Expands the definition of the crime to include knowingly and intentionally causing or permitting a child under 18 to be present at a site where various activities regarding methamphetamine are taking place.

- Rape – Makes the penalty for a second or subsequent conviction of rape punishable under the persistent sex offender provisions, allowing up to a doubling of the sentence.

- Battery of a law enforcement officer – Expands the crime to include battery against a state, county, or city law enforcement officer with a motor vehicle, if the offender has actual knowledge that the person is a law enforcement officer and the offender intended to commit the injury because the person is a law enforcement officer.

Fiscal Impact – House Version: HB 2271 as amended by the House would revise graduated penalties in the cases of criminal damage to property, in addition to the other changes. KSC estimates a net savings of 44 to 84 beds in FY 2004 under the House version of the bill. This translates into a KDOC marginal cost savings ($2,000 per inmate) of $88,000 to $168,000. By FY 2013 KSC projects a savings of 39 to 80 beds.

Fiscal Impact – Senate Version: The Senate Committee struck a section that would have made revisions to the graduated penalties for criminal damage to property. According to KSC, a net savings of 15 to 27 beds is projected for FY 2004 under the Senate version of the bill. This translates into a KDOC marginal cost savings ($2,000 per inmate) of $30,000 to $54,000. By FY 2013, KSC projects 26 to 108 additional prison beds will be needed.

This was an information item.

Q. HB 2090 (Law). HB 2090 clarifies that organizations using inmates on work crews for public service are not agents of the state, except for the purpose of maintaining the confinement of the inmates, and, therefore, any negligence on the part of the organization or entity benefitting from the work performed would not be imputed to the state or KDOC.

According to KDOC, the bill's passage could have a fiscal effect, because it would reduce the Department's legal liability by making it difficult for the Department to be sued for negligence on the part of another agency in the supervision of inmate work crews.

This was an information item.

R. **SB 123 (Law).** **SB 123** authorizes a new sentencing policy for a defined group of nonviolent offenders convicted of drug possession. These offenders are required to participate in a mandated treatment program in lieu of incarceration or other penalties currently employed. Penalties are established for offenders failing to complete the mandated treatment program. KDOC is required to certify treatment programs, which will be supervised through Community Corrections, and KSC is required to award funding to the programs KDOC certifies. **SB 123** contains a delayed implementation date of November 1, 2003.

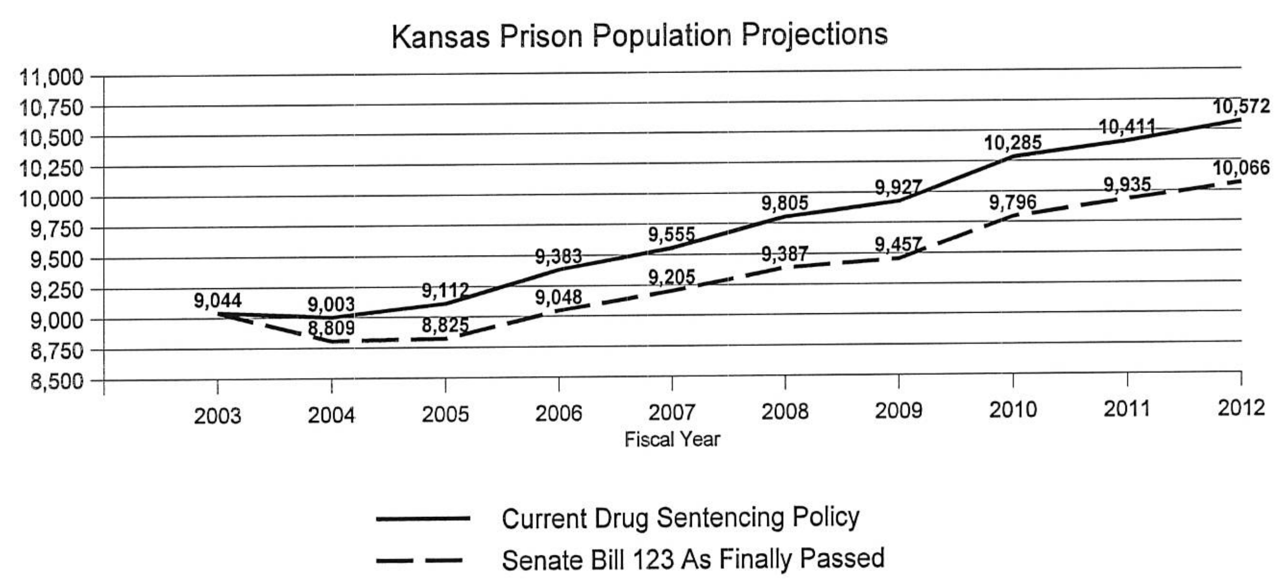
The bill is projected to result in lower per capita costs than for incarceration in the future, and it is projected to delay the need for constructing a new correctional facility. The bill also results in the need for additional funding if its provisions are to go into effect. (The bill contains a provision that renders the act ineffective if no funding is provided for the nonprison sanction of certified drug abuse treatment and supervision programs.) KDOC estimates it will need 3.0 FTE staff to certify drug treatment programs throughout the state. The estimated cost for the 3.0 FTE staff is $178,000.

According to KDOC, the average annual supervision cost per offender for Community Corrections is $2,906. The total increased funding for the Community Corrections' net caseload increase of 843 offenders, expected under the bill's provisions in FY 2004 after adjusting for the delayed implementation date, is $1,641,340 for the period from November 1, 2003 through June 30, 2004.

SB 123 also would require duties of the KSC. These duties and their expected costs are discussed elsewhere in this document under the Sentencing Commission.

Bed Space Impact of SB 123. KSC and KDOC estimate **SB 123**, as sent to the Governor, would save 194 beds in the first year of implementation (FY 2004), if the bill were to be effective at the beginning of the fiscal year. By FY 2013, the number of beds saved will be 517. Taking into account (a) the fact that the 194-bed savings will add up over the course of the year and (b) the delayed implementation date of November 1, 2003, KDOC estimates marginal costs totaling approximately $130,000 will be saved in FY 2004.

The following chart illustrates the effect of this projected bed space savings on the state's inmate population:



Source: Kansas Sentencing Commission

Once it is determined additional bed space is required, legislation and funding will be needed to commence construction on the new cell house(s). Earlier this Legislative session the Joint Committee on Corrections and Juvenile Justice Oversight introduced **SB 10**, which authorizes KDOC to initiate and complete capital improvements for the construction of two additional cell houses at the El Dorado Correctional Facility, subject to appropriation. The bill was referred to the Senate Ways and Means Committee and has received no hearing as of yet. If **SB 10** were passed and funds were appropriated for this construction, KDOC estimates a total of approximately $14.4 million in construction costs would be needed. The cell houses would have a capacity of 256 maximum-custody or 512 medium-custody inmates. Additional annual operating costs for the facilities are estimated to average $20,200 per maximum-custody inmate or $14,100 per medium-custody inmate.

(See Attachment A for a summary of the total FY 2004 fiscal impact of the bill.)

Copies of the Byrne Grant Funding Budgeted for FY 2004, Residential Substance Abuse Treatment (RSAT) Grant and Funding Options, Kansas Legislative Research Department, were distributed to the committee (Attachment 21).

Senator Adkins moved to allocate $500,000 from the Community Corrections Fund instead of the $1,300,000 and that $425,000 be taken from that, and that $6,000,000 dollars SGF be allocated for this purpose in FY 2004. The motion died due to the lack of a second.

Senator Adkins explained that he felt that the Byrne Grant money is all being used for the purposes that are needed and this is an obligation that the State has and it needs to be funded. He also indicated that the alternative to this is to not fund it at any amount so that it does not become effective because if the State is going to take on the obligations the State needs to take on the responsibility of funding it.

*Senator Adkins moved that no money be provided to fund **SB 123** in FY 2004. The motion died due to the lack of a second.*

Chairman Morris suggested that the Committee consider taking $652,000 Byrne Grant Fund money from the GBA No. 3, Item 27: $200,000 RSAT: and $1,300,000 from Community Corrections which would leave $4,300,000 from the State General Fund for FY 2004.

*The Committee concurred to take $5,600,000 State General Fund; $200,000 RSAT and $650,000 Byrne Grant Fund money to fund **SB 123** in FY 2004.*

Ombudsman for Corrections

A. Determine whether sufficient funding exists to continue the agency's operation from any source(s) associated with the Kansas Department of Corrections (Senate Subcommittee). Although the Senate Subcommittee concurred with the Governor's recommendation to not fund the Ombudsman's budget from the State General Fund (SGF), the Subcommittee noted its belief in the Ombudsman's value as an objective evaluator of inmate complaints and claims and recommended the Legislature pursue other sources of funding. The Subcommittee therefore requested the Secretary of Corrections evaluate whether funding exists from any source(s) related to the Kansas Department of Corrections (KDOC), including the Inmate Benefit Fund (IBF).

Because of the Governor's recommendation to eliminate the Ombudsman's budget, that agency's funding was actually considered at several different junctures during the Legislature's budget deliberations, in addition to being considered on its own by the Senate and House committees established for that purpose. Other recommendations were made to fund the budget – for example, by using newly generated SGF money from a net increase of 62 work release beds into the state's adult correctional system (from required room and board reimbursements). However, the Conference Committee for **SB 6** (Mega budget bill) agreed to not fund the Ombudsman's budget. Amounts adding up to the total new work release money were committed to other agencies.

In response to the original request by the Senate Subcommittee, the Secretary of Corrections indicates no additional funding is available, given previous analyses and extant priorities for KDOC as reported elsewhere in this document.

A memorandum was distributed by Staff to the Committee regarding Potential Funding Source for the Ombudsman for Corrections (Attachment 22).

The Committee concurred to restore the Ombudsman of Correction funds to the FY 2003 level from the two-tier fee system and the Inmate Benefit Fund.

Real Estate Commission

A. Supplemental Request (House Budget Committee). The House Budget Committee recommended that the agency's FY 2003 supplemental request of $29,500 for the purchase of an electronic data base system be considered in the Omnibus Bill. The supplemental request was funded by the Senate and the House concurred with the Senate in Conference Committee. The agency's FY 2003 expenditure limitation increased in **SB 6** to provide funding for the supplemental request.

This item was taken care of in Conference Committee.

Securities Commissioner

A. Current Financial Status (Senate Subcommittee). The Senate Subcommittee recommended a review of the financial status of the Office of the Securities Commissioner during Omnibus to determine if the 5.9 percent reduction ($128,461) might force the agency to layoff employees. The agency reported to the Senate Subcommittee in a letter dated April 11, 2003, that the agency would prefer a lesser cut than the 5.9 percent. The agency has indicated they would be able to manage the 5.9 percent reduction, however, the reduction may require the agency to layoff two employees.

The Committee concurred with this item.

Kansas Corporation Commission

A. Well Plugging Status (House Committee). The House Committee recommended the agency report back before Omnibus to update the House Budget Committee on the current status of well plugging activities. The agency reported to the House Budget Committee the procedures for processing/sale of salvage materials at State funded well plugging operations, the current number of wells being plugged, the bid process for awarding contracts to plug wells, and well plugging activities in the Chanute area. The agency then presented to the House Committee written testimony of those items presented to the House Budget Committee.

Copies of a letter regarding the status of the well plugging of abandoned wells in Kansas from Susan Duffy, Kansas Corporation Commission, addressed to a House Subcommittee on Appropriations, was distributed (Attachment 23).

This item has already been completed.

B. HB 2018 (Law). HB 2018 would create the Renewable Energy Electricity Generation Cooperative Act. In addition, the bill would authorize the Kansas Development Finance Authority (KDFA) to issue revenue bonds to finance the construction, upgrade, or acquisition of electric transmission lines. The bill would also impose duties on KCC related to interconnection agreements between electric utilities and generators of electricity from renewable resources. The KCC anticipates contracting with consultants to determine prudent fees for interconnection agreements. The anticipated cost for such consultants is $25,000.

The Committee concurred to raise the limitation on the KCC's fee fund.

Department of Human Resources

A. Governor's Budget Amendment. Governor's Budget Amendment No. 1, Item 1, placed a moratorium on the one week waiting period in FY 2004. The GBA included $13,906,097 for additional unemployment benefits and $1,892,855 for administrative costs, for a total of $15,798,952 from federal Reed Act funds. Due to concerns about constitutionality, the language pertaining to the moratorium was deleted from the appropriations bill by both the House and Senate Committees. The House Committee recommended the adoption of the funding portion of the GBA. The Senate Committee did not recommend the GBA and recommended the introduction of bills (**SB 269** and **SB 270**) to provide for the moratorium language and to place the waiting period at the end of the unemployment benefits instead of the beginning. Also, the Senate Committee recommended reviewing the status of the GBA at Omnibus. In a floor amendment on **SB 263**, the Senate added the $1,892,855 in administrative costs. In the Conference Committee, the House concurred with the Senate to delete the remaining $13,906,097 of the GBA. The Senate Committee of the Whole amended **HB 2332** to add the provisions extending unemployment benefits by two additional weeks at the end of the benefit period for a one-year period (provisions similar to the contents of **SB 269**). In the Conference Committee on **HB 2332**, the House concurred with the amendment. The Department of Human Resources anticipates a fiscal impact of additional unemployment benefits to be paid from Employment Security Benefit Fund to be $9 million.

This item has already been completed.

B. HB 2332 (Law). In addition to extending unemployment benefits by two weeks, **HB 2332** also amends the Employment Security Law by doing away with the current requirement that a person's unemployment benefits have 50 percent of Social Security and Railroad Retirement Act benefits deducted from unemployment benefit payments. The Department of Human Resources indicates the fiscal impact to be that unemployment benefits from the Employment Security Trust Fund would increase by $1.2 million.

This was an information item.

Department of Administration

A. GBA No. 3, Item 5, Page 3 – Public Broadcasting Grants

The Committee concurred with this item.

B. KANS-A-N Long Distance Rates (House Budget Committee). The House General Government and Human Resources Budget Committee indicated it wished to further consider the issue of KANS-A-N long distance rates. The Division of Information Services and Communications (DISC) of the Department of Administration had announced a per-minute increase for KANS-A-N long distance calls (from $0.035 to $0.055) and for KANS-A-N calling card calls (from $0.055 to $0.075) in FY 2004. This increase was included in the budget cost indices used by agencies at the time their budgets were submitted. Several state agencies, during the course of budget presentations, had expressed concern with the rate increase and the overall impact on their individual budgets. Subsequent to the Budget Committee's recommendation, the Secretary of Administration directed DISC to hold the increases at the FY 2003 rate for FY 2004. DISC estimates FY 2004 savings to agencies of approximately $710,000, with approximately one-half of that amount ($355,000) from the State General Fund.

The Committee concurred to authorize the Budget Director to identify the savings listed in this item.

The Committee concurred for a Proviso that adds language requiring the Department of Administration to provide, upon written request, paper payroll advises to state employees. (Request for this proviso came from the Judicial Branch.)

Legislative Post Audit

A. SB 8 (Law). Senate Bill 8 was recommended by the Legislative Post Audit Committee. It would add language to the Legislative Post Audit Act (KSA 46-1106) to make the scope of the annual statewide financial-compliance audit and the scope of the biennial investment performance audit for the Pooled Money Investment Board identical, thus eliminating the separate biennial audit. The Board's practices are currently reviewed as part of two separate audits, with the investment performance audit contracted out by the Board and the financial-compliance audit performed under a contract with the Legislative Division of Post Audit. The audit is conducted by an outside accounting firm hired by the Legislative Division of Post Audit. According to the fiscal note by the Division of the Budget and testimony provided by the Board, enactment of **SB 8** would save $10,000 in special revenue funds every other year beginning in FY 2004.

The Committee concurred with this item.

Legislature

A. Veto: Information Technology Projects Proviso. Section 133 of **SB 6** was line item vetoed in its entirety. The proviso restricted expenditures for technology hardware, software, and networks until the Director of the Budget certified to the Director of Accounts and Reports that an agency had complied with all statutory reporting requirements. In the veto message, the Governor indicated the reason for the veto was the duplication of existing budget instructions, an unduly burdensome certification process, and a possible loss of time and money.

This was an information item.

B. Proviso (Technical Adjustments). A proviso in **SB 6** requiring the Legislative Coordinating Council to approve the number of meeting days for any joint committee of the Legislature inadvertently omitted an exemption for the Joint Committee on State Building Construction which was intended to be included by the Conference Committee on **SB 6**.

The Committee concurred with this item for technical corrections.

Board of Barbering

A. GBA No. 3, Item 8, Page 4 – Special Project Position.

The Committee concurred with this item.

Parole Board

A. GBA No. 3, Item 31, Page 14 – Change Parole Board Member Reduction Date.

The Committee concurred with this item.

Board of Regents

A. Salary Savings Proviso Review (House Budget Committee). The House Budget Committee recommended Omnibus review of a proviso adopted during the 2002 Legislative Session which prohibits the shifting of any salary savings in FY 2003 to other areas of expenditure. Subsequent to the Budget Committee's recommendation, the Conference Committee on **SB 6** agreed to eliminate the proviso in question.

This item was addressed in conference committee.

B. Allocation Of New Comprehensive Grant Funding (House Budget Committee). During budget review for the Board, the Budget Committee received testimony that in prior years increased funding for the Comprehensive Grant program has been allocated 57 percent to State Universities, 38 percent to private institutions and 5 percent to Washburn University. The Budget Committee recommended that the Board and representatives of the various sectors meet to review this allocation method and that the Board report to the Budget Committee on the allocations of new program monies by Omnibus. Subsequent to the Budget Committee's recommendation, the Board testified to the Senate Ways and Means Subcommittee that the current allocation formula would be retained for FY 2004.

This was addressed in conference committee.

C. Alternative Teacher Certification Program Expansion (House Budget Committee). The Budget Committee recommended Omnibus review of expansion of alternative teacher certification programs which help address the need for teachers by providing teacher training to people who have degrees in areas besides teaching. The Board of Regents has requested $900,000 in FY 2004 to establish alternative teacher certification programs at FHSU and ESU and to expand the PSU program.

Copies of the Governor's Budget Amendment regarding the Alternative Teacher Certification Program, dated April 24, 2003, were distributed to the Committee (Attachment 24).

The Committee concurred with allocating $450,000 for the Alternative Teacher Certification Program with $150,000 for each school mentioned above using $225,000 School Violence Prevention Funds and $228,000 from Smart Start Fund with the Board of Regents having the ability to use this money with the best use as they see fit.

D. Technical Education Issues (House Budget Committee). The House Budget Committee directed the Board to study several issues relating the current technical education funding system and to report back to the Budget Committee on the progress of the analysis.

This was an information item.

E. Community College Flexibility (Senate Subcommittee). The Senate Subcommittee recommended that the Trustees of the community colleges explore what the Legislature might do to give them additional flexibility in meeting budgetary challenges without reducing services or increasing the burden on local property tax payers and to report back to the Subcommittee by Omnibus.

Copies of a memorandum addressed to Chairman Stephen Morris, Senate Ways and Means Committee, from Sheila Frahm, Executive Director, Kansas Association of Community Colleges, were distributed to the committee (Attachment 25).

This was an information item.

F. HB 2009 (Law). HB 2009 increases registration fees for proprietary schools and general educational development (GED) credentials. The Board requests $35,000 from the proprietary school fees and 0.5 FTE positions in FY 2004 to increase the oversight of proprietary schools as recommended in a recent Division of Post Audit analysis. The Board requests $24,000 from GED fees for the provisions of GED-related services, primarily the certification of GED credentials.

This was an information item.

G. Governor's Veto. The Governor vetoed a proviso included in **SB 6** which would have required the Board to remove the funding of any department or division of any state university which expends funds for the purchase or display of any videos in an undergraduate human sexuality class which are legally obscene.

This was an information item.

State Universities Systemwide

A. Substitute for House Bill 2036 (Law). Sub. for HB 2036 includes a provision which requires that all bulk motor-vehicle fuels purchased by any state agency or individual purchases for use in state-owned motor vehicles be fuel blends containing at least 10 percent ethanol as long as the price is not more than 10 cents per gallon greater than regular fuel. In addition, the bill requires that when there are diesel fuel purchases for state-owned diesel powered vehicles and equipment, those purchases are to be a 2 percent or higher blend of biodiesel. The University of Kansas indicates that compliance with this provision will cost an additional $8,100 in FY 2004. Emporia State University reported that the provision would result in an unidentified cost increase. The other State Universities did not submit a fiscal note on the provision but presumably would also face increased costs in the operation of their vehicles.

This was an information item.

Wichita State University

A. Aviation Research Initiative. (House Budget Committee). The House Budget Committee recommended that FY 2004 funding for aviation research at WSU be considered during Omnibus. Subsequent to the Budget Committee's recommendation, the Conference Committee on **SB 6**agreed to provide $1.0 million from the EDIF for the program.

This item had been addressed earlier.

Kansas State University Experimental Stations and Agriculture Research Programs

A. Sustainable Agriculture Research (House Budget Committee). During budget review the Budget Committee received testimony which questioned the level of resources committed by KSU-ESARP to sustainable agriculture initiatives. The Budget Committee also learned that KSU-ESARP is currently in the process of developing their five year research plan. The Budget Committee recommended that KSU-ESARP meet with those parties interested in sustainable agriculture and report back to the Budget Committee on the opportunities for inclusion of sustainable agriculture in future research activities and their five year plan by Omnibus.

This was an information item.

University of Kansas

A. GBA No. 3, Item 3, Page 2 – Transfer from Construction Defects Recovery Fund

The Committee concurred with this item.

B. GBA No. 3, Item 21, Page 10 – Bonding Authority for Hashinger Hall

The Committee concurred with this item.

University of Kansas Medical Center

A. GBA No. 3, Other Issues, Page 17 – Children's Initiatives Fund

The Committee concurred with this item.

B. Medical Student Loan Program (House Budget Committee). The House Budget Committee recommended that consideration be given during Omnibus on FY 2004 funding for the Medical Student Loan Program. At the time of the Budget Committee's review, no funding was available for any new loans in FY 2004. Subsequent to the Budget Committee's recommendation, the Conference Committee on **SB 6** agreed that sufficient loan repayment funds were available to support at least 20 new loans in FY 2004.

This item was addressed earlier.

C. Pediatric Biomedical Research (House Budget Committee). The House Budget Committee recommended that consideration be given during Omnibus on FY 2004 funding for the Pediatric Biomedical Research program. The University had requested $1.0 million from the CIF to continue state support for the program while the Governor recommended no state funding for the program. Subsequent to the Budget Committee's recommendation, the Conference Committee on **SB 6** agreed to provide $700,000 CIF for the program in FY 2004.

This item was related to Item A and was an information item.

State Department of Education

A. GBA No. 3, Item 19, Page 9 – School Finance Consensus Adjustments

This item was related to Items D and E and was dealt with there.

B. GBA No. 3, Item 20, Page 10 – KPERS School

This item was related to Items D and E and was dealt with there.

C. GBA No. 3, Other Issues, Page 17 – Renewal of Mill Levy

This item was a reminder that the 20 Mill Levy has not been renewed and needs to be renewed every two years.

D. Revised School Finance Estimates and GBA No. 3, Item 19, Page 9. Staff from the State Department of Education, the Division of the Budget, and the Legislative Research Department met April 16, 2003, to reevaluate school finance estimates that had been made in November for FY 2003 and FY 2004. For the current year, actual information on enrollments and local resources caused the staff to revise the estimates by adding 1,399 weighted full-time equivalent (FTE) students and by increasing available local resources by about $2,400,000.

The increase in local resources almost exactly offsets the amount of additional resources needed for general state aid in FY 2003 in order to fund the increased enrollment, falling short by only $4,000. The amount of money available for supplemental general state aid is estimated to be $427,000 more than necessary. Pursuant to the authorization contained in **SB 6**, which allows the State Department to reappropriate savings from one year to the next, the $427,000 would be carried forward and be used to fund supplemental general state aid in FY 2004.

For FY 2004, the estimators again increased both the number of FTE students and local resources from the original estimate made in November 2002. This time, the increase in local resources is not considered to be enough to offset the increase in enrollments and it is estimated that a total of $3,268,000 from the State General Fund would be needed in FY 2004 to fund BSAPP and supplemental general state aid at the allotment rate of $3,863. Of the total, $2,901,000 would be for general state aid and $367,000 would be for supplemental general state aid. Failure to appropriate the additional amount for general state aid would result in a reduction of about $5.01 per FTE student.

The table below summarizes revisions made to the school finance estimates. (Amounts are in thousands.)

	Approved FY 2003	Revised FY 2003	Difference FY 2003	Approved FY 2004	Revised FY 2004	Difference FY 2004
Gen. State Aid	$ 1,792,480	$ 1,792,484	$ 4	$ 1,777,788	$ 1,780,689	$ 2,901
Supp. State Aid	148,427	148,000	(427)	156,383*	156,750	367
TOTAL	$ 1,940,907	$ 1,940,484	$ (423)	$ 1,934,171	$ 1,937,439	$ 3,268

* Assumes the reappropriation of $427,000 in savings from FY 2003.

The Committee concurred to reappropriate the $423,000 additional allotment rate and wait on Base State Aid.

E. Revised Estimates for KPERS-School and GBA No. 3, Item 20, Page 10. The staff that met April 16 to consider school finance estimates did not change the estimate for KPERS-School in the current year. The amount available for FY 2003 is $112,147,986 from the State General Fund and takes into account a reduction of $4,600,000 due to the approved death and disability moratorium. The total is $6,127,214 less than is estimated to fully fund the entitlement, but because of the state's revenue situation, that amount has been added to the appropriation for FY 2004 and will be paid after the end of the current fiscal year, plus $72,461 as a late payment charge.

For FY 2004, the staff determined that, because the salary base is expected to be smaller than originally estimated, $3,000,000 from the State General Fund that was appropriated in 2003 **SB 6** for KPERS-School can be lapsed. Another $15,400,000 will be lapsed from the appropriation due to the death and disability moratorium. Assuming these lapses, the KPERS-School appropriation would be $120,540,758, which includes $6,127,214 for the money that is part of the FY 2003 entitlement, plus $72,461 for the late payment charge.

The Committee concurred with this item.

F. No Child Left Behind Waiver. The Conference Committee on **SB 6** decided to defer to Omnibus Bill consideration the matter of requiring the State Department of Education to seek a waiver from the provisions of the No Child Left Behind Act. The requirement was contained in a House floor amendment to the State Department's budget and stipulated that no expenditures could be made in FY 2004 for agency operations unless the State Department makes a request to the U.S. Department of Education for a waiver.

The Committee reviewed this item, but took no action.

G. Statutory Programs That Are Unfunded or Underfunded. The House Budget Committee that considered the budget of the State Department of Education recommended that, in the event additional revenues become available, consideration should be given in the Omnibus Bill to adding funding for statutory programs that are unfunded or underfunded. Statutory programs that are not fully funded in FY 2004 are the following:

- Mentor Teacher Program–Not funded. The State Department requests $2,500,000 in FY 2004 to fund mentors of teachers in the three-year probationary period.

- Inservice Education Program–Not funded. The State Department requests $7,500,000, which would fully fund the state's share of the program in FY 2004. Of that total, $4,900,000 is part of the State Department's enhancement request.

- Governor's Teaching Excellence Awards–Funded at $56,000. A total of $150,000 is requested to fully reimburse school districts in FY 2004 for $1,000 bonuses for teachers who attain National Board certification.

- Base State Aid Per Pupil–Funded at $3,863 (this amount does not reflect the revised school finance estimates). In order to fully fund BSAPP at the statutory rate of $3,890, an additional $15,620,553 for general and supplemental general state aid is needed in FY 2004 in order to increase BSAPP by $27 to the statutory rate.

This was an information item.

H. USD 423 (Moundridge). The House Appropriations Committee recommended that issues relating to funding for USD 423 be considered in the Omnibus Bill. At the time of the recommendation, the school district was suing the State Board of Education because the State Board had disallowed state aid payments of approximately $1.0 million for 360 students who were enrolled in the Mid-Kansas Independent Academy.

In early April, the State Board of Education and the board of education of USD 423 reached an agreement that ended the lawsuit which was pending in McPherson County District Court. The agreement specifies that the district's Academy will be closed and its charter revoked effective at the end of the current school year. Its current enrollment will be counted in determining the amount of state aid due to the district for this year. However, the district will not be allowed to include the Academy's enrollment in the preparation of its budget for any future school year.

This was an information item and has been settled.

I. SB 74 (Law). SB 74 requires the State Board of Education to develop curriculum, materials, and guidelines for personal literacy programs at all grade levels for use in public and accredited nonpublic schools. Implementation of the programs is optional at the local level. The State Department of Education estimates it will cost $16,000 in FY 2004 to develop the materials and for printing and postage. In testimony before the House and Senate Education Committees, Jill Docking informed members that Financial Fitness Foundation, a 501©) (3) organization, will pledge to raise $15,000 in support of the program.

This was an information item.

J. SB 83 (Law). SB 83 concerns schools and school district budgets. It implements recommendations of the School District Budget Task Force, including the consolidation of some funds and the abolition of others. It also authorizes school districts to carry forward unexpended balances in all funds except the general and the supplemental general funds instead of showing the money as being spent. Beginning on July 1, 2004, the bill requires that changes be made in forms for annual school district budgets, requires that a form for a summary of proposed school district budgets be developed, and mandates school district profiles based on the district's adopted budget.

The State Department will have to develop and rewrite computer programs to implement the changes and requirements imposed by the bill. The State Department's costs to implement the bill are estimated to be $16,000 in FY 2004. It is the State Department's plan that school districts will access the forms on the Internet. Implementation costs to the districts of **SB 83** are expected to be minimal.

The Committee concurred to add the $15,000 to implement the bill (the $16,000 figure that was listed was incorrect).

Attorney General

A. Attorney General Veto. The Governor vetoed Section 29(d) of **SB 6** which would have given the Attorney General flexibility to transfer money in FY 2004 from State General Fund agency operating accounts to water litigation accounts or from one water litigation account to the other. The Legislature added the provision to give the Attorney General flexibility to fund Colorado and Nebraska water litigation and made the policy permanent by enacting substantive legislation (**HB 2456**). Because **HB 2456** has been signed by the Governor, the provision in **SB 6** is unnecessary.

Copies of the Attorney General, Kansas v. Colorado FY 2003 Supplemental Request and FY 2004 Budget Request, Kansas v. Colorado, were distributed to the committee (Attachment 26).

The Committee concurred with the FY 2003 Supplemental Appropriation plus the $605,000 in FY 2004.

Board of Veterinary Examiners

A. Review expenditure levels (House Budget Committee). The Governor's recommendation included operating reductions of $15,000 in FY 2004 and $65,000 in FY 2005 resulting from the agency's initial revenue projections. Following the hearing on the agency's budget, the agency provided revised revenue projections to the House Budget Committee. The agency estimates revenue to be $37,200 higher for FY 2004 and FY 2005 than originally anticipated. Due to the Budget Committee receiving the information after the hearing, the Budget Committee recommended that this item be deferred to Omnibus consideration.

The agency lowered revenue projections for FY 2004 and FY 2005 in response to discussion at the national level to shift licensure exam applications from the state to national level. The agency reported that the national testing organization met in January 2003, and officials with the national organization confirmed that discussion on moving the applications to a national system appear to be dead. As a result of this meeting, the agency submitted a revised revenue estimate to the Legislature and requested an increase in operating expenditures from the Governor's recommendation. The following table shows the agency's revenue and expenditure levels based on the revised request.

Fee Fund Analysis: Agency Revised Estimate

Resource Estimate	Actual FY 2002	Agency Estimate FY 2003	Agency Request FY 2004	Agency Request FY 2005
Beginning Balance	$ 373,277	$ 277,736	$ 181,631	$ 114,608
Net Receipts	193,101	180,324	187,200	202,199
Total Funds Available	$ 566,378	$ 458,060	$ 368,831	$ 316,807
Less: Expenditures	288,642	276,429	254,223	279,047
Ending Balance	$ 277,736	$ 181,631	$ 114,608	$ 37,760
Ending Balance as Percentage of Expend.	96.2%	65.7%	45.1%	13.5%

The Committee concurred to maintain the original Senate position and concurred with this item.

Kansas Commission on Veterans' Affairs

A. Kansas Soldiers' Home staffing levels (House Budget Committee and Senate Subcommittee). The Committees heard testimony regarding the staffing levels at the Kansas Soldiers' Home. For FY 2004, the shrinkage rate at the Home is at 21.5 percent. For FY 2003, the shrinkage rate is set at 18.6 percent, with 25 FTE positions currently being held vacant. This results in 20 beds being left unfilled. The agency reported to the Senate Subcommittee that for FY 2004 a shrinkage rate of 12.5 percent would be adequate to fill all of the vacant beds. For FY 2004, $442,108 would be required to meet this rate. (Note: In **SB 6**, the Legislature added $440,000 to the Kansas Soldiers' Home directing that the funding be used for salaries and wages for direct care personnel for Halsey Hall at the Kansas Soldiers' Home)

This item had been addressed earlier.

Kansas Department of Agriculture

A. Information Technology Support (House Budget Committee). The Committee heard testimony that the Department of Agriculture (KDA) provides information technology support and staffing for the Kansas Water Office (KWO) and the State Conservation Commission (SCC). During FY 2000, $20,100 from the State General Fund and $6,700 from the SCC's Land Reclamation Fee Fund were added to KDA's budget for this service. The KDA included the elimination of this support in a reduced resources package for FY 2004 citing that the KWO and the SCC have not provided the KDA with continued funding for service. Some disagreement regarding the funding for this service exists between the three agencies. The Committee recommended that the three agencies work with the Division of the Budget to resolve the issue and to report on the progress or resolution of this issue during Omnibus. A no limit information technology fund was created for the KDA in Senate Bill 6 in the event that it is determined that a transfer from the KWO and the SCC to the KDA is necessary to maintain the IT support. According to a letter from the Division of the Budget to the Chair of the Agriculture and Natural Resources Budget Committee dated April 15, 2003, the issue has been resolved.

This item had been resolved.

Animal Health Department

A. Update on status of <u>HB 2443</u> (House Budget Committee). The Committee recommended the introduction of **<u>HB 2443</u>** which would require all dogs, cats, and ferrets in the state to be vaccinated for rabies and a two dollar surcharge be assessed for the vaccination. The revenue from the surcharge would be used to support the agency's animal facilities inspection program. The bill was introduced and referred to the House Appropriations Committee. A hearing has not been held on the bill.

The Committee concurred to recommend this item for an interim study.

B. Review Payment of Humane Society Relinquishment Fee (Senate Subcommittee). The Subcommittee noted that the agency request included an enhancement package of $5,000 to pay a relinquishment fee to humane societies for animals in state custody which are surrendered to the societies. Once the animal is surrendered, the humane society bears the cost of veterinary treatment, housing, and food. Most humane societies charge a $7 to $10 fee to accept an animal from the general public. The pounds and shelters have not charged this fee to the agency, but several have asked the agency to consider providing compensation.

This was an information item.

C. Review Funding for Kennel Inspector Positions (Senate Subcommittee). The Subcommittee noted that the agency is currently holding one animal facility inspector position open to meet funding reductions in the agency. Funding of $34,246 ($13,305 SGF) would be needed to fund this position. In addition, the agency requested funding of $66,124 SGF and 2.0 FTE for additional animal facility inspectors. According to the agency, inspectors in the program are already working overtime to handle the workload. The agency does not have enough funding to pay overtime, so inspectors currently use their overtime hours as compensatory time. This allows them to take additional time off creating a further backlog of inspections and other work. In addition, when the agency is required to make an animal seizure, inspectors from across the state are sometimes required to help with the seizure, taking them for their regular work duties and requiring them to work additional overtime hours.

This was an information item.

State Conservation Commission

A. Information Technology Support (House Budget Committee). The Committee heard testimony that the Department of Agriculture (KDA) provides information technology support and staffing for the Kansas Water Office (KWO) and the State Conservation Commission (SCC). During FY 2000, $20,100 from the State General Fund and $6,700 from the SCC's Land Reclamation Fee Fund were added to KDA's budget for this service. The KDA included the elimination of this support in a reduced resources package for FY 2004 citing that the KWO and the SCC have not provided the KDA with continued funding for service. Some disagreement regarding the funding for this service exists between the three agencies. The Committee recommended that the three agencies work with the Division of the Budget to resolve the issue and to report on the progress or resolution of this issue during Omnibus. A no limit information technology fund was created for the KDA in **<u>Senate Bill 6</u>** in the event that it is determined that a transfer from the KWO and the SCC to the KDA is necessary to maintain the IT support. According to a letter from the Division of the Budget to the Chair of the Agriculture and Natural Resources Budget Committee dated April 15, 2003, the issue has been resolved.

This was an information item and was related to the Department of Agriculture item and is Item B under the State Water Office.

Kansas Water Office

A. Authority for Internal Transfer of Funds (Veto). The Governor vetoed the proviso granting the Kansas Water Office the authority to shift funds between line-item appropriations of the State Water Plan Fund (SWPF) with the approval of the Kansas Water Authority. Other state agencies, including other agencies with multiple line-item appropriations of the SWPF, have this authority with approval by the Director of the Budget. The Governor states that this proviso departs from the authority granted to other agencies and grants authority to make budgetary decisions entirely to the Kansas Water Authority. The Governor requests that the Legislature restore the original language placing the approval of the transfer with the Director of the Budget.

The Committee concurred with this item to restore the original language placing the approval of the transfer with the Director of the Budget.

B. Information Technology Support (House Budget Committee). The Committee heard testimony that the Department of Agriculture (KDA) provides information technology support and staffing for the Kansas Water Office (KWO) and the State Conservation Commission (SCC). During FY 2000, $20,100 from the State General Fund and $6,700 from the SCC's Land Reclamation Fee Fund were added to KDA's budget for this service. The KDA included the elimination of this support in a reduced resources package for FY 2004 citing that the KWO and the SCC have not provided the KDA with continued funding for service. Some disagreement regarding the funding for this service exists between the three agencies. The Committee recommended that the three agencies work with the Division of the Budget to resolve the issue and to report on the progress or resolution of this issue during Omnibus. A no limit information technology fund was created for the KDA in Senate Bill 6 in the event that it is determined that a transfer from the KWO and the SCC to the KDA is necessary to maintain the IT support. According to a letter from the Division of the Budget to the Chair of the Agriculture and Natural Resources Budget Committee dated April 15, 2003, the issue has been resolved.

This item had been resolved.

The Committee concurred to increase the State General Fund transfer by $8,020 to balance the fund as a result of the pay plan adjustment.

Board of Healing Arts

A. Information Technology Projects (Senate Subcommittee and GBA No. 3, Item 10, Page 5 – Upgrade Computer System). The Senate Subcommittee noted the Board's efforts to upgrade its computer system and recommended a review of the upgrade plan prior to Omnibus. The Board outlined its need for computer upgrade and cost estimates in a proposal submitted to the Division of the Budget requesting a Governor's Budget Amendment for an increase in the Board's expenditure limitation for FY 2004 by $300,000 and for FY 2005 by $250,000. The Board is not requesting a supplemental for the current year expenditure limitation.

The cost estimates for the upgrade, the Board states, includes on-line renewals for all practitioners, making all forms available on-line, complaint tracking system, investigation and case management system, an expanded practitioner database, and an electronic document management system to support public access, paperless meetings and records preservation. The Board states that its current computer system was installed in 1990. The Board also states that it is in the process of developing an IT project plan and is seeking approval by the Executive Chief Information Technology Officer prior to Omnibus.

The Committee concurred with this item.

B. SB 225 (Law). Senate Bill 225 changes the level of credentialing for physical therapists from registration to licensure. For FY 2004, the Board estimates that the implementation of the bill would increase its operating expenditures by $5,150. The Board would continue to use its current fee schedule for physical therapists and does not expect to see an increase in its fee revenue from the issuance of licenses or temporary permits associated with the passage of **SB 225**. The Board states that the increased expenditures would require an increase in its expenditure limitation for FY 2004.

The Committee concurred with this item to increase the expenditure limitation for FY 2004.

Kansas Dental Board

A. Move-related expenses (Senate Subcommittee). The Senate Subcommittee recommended a review of the Board's FY 2004 budget prior to Omnibus to look at any necessary adjustments related to move costs. The Board estimates one time costs associated with the move to the Landon State Office Building of $10,372. In addition, the Board notes an 11.1 percent increase ($1,675) in annual operating expenses associated with the move to the state building, including increased rent, DISC and e-mail fees.

The Committee concurred with this item to increase the expenditure limitation.

Copies of a letter from the Kansas Dental Board addressed to Senator Larry Salmans regarding this item were distributed to the committee (Attachment 27).

Chairman Morris suggested that the Dental Board visit with support staff on some of these items to look at recouping expenses.

Kansas Guardianship Program

A. Review of FY 2004 Funding (Senate Subcommittee). The Senate Subcommittee recommended a review of the agency's FY 2004 funding level at Omnibus. The Subcommittee recommended an addition of $30,000 from the State General Fund be considered for addition at Omnibus to bring the funding to a level that the agency believes will ensure the program's integrity.

The Committee concurred with this item.

SRS State Hospitals

A. Federal Funding (House Budget Committee). The Social Services Budget Committee recommended a review of the federal funding for the state hospitals, including Disproportionate Share (DSH) and Title XIX, prior to Omnibus. The Department of Social and Rehabilitation Services stated that the amount of federal funds available to the state hospitals is declining. The primary reasons cited for the decline were declining Disproportionate Share Funding and Adverse Medicaid Findings by the Centers for Medicare and Medicaid Services (CMS). The following chart shows a summary of the actual and budgeted sources and uses of federal funds for FY 2002, FY 2003, and FY 2004.

Title XIX Medicaid	FY 2002	FY 2003 GBR	FY 2004 GBR
Balance Forward from Previous Year	$ 23,242,552	$ 11,129,376	$ 3,430,149
Collections from Medicaid Fee for Service	25,845,761	34,337,023	26,375,413
Collections from Disproportionate Share	18,429,320	15,300,265	14,948,104
Collections/(Pay Back) from Audit Settlements	6,597,633	(6,268,032)	0
Expenditures for Hospital Services and Operations, Physician Malpractice, and Consultants	(62,985,890)	(51,068,483)	(44,360,825)
Balance	$ 11,129,376	$ 3,430,149	$ 392,841

The agency states that over the next two budget years, Title XIX revenue is projected to meet budgeted expectations while citing two concerns that may have a negative impact on these projections.

Disproportionate Share for Hospitals. The agency cited developments in this program that allows qualified hospitals, including the state mental health hospitals, to collect additional federal Medicaid funding if the hospital serves a much higher than usual percentage of indigent persons for whom it receives no other reimbursement. In 2000, Congress limited the amount of each state's DSH allotment that is allowed to be transferred to state mental health institutions. In 2003, Congress passed another law that allowed for increased access to DSH, but kept the limitation on the transfer to the state mental health hospitals. SRS noted that it has studied the federal rules and sought input from independent consultants to maximize the amount of DSH that can be transferred. The agency further noted that "not only can no additional DSH funds be accessed, but the amount of DSH funds is likely to decline even further in FY 2005 as we experience the full effect of the new federal rules."

Adverse CMS Findings. SRS had noted in its testimony to the committees that the Centers for Medicare and Medicaid Services (CMS) had deferred a $11.2 million Medicaid claim for the state mental health hospitals. SRS noted that it has "responded to the deferral with the necessary information to validate the claim." The agency further noted that if CMS persisted in their position and denied the claim, the agency plans to appeal their denial, while noting that federal rules allow would allow the state to keep federal funds while the appeal is being processed. If the appeal is not successful, SRS noted that there will be "a significant shortfall in Title XIX funds in FY 2004, and SRS may be required to pay interest to CMS."

This was an information item.

B. Education Services for Children and Adolescents (House Budget Committee). The Social Services Budget Committee recommended a review of education services provided for children and adolescents within the state hospitals' setting, prior to Omnibus. SRS noted that two state laws govern how children in the state hospitals are provided education services:

- KSA 72-970 requires every state institution to provide special education and related services for "exceptional" children in state institutions. These services must meet the standards and criteria set by the State Board of Education. State institutions, the department noted, may contract with local school districts or other appropriate agencies to provide education services. The requirements apply, the agency noted, to "nearly all children under 22 years of age served by the three state mental health and two developmental disability institutions".

- KSA 72-8223, the agency noted, further requires SRS to pay the local school district for children in state hospitals whose education is provided by a local school district. The tuition that SRS is charged is based on the individual district's operating costs minus any categorical aid the district receives from the Board of Education.

The laws, SRS also noted, mean that the state hospitals may contract with either local or inter-local school districts to provide education services. The districts apply for and receive categorical aid for the education that are provided to the children in the state hospitals. This negotiated cost minus what the districts receive in categorical aid is paid out of the state hospitals' appropriations.

This was an information item.

C. Teacher Salary. The Department of Education estimates an average statewide salary increase for teachers of 2.0 percent. The Governor's recommendation and legislative action to date for FY 2004 includes teacher salary increase within the education contracts. The education contracts in the FY 2004 budgets show teacher salary adjustments at the following percentages: 0.0 percent change from FY 2003 for Parsons State Hospital and Training Center and 4.0 percent increase for Larned State Hospital in teacher salary. The numbers for Larned State Hospital have been adjusted to reflect the decrease in FTE positions from FY 2003 to FY 2004 due to the change in the educational contract created by the opening of the new Larned Juvenile Correctional Facility. The Kansas Neurological Institute and Rainbow Mental Health Facility also have education contracts, but due to the nature of the contracts, adjustments are not necessary. The following table illustrates the adjustment necessary to provide uniform salary increases across the institutions.

Percent Increase	Parsons State Hospital and Training Center	Larned State Hospital*	Total
0.5%	$ 1,725	$ 4,230	$ 5,955
1.0%	3,450	8,460	11,910
1.5%	5,175	12,690	17,865
2.0%	6,899	16,920	23,819
2.5%	8,624	21,150	29,774
3.0%	10,349	25,380	35,729
3.5%	12,074	29,610	41,684
4.0%	13,799	33,840	47,639

* The estimates for Larned State Hospital include the percentage amounts in addition to the budgeted increase.

The Committee concurred with this item for $6,900 for teacher salary at Parsons State Hospital.

D. Categorical Aid. For FY 2003, the budget school contracts for the institutions include categorical aid based on a rate of $19,000 for Parsons State Hospital and Training Center, and $19,000 for Larned State Hospital. Due to the nature of the contract, an adjustment at Rainbow Mental Health Facility is not necessary. In addition, as part of a reduced resources package submitted to and approved by the 2002 Legislature, KNI no longer has expenditures for Special Education. An agreement was made with USD 609 that the school district would continue to provide education programs for the students who live at KNI in exchange for the use of classrooms in the Wheatland Building for the education programs the district provides to other Shawnee County school districts. The current FY 2003 categorical aid rate per eligible teaching unit is estimated to be at $19,485. If this rate is maintained, the school contracts for FY 2003 at the institutions would need adjustments. The table below identifies the State General Fund adjustment required.

Institution	FY 2003 Change
Parsons State Hospital and Training Center	$ 2,756
Larned State Hospital	1,370
TOTAL	$ 4,126

For FY 2004, the categorical aid rate was budgeted at $19,000 for Parsons State Hospital and Training Center, and $19,000 for Larned State Hospital. Due to the nature of the contract, an adjustment at Kansas Neurological Institute and Rainbow Mental Health Facility is not necessary. The current FY 2004 categorical aid rate is estimated to be at $19,150. The table below identifies the State General Fund adjustments required.

Institution	FY 2004 Change
Parsons State Hospital and Training Center	$ 871
Larned State Hospital	7
TOTAL	$ 878

The Committee concurred with this item.

State Treasurer

A. Review of FY 2004 Funding (House Budget and Senate Subcommittee). The budget committees recommended a review of the agency's financing. The Governor did not recommend any State General Fund support for the agency and instead recommended an amount equal to the agency's SGF request to be funded from the Unclaimed Property Expense Fund. The House concurred with the Governor's recommendation, while the Senate recommended an alternative funding proposal through the creation of cash management and voucher processing fees. The Conference Committee removed the budget from **SB 6**, for consideration at Omnibus.

Fee Source(s)	Governor's Rec.	House Rec.	Senate Rec.
Unclaimed Property Claims Fee	$ 1,475,545	$ 1,475,545	$ 0
Cash Management Fees:			
1) Banking Services	0	0	340,000
2) Non-payroll warrants/ direct deposits	0	0	973,000
Voucher Processing Fees	0	0	180,000
TOTAL	$ 1,475,545	$ 1,475,545	$ 1,493,000 *

* The amounts for the fees are set at aggregate amounts.

The Committee reviewed this item and concurred with the federal money for administrative purposes only.

Department of Social and Rehabilitation Services

Copies of a letter from Janet Schalansky, Secretary, Department of Social and Rehabilitation Services, regarding items for consideration for the Omnibus session were distributed to the committee (Attachment 28).

A. GBA No. 3, Item 13, Page 6 - Additional Title IV-B Federal Grant

The Committee concurred with this item.

B. GBA No. 3, Item 14, Page 6 - Additional Pharmaceutical Savings

The Committee concurred with this item.

C. GBA No. 3, Item 15, Page 7 - Institutional Residents

The Committee concurred with this item.

Chairman Morris requested that SRS analyze this item closely and report back to the 2004 Legislature because there could be some side issues with this item.

D. GBA No. 3, Item 16, Page 7 - Medicaid Caseloads

The Committee concurred with this item.

E. Review $10 fee for child abuse and neglect reports to not-for-profit organizations (Senate Committee). The Senate Committee expressed concern that SRS has decided to initiate a fee of $10 for providing a child abuse and neglect report to a not-for-profit organization seeking that information as part of a screening process for adult volunteers. This fee is estimated to raise over $400,000. The Senate Committee directed SRS to consider the consequences of such a fee and to report back to the full committee at Omnibus as to other options available.

The agency indicates that the fee increase has not affected the number of requests for registry checks, and does not believe the fee is placing children at risk.

The Committee concurred with this item.

F. Review funding of the University of Kansas Graduate Medical Education Program (Senate Committee) (House Committee). The Graduate Medical Education Program is funded through funds from Medicare and Medicaid, patient care revenue and state primary care support. Medicare funding is reduced for the program by $1.9 million federal funds as part of the Balance Budget Act of 1997. The Department of Social and Rehabilitation Services further reduced funding for the program in January of 2003 by $1.5 million SGF, which in turn reduced Medicaid funding by $2.2 million federal funds. Options to address the cut include closing residency programs, reducing residency spots, cutting faculty positions, limiting Medicaid and uninsured patients. The Committees requested that the agency seek alternatives and report back at Omnibus.

The agency is currently working with stakeholders to develop a methodology to match the Medical School's SGF with federal dollars through certified match. The agency indicates that it will be able to replace the reduction without additional state dollars.

The Committee reviewed this item and commended Dr. Bob Day and Laura Howard of the Department of Social and Rehabilitation Services for their work on this project.

G. Review the implementation of provider taxes (Senate Committee) (House recommended bill introduction). The state of Missouri has implemented provider taxes, but run up against problems with the federal government based on the way the tax was structured. The Missouri tax holds nursing homes and hospitals harmless on the provider tax - they are reimbursed the amount of tax they are paid. Federal law does not allow the states to temporarily collect taxes. However, if the state modifies its tax to eliminate the guarantee that hospitals and nursing homes get back the taxed amount, that may bring them into compliance. More information will be available from the Center for Medicare and Medicaid Services at a later date.

Provider taxes are limited by four basic requirements:

1. The provider tax must be broad-based; the tax must apply to providers in the same permissible class of items and services.

2. The state must uniformly impose the provider tax rate for all services and items in the class.

3. The provider tax cannot be applied to a class of items and services that receives more than 50 percent of its revenues from Medicaid or 80 percent combined from Medicaid, Medicare, and other federal programs.

4. The provider tax must not include direct or indirect hold harmless provisions guaranteeing repayment of tax to provider is Medicaid rates or other payments.

HB 2470, which has been introduced in the house but has not yet been assigned to a committee, proposes a provider assessment for nursing facilities.

The Committee reviewed this item but no action was taken.

Chairman Morris indicated that there is a need to continue discussion on this issue.

H. Review the exclusion of Children's Mercy Hospital from the pool of hospitals eligible to receive disproportionate share reimbursements (Senate Committee) (House Committee). The Committees recommended that the agency review its disproportionate share policy for all hospitals, including those out of state hospitals that serve Kansans, and report back at Omnibus.

The agency indicates that it is developing a revised payments system to stay with in budget but reduce the impact of the limited budget on large hospitals, including Children's Mercy Hospital. The revised system could result in a restoration of $318,000 all funds for Children's Mercy Hospital, which received $1.45 million all funds in FY 2002. The restoration of disproportionate share payments to out of state hospitals has an estimated cost of $600,000 SGF.

Senator Adkins suggested wording in a Proviso added to the disproportionate share allocation, "Provided that the department shall make disproportionate share payments to any out-of-state hospital, otherwise eligible for such funds under federal and state law, that maintains a licensed branch hospital within the state of Kansas". The Committee concurred with this Proviso language as proposed by Senator Adkins .

I. Review of the issue of locating a source of administrative funding for the Kansas Children's Cabinet (Senate Committee). The Committee requested that the agency and the Cabinet work together to find funding sources, while maximizing federal match dollars available to the cabinet for administrative expenditures.

The agency indicates that using Smart Start Kansas funds as match for the Community -Based Family Resource and Support (CBFRS) Grant would free up funds for administrative expenses. The agency and the Children's Cabinet continue to explore financing options.

The Committee concurred with a Proviso to take operating dollars out of the Accountability Fund for Children's Cabinet administration.

J. Review the status of child protection needs and services (Senate Committee). The Committee expressed concern that fiscal circumstances may compromise the ability of the agency to address critical child protection needs. In response to these concerns the agency has assured the Committee that SRS has reallocated resources to make certain child protection services are not compromised. As a result of this reallocation the agency's ability to keep children safe will not be adversely impacted according to the agency. The Committee directed the agency to strategically monitor the child protection assets and resources of the agency and community based resources and provide the committee with further testimony at Omnibus to fully document the status of child protection needs and services.

The agency indicates that reports of abuse and neglect have remained relatively stable over the past three years, workloads for case workers have decreased, as has the number of children in foster care.

The Committee reviewed this item, but no action was taken.

K. Review the Policy Options Discussion Guide presented by the agency (Senate Committee). The Committee recommended Omnibus review of the Policy Options Discussion Guide presented by the Secretary of SRS, which sets forth additional budget reductions and their impacts. (See hand-out.)

Copies of the Department of Social and Rehabilitation Services Policy Options Discussion Guide were distributed to the Committee (Attachment 29).

This was an information item.

L. Review more cost effective options for purchasing durable medical equipment (House Committee). The Committee requested the agency pursue more cost effective purchasing alternatives for durable medical equipment and report back to the committee at Omnibus. Current purchasing requirements, (*i.e.*, from a medical supplier) can be more expensive than allowing the consumer to purchase similar items from local discount stores.

Medicaid regulations require that durable medical equipment (DME) only Medicaid DME providers can fill DME prescriptions and they must bill Medicaid directly. The number of approved providers for a given geographic area is limited, reducing competition. This results in higher retail prices for DME. The agency is working to reduce the reimbursement on items with a set price, like adult diapers. Other items are reimbursed at manufacturers suggested retail price minus 15 percent, or wholesale price plus 35 percent.

This was an information item.

M. Review isolating adoption services from foster care services (House Committee). The Committee requested the agency report back at Omnibus on the concept of isolating adoption services with adoption providers and shifting all placement responsibility with the foster care contractors to expedite adoption placement, which currently has a delay of six months or more. In addition, the shift in services would eliminate disruption of changing placements, service providers, etc. In order to address concerns regarding conflict of interest, a statewide system of case management would be implemented.

The agency indicates that is has begun preparing to re-bid child welfare contracts and will evaluate this concept as it gathers information and analyzes data prior to re-bidding the contracts.

This was an information item.

N. Review capping Home and Community Based Services (HCBS) waiver payments (House Committee). The Committee requested the agency review capping HCBS waiver payments, to insure that waiver services are the most cost effective type of care for that client, as recommended in the August 2002 Post Audit Report "Medicaid Cost Containment: Controlling Costs of Long-Term Care. The report indicates that the agency spent $9.0 million more on waiver services than they would have if the same persons had received institutional services.

Currently, the state of Kansas establishes cost effectiveness for the Home and Community Based Services (HCBS) waivers as compared to nursing facilities by showing, that in the aggregate, waiver services are less expenses - an average of $1,300 monthly per person as opposed to $2,300 monthly per person in a nursing facility. Federal regulations would allow for capping the HCBS waiver rate, but at the nursing facility rate. Doing so would, in effect, force those whose waiver plan of care exceeded the average nursing facility rate into institutions. This would violate the Olmstead decision's principle that persons with disabilities should receive services in the least restrictive setting appropriate to their needs.

This was an information item.

O. Review increasing Pre-Admission Screening and Resident Review (PASARR) Scores for the HCBS Physical Disability Waiver (House Committee). The Committee recommended Omnibus review of increasing PASARR scores for the Physical Disabilities waiver from 26 to 32 and grand fathering in the increased score. This would result in a savings of $457,278 SGF and $1.2 million all funds. There are currently 636 persons receiving services and 165 persons on the waiting list with a PASSAR score of 31 or lower.

The current PASARR score for waiver eligibility is 26. As of March 7, 2003, 3,884 persons were receiving PD waiver services, with 836 persons on the waiting list for services. If the score were increase from 26 to 32, 165 would be removed from the waiting list and 636 people would be grand fathered – they would continue to receive services even though their PASARR score falls below 32. The agency estimates savings of $457,278 SGF ($1,162,080 all funds), depending on the number of persons leaving the waiver in FY 2004.

This was an information item.

P. Review policy change to eliminate the separation of spousal income for waiver edibility assessment (House Committee). The Committee recommended the agency review the policy of separating spousal income for waiver eligibility assessment and report back at Omnibus. Currently, based on federal regulations, a spouse's income is not counted in assessing Medicaid eligibility for waiver services. The Budget Committee requests that the agency explore options for assessing fees on a sliding fee scale based on the income of both spouses for those services.

Because nursing facility income rules are applied to the HCBS waivers, only the consumer's income is counted for eligibility. In addition, the division of assets law allows the HCBS consumer to provide a portion of his or her income (to a maximum level) which exempts it from eligibility calculations. The agency indicates that this method is less expensive to the state by allowing the consumer spouse to access less expensive services. State data indicates that only 15 cases or 0.2 percent involve spouses with income greater than $50,000 a year, and only one spouse had income in the $100,000 range.

This was an information item.

Q. Review combing all of the HCBS Waivers into one waiver (House Committee). The Committee recommended that Aging and SRS review combining all of the waivers into one waiver program and report back at Omnibus. The single waiver would provide the following three services:

- Training, to assist consumers in performing tasks independently;
- Personal Assistance Services (PAS), to provide services for people who cannot perform tasks due to their level of disability;
- Assistive Services, which would include durable medical equipment and other devices to allow consumers to perform tasks more independently.

The single waiver program would include review for Plans of Care by a neutral third party to assure that all efforts to utilize local natural support have been made, training options are used whenever possible, and every effort is being made to increase consumer independence.

The agencies indicate that implementing a single waiver would be difficult given that different assessment tools are used to determine eligibility for the waivers, that federal requirements regarding cost effectiveness for waivers would become more complex to address with one waiver and many types of institutional services, and the specialized staff training needed to deal with each population.

This was an information item.

R. Maximize TANF Match (House Committee). The Committee recommended review of child care funding methodologies to maximize TANF match opportunities and report back prior to Omnibus.

The agency indicates that all TANF match for child care match has been maximized.

This item had been addressed earlier.

S. Review DD Waiver Eligibility (House Committee). The Committee recommends Omnibus review of the eligibility criteria for the HCBS/DD waiver.

This was an information item.

T. Maximize Federal funds for Job Training Programs (House Committee). The Committee recommended that SRS work with all state agencies involved in providing and administering job training programs to maximize federal funding for those programs.

This was an information item and the reporting should be available for the 2004 Legislative Session.

U. Review Child Support Enforcement program (House Committee). The Committee recommended Omnibus review of the Child Support Enforcement program in regards to the effect of open positions on enforcement and the role of court trustees in addressing those challenges.

This was an information item.

V. Interest on Child Support Payments (House Committee). The Committee requested that the agency review models of charging interest on back child support payments and their effectiveness in motivating prompt support payments, with a report at Omnibus.

The agency indicates that federal law authorizes late fees of 3.0 to 6.0 percent, which can only be collected after all child support is paid in full. Late fees are considered program income, therefore 66.0 percent would be remitted to the federal government under federal law. Implementation of late fees would require enabling legislation as well as the Child Support Enforcement automated system would need to be modified to address the late fees.

This was an information item.

W. Review Services for High Needs Foster Children (House Committee). The Committee requested that the agency work with foster care providers to look at options, recommendations and ideas for providing services for high needs foster children to increase the probability and speed of returning these children to their families.

This was an information item.

X. Review Funeral Assistance Program (House Committee). The Committee recommended Omnibus review of funding for the Funeral Assistance program. The Budget Committee notes that the program was moved to the Department of Health and Environment in FY 2003, but not funded in either budget in FY 2004. The burden of burying indigent Kansans the falls to the counties. Clarification of this responsibility is addressed in **SB 244** which was passed by the Senate and referred to House Appropriations.

This item had been addressed earlier.

Governor's Budget Amendment regarding the Funeral Assistance Program (Attachment 30), Letter from the Governor dated April 25, 2003

The Committee concurred with this item.

Y. Review Liens on Medicaid Recipients Homes (House Committee). The Committee requested that the agency report back at Omnibus on implementing legislation to allow the agency to place a lien on a Medicaid recipient's home after they have been in a nursing facility for one year or when they begin receiving HCBS waiver services. Typically, persons entering a nursing facility indicate that their plan is to return home, and often do so after several months of treatment. In addition, the Budget Committee requests that the agency explore the possibility of requiring reverse mortgages on property for persons in nursing facilities to assist in paying for their care.

SB 272, which was passed by the Senate Committee of the Whole and introduced in the House, includes lien provisions.

This item had been addressed earlier.

Z. Review Policies to Address "Hiding" of Assets (House Committee). The Committee requested the agency report back at Omnibus on implementing legislation to prevent the hiding of assets to achieve Medicaid spend-down in the following areas:

- a waiver to increase the number of years of "look-back" from three to five;
- amending the definition of estate to include jointly owned property;
- limiting property agreements that specify a percentage of ownership;
- preventing discretionary trusts that do not pay necessary medical expenses;
- limits on prepaid agreements between family members to provide basic services.

SB 272, which was passed by the Senate Committee of the Whole and introduced in the House, addresses the definition of estate, limiting of property agreements, preventing discretionary trusts and limiting prepaid agreements.

This item had been addressed earlier.

AA. HB 2125 (Conference). The bill provides for a pilot project to expire on July 1, 2005, to be established in one rural and one urban judicial district in which the court may not exclude foster parents, and up to two people designated by the child's parents, in CINC proceedings. Of the two people allowed to attend who are designated by the parent, both must have participated in an approved parent advocate program. The program would cost $7,000 SGF.

This was an information item.

Department on Aging

A. GBA No. 3, Item 17, Page 8 - Nursing Transfer Correction

The Committee concurred with this item.

Copies of a letter addressed to Senator Stephen Morris, Chairman, Senate Ways and Means, from Pamela Johnson-Betts, Secretary, Kansas Department on Aging, regarding omnibus items were item was distributed to the Committee (Attachment 31).

B. Review the difference between self-directed and agency directed reimbursement rates for the HCBS Frail Elderly waiver (House Committee). The Committee expressed concern with the Frail Elderly Waiver reimbursement rate disparity between self-directed and agency directed services. The Committee noted that the disparity between these rates is even greater in the Department of Aging budget than it is in the SRS budget.

This was an information item.

Copies of a letter addressed to Representative Neufeld, Chairman, House Appropriations Committee, from Pamela Johnson-Betts, Secretary, Kansas Department on Aging, addressing the disparity between self-directed and provider-directed services and other items (Attachment 31).

C. Review case management services for the HCBS/FE, DD, and PD waivers (House Committee). As a matter of public policy, the Committee would like to review the provision of case management service for FE, DD , and PD waivers with state agencies (SRS, KDOA) and providers (Centers for Independent Living, Area Agencies on Aging, Community Developmental Disability Organizations, etc.). The Committee recommended that the review of case management include discussion of the development of a regional peer review system for quality assurance purposes among these providers, along with more global talks about how the quality of case management services can be improved statewide.

SRS and the Department on Aging are currently reviewing all case management services that are reimbursed by Medicaid, looking for any duplication of services. SRS and Aging continue to work with stakeholders to improve the current system and review new ideas regarding how to best assure the health and welfare of Kansans with disabilities.

This was an information item.

D. Increase Pool for Healthcare (House Committee). The Committee recommended that Aging and SRS review increasing the pool for healthcare and report back before Omnibus. There are two options to do this. The first option would increase the number eligible to get a medical card, by allowing consumers to pay premiums for the card. The second option would be to allow consumers of state services and as well as other providers (not for profit organizations like CDDO's are already allowed to participate) to become part of the state health care system. The working poor who currently cannot afford insurance for themselves or their families often end up utilizing expensive emergency room services for lack of other options.

If the pool cannot be increased in the current fiscal year, the Budget Committee recommends interim review of the topic.

This was an information item.

E. Review combining all of the HCBS waivers into one waiver (House Committee). The Committee recommended that Aging and SRS review combining all of the waivers into one waiver program and report back before Omnibus. The single waiver would provide the following three services:

- Training, to assist consumers in performing tasks independently;
- Personal Assistance Services (PAS), to provide services for people who cannot perform tasks due to their level of disability; and
- Assistive Services, which would include durable medical equipment and other devices to allow consumers to perform tasks more independently.

The single waiver program would include review for Plans of Care by a neutral third party to assure that all efforts to utilize local natural support have been made, training options are used whenever possible, and every effort is being made to increase consumer independence

The agency indicates that implementing a single waiver would be difficult given that different assessment tools are used to determine eligibility for the waivers, that federal requirements regarding cost effectiveness for waivers would become more complex to address with one waiver and many types of institutional services, and the specialized staff training needed to deal with each population.

This was an information item.

F. Review policies that allow dollars to follow clients from institutions to community services (House Committee). The Committee recommended Aging and SRS review and report back at Omnibus on establishing regulations that allow dollars to follow clients as they move from institutions to community-based services and guarantee excess dollars from those clients remain in the waiver program.

SRS and the Department on Aging have requested a Governor's Budget Amendment for an appropriations bill proviso which will move money from the nursing facility budgets to the Home and Community Based Services waiver budgets. Both agencies stand ready to work with stakeholders to finalize the necessary details to ensure that funds follow people to community-based services when they leave nursing facilities.

This item had been addressed earlier.

G. Review shifting Adult Protective Services from SRS to Aging (House Committee). The Committee recommended that Aging and SRS review shifting Adult Protective Services from SRS to Aging and report back at Omnibus.

The agency indicates that more time is necessary to review the proposed shift.

This was an information item.

H. Review transfer of the nursing facility regulations function from the Department of Health and Environment to the Department on Aging (House Committee) (Senate Committee). The Committees noted 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 Committee requested 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 Committee suggested 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 Committee noted 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.

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

The agency indicates that a short range plan is in place with a long range plan under development to identify future goals, compositions, and review criteria of the nursing home licensure unit once it is fully integrated in to the Department on Aging.

Copies of the Transition Plan, Transfer of the Kansas Department of Health and Environment Nursing Facility Survey and Certification Program and Consolidation within the Kansas Department on Aging were distributed to the Committee (Attachment 32).

This was an information item.

I. Review increasing the PASARR score for the HCBS/FE waiver (House Committee). The Committee recommended Omnibus review of raising the PASARR (Pre Admission Screening and Resident Review) from 26 to 40 for FY 2004 for the frail elderly waiver and grand fathering those currently below 40 currently on services in. The estimated savings is $1.8 million State General Fund. The Committee recommends that the additional funds go back into the FE waiver to address waiting lists.

In addition, the Committee recommended that the agency report back prior to Omnibus regarding the possibility of receiving a waiver from the federal government allowing the agency to use a lower PASARR score for the HCBS/FE waiver than for Nursing Facilities.

The agency indicates that if the score is raised to 40 and current customers with scores between 26 and 39 are grand fathered, there will be no cost-savings to the state in FY 2004 due to the size of the current waiting list. As of April 11, 2003, there were 1,257 individuals on the HCBS/FE waiting list of which 298 has a score of less than 40.

This was an information item (it was reviewed under SRS).

Board of Nursing

A. Nurse Recruitment Initiative (House Committee). The Committee wished to review the agency's proposed nurse recruitment initiative and any potential conflicts of interest that might be present. The agency was requested to present possible remedies concerning the conflict of interest. The Committee wished to review the initiative and the associated funding.

The agency indicated that they did not believe the campaign would be a conflict of interest because the campaign is not directed to a particular program or type of program. According to the agency: "All Kansas programs no matter what level would benefit from the campaign to interest grade and high school students and displaced workers or homemakers to the profession. It is a wise strategy to protect the public. It is the purpose of the board to protect the public and how better to protect the public then by leading the efforts to get more nurses to provide care." The agency cited the following statute:

K.S.A. 74-1106 c.) (4) states "The board SHALL promote improved means of nursing education and standards of nursing care through institutes, conferences, and other means." This statute gives the board of nursing the authority to promote nursing education and other standards of nursing care which would include promoting nursing as a profession.

This was an information item.

B. Inactive Nurse Survey (House Committee). The Committee requested that the Board survey all inactive nurses in Kansas as to why they left the profession and wished to review the results at Omnibus.

The Board indicated that surveys were mailed to ten percent of inactive nurses who were selected at random. The Board indicated that approximately 42 percent of the surveys were returned to them due to a lack of a current address. Of the 1,694 surveys which were delivered 383 were returned with at least of portion of the questions answered. This equates to an approximately 22 percent return rate.

Question	RN Responses	LPN Responses
Reason your license is lapsed or inactive?	28- Family 20- Jobs outside nursing 152- Licensed in other state 20- Were a LPN, now RN 11- Retired 19- Health Reasons 19- Working Conditions 52- Other, Misc.	12- Family 10- Jobs outside nursing 26- Licensed in other state 28- Were a LPN, now RN 2- Retired 12- Health Reasons 8- Working Conditions 17- Other, Misc.

This was an information item.

C. Long Range Plan and Resources (House Committee). The Committee requested that the agency look at the long range plan and resources available for a nurse shortage issue and if there will be federal funds available to address the shortage.

The Board indicated that it is currently searching for funds to continue the campaign after it is initially started. The Nurse Reinvestment Act (Federal) was signed into law in August 2002. The Act amends Title VIII of the Public Health Service Act: Nursing Workforce Development (the primary authorization of existing Federal nursing programs) and authorizes new programs to increase the number of qualified nurses and the quality of nursing services in the U.S. Funding to implement the new programs was appropriated by Congress in February 2003. There are several new grants that should be made available to states and the Board is planning to apply for grant money to continue the campaign. If the campaign is successful, there will be the need to then look at increasing school capacity and increase the associated clinical sites that may also require funding.

This was an information item.

D. Proposal to Resolve Open Cases (Senate Committee). The Committee requested that the agency submit a proposal to resolve open cases and specify what a reasonable length of time to do this is. The Committee also requested information regarding the number of cases that are being forwarded to the Attorney General's Office.

Information provided by the agency indicates that 65.5 percent of cases are less than six months old and only 0.5 percent of cases have been open for greater than 36 months. The agency also noted that there was a Legislative Post Audit in FY 2000. The outcome of this post audit was a set of procedures and the goal that the majority of cases would be closed within six months and the remainder within nine months. The agency included a history of the investigative positions and noted that part of the backlog was due to some periods of not being fully staffed in this area for a variety of reasons. One case is currently referred to the Assistant Attorney General for review.

This was an information item.

E. Impaired Provider Program (Senate Committee). The Committee requested information regarding the success of the program, the number of participants, the results of the program, and the number of repeat offenders. In addition, the Committee requested that the agency address the issues presented in the KNAP (Kansas Nurse Assistance Program) report.

Fiscal Year	Number of Participants	Percent that were Successful	Percent that were Unsuccessful	Total Cost
2000	201	34%	66%	$ 99,466
2001	214	48%	52%	$ 99,466
2002	235	37%	63%	$ 101,953

This was an information item.

Behavioral Sciences Regulatory Board

A. Capital Outlay Restoration (Conference Committee). The agency requested restoration of $5,000 (special revenue fund) in FY 2004 and $7,200 (special revenue fund) in FY 2005 for capital outlay. The House deferred consideration to Omnibus while the Senate recommended the addition of the funds. The Conference Committee recommendation was to defer these items to Omnibus.

The capital outlay was requested by the agency in an ongoing effort to upgrade their computer equipment. The Governor's recommendation reduced capital outlay expenditures by $5,000 and $7,200 in FY 2004 and FY 2005 respectively. The Governor's recommendation indicated that the levels were high due to enhanced funding in prior fiscal years.

The Committee concurred to maintain the original Senate position.

Board of Tax Appeals

A. Contract with Norton Correctional Facility for Microfilming (House and Senate Committees). The Committee wished to review the current contract that the Board of Tax Appeals has with the Norton Correctional Facility for microfilming its records.

The agency has indicated that at least since 1988, the microfilming services of Kansas Correctional Industries in Norton, Kansas have been utilized. At this time, the Regular Division files through calendar year 1996 have been microfilmed. The last billing the agency received from Kansas Correctional Industries indicated a cost for 45 boxes of $26,543.45, which calculates to $0.04 per item (page) microfilmed. In prior testimony, the agency indicated that the total cost to microfilm 1997 files would be $11,000. However, that the estimate was only for the tax exemption and tax grievance files that have already been boxed and are ready to be sent to microfilming. The estimate did not include the other types of appeals and applications handled by the Board such as equalization and payment under protest appeals, which typically have more documents to be microfilmed. Therefore, the total cost for 1997, 1998 and 1999 is estimated to be $115,100 ($35,400 + $35,400 + $44,300).

The agency has checked their records and cannot locate a contract with Correctional Industries for the microfilming service. Additionally, it could not locate any procurement contracts through the Department of Administration's Division of Purchasing for these services. Apparently, a decision was made by the Board several years ago to use the microfilming services of Correctional Industries and the Board has continued to do so. The agency has been in contact with the Kansas Department of Revenue concerning their microfilming service and will be meeting with representatives from Revenue within the next week. At this time, the agency does not have any information concerning their charges for microfilming service.

This was an information item.

B. Impact of <u>SB 115</u> and <u>HB 2147</u> (House and Senate Committees and GBA No. 3, Other Issues, Page 16 – Board Members and Filing Fees). <u>**SB 115**</u> and <u>**HB 2147**</u> would reduce the number of Board of Tax Appeals members from five to three. The budget includes the savings associated with the reduction. The Committees wished to review the progress that the bills have made and any budget implications non-passage of the bill would have.

<u>**SB 115**</u>, currently in House Taxation, and <u>**HB 2147**</u> also currently in House Taxation, would reduce the number of Board of Tax Appeals members from five to three. The assumption that the budget was built on is that this action would occur in January 2003. Because of this the Governor's budget reduced the agency's salaries and wages request by $100,000 in FY 2003 and $229,486 in FY 2004. The stated fiscal impact of this bill as originally proposed was $56,710 in FY 2003 and $230,130 in FY 2004.

The agency has indicated that if the legislation removing the two board members does not become effective before the end of FY 2003, the board will require an additional $70,000 (SGF). In addition, the board will need $229,486 (SGF) if it is not enacted for FY 2004.

This was an information item.

C. Filing Fees (Senate Committee). The Committee wished to review the progress of legislation to allow the agency to assess filing fees. In addition the Committee wished to review any potential fiscal impact on the agency that would result from not passing the legislation.

<u>**SB 115**</u> was amended by the House Appropriations Committee to allow the agency to assess filing fees as approved by the Joint Committee on Administrative Rules and Regulations. The legislation is currently in the House Taxation Committee. If the legislation does not pass, the agency would not have the authority to assess the filing fees. The revenue from the filing fees is expected to generate $300,000 in FY 2004. The agency's FY 2004 budget was built with the expectation that the agency would be able to generate this revenue.

This was an information item.

D. Rent Increases in the Docking Building (House and Senate Committees). The Committees wanted to review the issue of rent increases at the Docking State Office Building and the fiscal impact it had on the agency.

The agency indicated that their rent cost in FY 2003 was $174,338 for 16,926 square feet and $211,140 for 18,685 square feet in FY 2004. The Department of Administration has indicated that there was a methodology change regarding how the public areas such as hallways and lobbies are accounted for in determining rental rates. As a result, the agency's square footage increased in FY 2003. Rental rates, however, were reduced from the $14.99 per square foot originally approved for FY 2003 to $10.30 per square foot. This resulted in essentially no fiscal impact for the agencies located in the building. Subsequent to the change in methodology, the Department of Administration learned that some original square footage measurements were inaccurate. The inaccurate measurements were corrected in calculating the FY 2004 rent cost. For this agency an additional 1,759 in square footage was added. In addition, there was a $1 per square foot increase in all rents in the Docking State Office Building from FY 2003 to FY 2004. As a result the agency's rent assessment increased by $36,802. Of the increase $16,926 (46.0 percent) is attributable solely to the $1 per square foot increase and the remaining $19,876 (54.0 percent) is attributable to the adjusted square footage.

This was an information item.

Judicial Council

A. Review Additional Funding Requirements (House Committee). The Committee wished to review the agency's additional funding request. In order to accomplish this, the Committee requested that the agency submit a five-year financing plan that reviews the agency's projected Publications revenue.

In response, the agency submitted the following information. This information was developed prior to passage of **SB 36**. This bill would allow the agency to receive approximately $250,000 from court docket fees.

FY	Current Budget	Additional Publication Expense	Total Budget	Publication Revenue	$ from Publication Balance	$ from SGF
2004	$ 309,106	$ 0	$ 309,106	$ 103,950	$ 145,156	$ 60,000
2005	315,288	35,000	350,288	144,029	0	206,259
2006	324,746	14,000	338,746	157,150	0	181,596
2007	334,488	14,280	348,768	154,813	0	193,955
2008	341,178	51,708	392,886	198,019	0	194,867

The Committee concurred with this item and requested a Proviso for funding for the Judicial Council to study the issue of the Board of Indigents' Services funding regarding death penalty cases and compare them with other states that have recently executed individuals, including Texas and Florida, and paid the associated costs.

B. Need for $60,000 in SGF (Senate Committee). The Committee noted that the agency would have a $60,000 revenue shortfall in FY 2004 and wished to review this issue at Conference or Omnibus. The Conference Committee added $60,000 (SGF) in place of $60,000 (fee fund). The Governor line item vetoed the $60,000 (SGF) that was added in **SB 6** on April 21, 2003. The Governor's veto message stated: "**SB 6** appropriates $60,000 from the State General Fund for FY 2004 for operating expenditures of the Council. However, **SB 36**, which has been signed into law, will raise $230,000 of new revenue from docket fee increases. Therefore, the State General Fund appropriation is not needed."

The Committee concurred to appropriate a no limit expenditure limitation.

C. SB 36 (Law). SB 36 raises docket fees by $1 for a two-year period to help fund the operations of the Judicial Council. The moneys are to be deposited in a newly created Judicial Fund. The bill directs 1.33 percent of court docket fees to the Judicial Council. This is estimated to be $250,331 (fee funds). The bill clarifies the Judicial Council as an independent agency within the Judicial Branch of state government. Membership of the Council is altered slightly to allow the Chairperson of the House Judiciary Committee to either serve on the Council or select a designee. In addition, the bill adds new members to the Council: the Ranking Minority Member of the Senate Judiciary Committee, Chair of the House Corrections and Juvenile Justice Committee, Ranking Minority Member of House Corrections and Juvenile Justice Committee. In addition the bill allows money from the Publications Fee Fund to be used for operating expenditures. This has been done by proviso in the past.

This was an information item.

Schools for the Blind and Deaf

A. Advantages/ Disadvantages of School Financing Formula (Senate Committee). The Committee requests that the Schools and the Department of Education discuss the advantages and disadvantages of the Schools being placed within the formula.

The Department of Education and the School for the Blind (KSSB) and the School for the Deaf (KSSD) indicated there are several reasons why these two schools would not fit well under the current school finance formula. The school finance formula was designed for public schools which consist primarily of students that are not exceptional. The costs for students at KSSD and KSSB are considerably higher than the average cost in the public schools. In addition the agencies noted the following issues with placing the Schools within the school financing formula:

- The KSSD and the KSSB are not part of a school district with taxing authority based on the assessed valuation of property. These schools, therefore, have no authority for a local option budget within the district.

- The general state aid the schools would receive would be a small percentage of the general fund appropriation that is currently made available to the KSSB and the KSSD.

- The base state aid per pupil of $3,863 is inadequate even with pupil weightings as provided in the school finance formula to meet the needs of the pupils enrolled at the two schools. If the two schools were made a part of the school finance formula, it would still require a substantial appropriation from the state general fund.

- The KSSB and the KSSD are residential schools and their costs are considerably higher than in a public school since all children attending these schools have an individual education plan (IEP).

This was an information item.

Senator Downey and Senator Schodorf requested that language be cleared up regarding paragraph number 2, sentence number 2, where: The School finance formula was designed for public schools which consist primarily of students that are not exceptional. Both Senators explained that those that have spent time in the public schools believe there are many exceptional students that attend there and there is an implication that special education language is not understood and it should be cleared up.

B. Review of Funding for Schools for the Blind and Deaf (Conference Committee). The Senate Committee recommended adding $219,318 (SGF) to the School for the Blind and adding $362,735(SGF) to the School for the Deaf. The House recommended deferring the items to Omnibus. Both the Senate Committee and the House Committee noted that the manner in which the Schools for the Blind and Deaf were treated was inconsistent with how the rest of education was treated. The Conference Committee agreed to defer the item until Omnibus.

The Committee concurred to remain with the original Senate position.

C. Additional Medicaid Funding for Schools for the Blind and Deaf (House Committee). The Committee appointed a Special Subcommittee on Medicaid Funding for the Schools for the Blind and Deaf to review if the schools were leveraging all potential Medicaid funding. The Subcommittee has met; however, there have been no recommendations made at this time.

This was an information item.

D. KAN-ED Utilization (House Committee). The Committee requested that the Schools report back on the possibility of utilizing the KAN-ED program to maximize the effectiveness of their outreach programs.

The agency indicated that the School for the Blind is currently a member of KAN-ED and the School for the Deaf is currently in the application process. The Schools indicated that the KAN-ED program does provide opportunities for implementing distance learning as part of the School's outreach programs.

This was an information item.

E. Difference in Cost per Pupil between the Schools for the Blind and Deaf (House Committee). The Committee requested the that Schools report back concerning the differences in the per pupil cost at the respective schools.

The Schools indicated that there were two reasons that there was a difference in the per pupil costs: the School for the Deaf serves twice as many students on campus during the regular school year and the School for the Blind delivers much of its curriculum in very small groups or one-on-one instruction using expensive, specialized technology and Braille materials.

This was an information item.

Kansas Insurance Department

A. Review Details of Moving SHICK Program to Department of Aging (House Committee). The Committee wished to review the details of the move of the Senior Health Counseling of Kansas (SHICK) Program to the Department of Aging and any anticipated impact on the agency's budget.

The agency has indicated that effective March 1, 2003, the SHICK Program was transferred from the Insurance Department to the Department on Aging at the Governor's request. Through March, 2003, SHICK expenditures totaled $242,746.69. The Insurance Department, via an interfund transfer, gave $47,000 of unspent SHICK funds back to the Department on Aging. There was no exchange of FTE in this transaction. The Insurance Department gave up square footage in the Wichita Office Building as a result of this program transfer.

The Committee reviewed this item, but no action was taken.

B. Review of Rate Increases and "Loan" Repayment (House Committee and Senate Committee). The Committee requested review of the amount that the insurance companies rates may have to be increased in FY 2005 if the "loans" from the Insurance Department's Special Revenue Funds are not repaid. The Senate Committee recommended that the transfers be considered a loan to be repaid in the future. The House Committee requested information regarding the amount that insurance companies rates would have to be increased in FY 2005 if the transfers were not repaid.

Based on estimated fund obligations, the Insurance Department will likely levy an assessment against insurance companies in FY 2004. This would not have been the case were it not for the transfers out of the Workers Compensation Fund into the State General Fund of $7.0 million in FY 2002, $4.0 million in FY 2003, and another $75,000 anticipated.

The agency indicated that prior to the sweep of the Workers Compensation Fund, the balances were such that the Insurance Department may not have needed to assess companies for at least 3-5 years down the road. Based on current circumstances, an assessment in FY 2004 is possible and almost certain for FY 2005 and beyond.

Insurance companies, self-insureds, and pools that write workers' compensation premiums are assessed. The amount that each must pay depends on the paid losses of that company in the previous calendar year. The Insurance Department works with the Workers Compensation Division of the Department of Human Resources to gather paid loss information. Both agencies use the same base to determine the assessment rate.

The Insurance Department was unable to provide information on the rate that would need to assessed. The agency is conducting an actuarial review of the Workers Compensation Fund to determine the fund's liabilities in subsequent fiscal years and should have that information soon.

The agency also noted that circumstances will require a larger assessment of insurance companies for the Regulation Fee Fund since the Department has been unable to keep the 1.0 percent of premium tax receipts as provided for by statute.

This was an information item.

Secretary of State

A. GBA No. 3, Item 11, Page 5 – Help America Vote Act Matching Funds

The Committee concurred with this item.

B. SB 205 (Law). SB 205 creates the Kansas Commemorative Coin Design Concept Act. The purpose of the act is to provide a method to select the design concepts and make a recommendation for the final design of the commemorative quarter dollar of the State of Kansas. The Secretary of State in conjunction with the Department of Education are to present the five finalist designs to all students enrolled in an accredited school in the State of Kansas who will vote for the winner via an Internet ballot. The Kansas Arts Commission, the Kansas Humanities Council, and the Kansas Historical Society are required to publicize the act and provide assistance to the Council.

The Secretary of State's Office indicates that the fiscal impact to their agency in FY 2004 will be $2,000 (SGF). The other agencies have indicated they will be able to absorb the costs associated with their participation.

The Committee concurred that the Secretary of State would absorb the $2,000 cost.

Governmental Ethics Commission

A. GBA No. 3, Item 2, Page 2 – Inaugural Expense Fund

The Committee concurred with this item.

All Agencies

A. GBA No. 3, Item 34, Page 15 – COLA Recalculation

The Committee concurred with the GBA, to take the $339,083 savings plus $95,607 Judicial Branch savings, run through the State Finance Council and separate in the Omnibus bill in each agency.

Juvenile Justice Authority

The Committee concurred with the Proviso that should the Governor invoke allotments in FY 2004 that would affect the core programs in the Juvenile Justice Community Grants, the intervention grant, etc., prevention grant money could be expended to fund them.

Senior Care Act

The Committee concurred to put the $25,000 back in and designate it for the Foster Grandparent Program, Senior Care Act.

Governor's Budget Amendments, Corrections and Technical Adjustments to the Budget Document submitted to the Legislature, Letter dated April 23, 2003 (Attachment 33)

The Committee concurred with a correction regarding Item No. 10 and the KPERS Death and Disability Adjustment with revising the calculation amount of lapses from State General Fund estimate totaled $5,265,070 to $5,135,070, including both regular KPERS and KPERS School.

The Committee concurred with remaining nine items listed in the document for technical changes and corrections.

ATTACHMENT A

Estimated Fiscal Impact of SB 123
FY 2004

A significant impact of **SB 123's** implementation is that it will delay the need for additional inmate capacity within the Kansas correctional system. KSC and KDOC estimate **SB 123**, as sent to the Governor, will save 194 beds in the first year of implementation (FY 2004). By FY 2013, the number of beds saved will be 517. Without **SB 123**, the agencies have projected KDOC will be out of bed space for male inmates by the end of FY 2004. For minimum-security bed space, renovation of existing buildings at Winfield and Osawatomie would cost between $7,585 and $9,948 per bed and constructing new units at Hutchinson, El Dorado or Lansing would cost between $16,409 and $20,144 per bed. Annual operating costs are in addition to the construction costs.

The following analysis examines the FY 2004-specific fiscal impacts of the bill, given that new construction will have been delayed. The explanation is supported by a brief table, which follows the text.

KDOC estimates it will need 3.0 FTE staff to **certify drug treatment programs** throughout the state. This figure represents the estimated cost for the 3.0 FTE staff.

KSC projects a total of 1,318 offenders will be subject to the provisions of **SB 123**. At the medium projected **treatment** cost per offender of approximately $4,700, the total cost would be about $6.2 million over the entire fiscal year. Because the bill's effective date is delayed until November 1, 2003, the total cost is estimated at approximately $4.7 million. KSC's estimate takes into account services already being provided.

According to KDOC, the average annual Community Corrections **supervision** cost per offender is $2,906. The total additional funding for the Community Corrections net caseload increase of 843 offenders, expected in FY 2004, is $2,449,760. Adjusted for the delayed implementation date, the additional budget impact would be $1,641,340 for the actual FY 2004 period from November 1, 2003 through June 30, 2004.

KSC is responsible for (a) modifying the sentencing data base and projection model, (b) **administering** the Substance Abuse Treatment (SAT) Fund, and ©) **evaluating** the impact and effectiveness of the policy set forth in the bill. The Commission estimates it will cost $18,500 to modify the data base and projection model, all of which can be absorbed within the agency's current SGF allocation. Administering the SAT Fund is expected to cost $46,550, of which $45,175 will need to be added to the Commission's current SGF allocation. KSC plans to utilize a Federal Statistical Analysis Grant in the amount of $50,000 to complete an 18-month evaluation of the program.

KSC and KDOC estimate **SB 123**, as sent to the Governor, would **save 194 beds** in the first year of implementation (FY 2004), if the bill were to be effective at the beginning of the fiscal year. By FY 2013, the number of beds saved will be 517. Taking into account (a) the fact that the 194-bed savings will add up over the course of the year and (b) the bill's implementation is delayed until November 1, 2003, KDOC estimates marginal costs totaling approximately $130,000 will be saved in FY 2004.

Based on the understanding of the agencies involved in implementing the bill, the Office of Judicial Administration will have no additional duties and thus will require no additional funding because of **SB 123**.

Certification of Treatment Programs	$	178,000
Treatment		4,691,000
Supervision by Community Corrections		1,641,340
Net Admin./Evaluation Costs by Kansas Sentencing Commission		45,175
Bed Capacity Savings		(130,000)
TOTAL	$	6,425,515

Chairman Morris turned the Committee's attention to discussion of the Republican Leadership Proposal:

Possibility FY 2004 Revenue and Expenditure Adjustments
To Increase State General Fund Ending Balance (Attachment 34)

Senator Kerr explained that there were $1.8 million dollars in State General Fund savings.

Savings Identified by the Governor's BEST Teams:

Mandate that all state agencies participate in Accounts Receivable Setoff Program.

The Committee concurred with this item.

Join multi-state Medicaid pharmaceutical purchasing compact.

The Committee concurred with this item.

Senator Feleciano expressed concern that Michigan is having trouble with negotiations with CMS. Chairman Morris noted that if savings do not materialize regarding this item, then it will have to be added back in.

Do not allow use of state-owned vehicles for commuting.

The Committee concurred with this item.

Stop printing of paper phone directories.

The Committee did not concur with this item and that the Chairman will write a letter to the Department of Administration that this savings was not included in the budget because the Committee feels strongly that in future years the directories need to be printed and a Proviso that the Department of Administration is allowed to charge for the directories if they wish to do so.

Renegotiate Department of Corrections food contract to achieve savings.

This item had already been adopted.

Savings and Revenue included in President's Medicaid Task Force Recommendation:

SB 272 Medicaid assistance repayment, liens, and voiding transfer of property.

The Committee concurred with this item.

Limit or lower the dollar value of property exemptions when calculating Medicaid eligibility.

The Committee concurred with this item.

Extend the look-back period for transfers of non-trust property to five years. (Needs federal waiver)

The Committee concurred with this item.

Other Savings and Revenue Adjustments: (Attachment 35)

SB 16 and HB 2192 raise user fees - replace State General Fund with additional revenue in photo fee fund.

The Committee concurred to take $1.8 million plus the $350,000 taken earlier.

HB 2192 raise user fees - replace State General Fund with safety fund ($674,000) and reduce ending balance by ($1,326,000).

See above item.

Expenditure and revenue adjustments included in the appropriation bill, SB 6.

The Committee concurred with this item.

Maintain telephone rates at the FY 2003 rate.

This item had already been adopted.

Senator Adkins moved, with a second by Senator Jordan, to include technical amendments by the Revisor as necessary in the Omnibus Appropriations Bill. Motion carried on a voice vote.

*Senator Schodorf moved, with a second by Senator Jackson, to recommend that **HB 2444** be amended by substituting a new bill to be designated **Senate Substitute for HB 2444**, the Omnibus Appropriations Bill, and recommend the bill favorable for passage as amended. Motion carried on a roll call vote.*

Senator Adkins moved, with a second by Senator Jordan, to introduce a new bill to reconcile all statutes. Motion carried on a voice vote.

An update on the FY2003/FY2004 Children's Initiatives Fund (Tobacco) was distributed to the committee (Attachment 36).

Chairman Morris thanked everyone for all the work that was completed during the Omnibus session.

The Omnibus session adjourned at 4:15 p.m. on April 28, 2003. The next regular meeting of the Senate Ways and Means Committee was scheduled for May 1, 2003.

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST

DATE April 24, 2003

NAME	REPRESENTING
Nancy Pierce	KHCA
Julia Thomas	DOB
Jim Liu	DOB
Kyle Kessler	DOB
Eric Sexton	WSU
TOM DAY	KCC
Jana El-Koubysi	SBIDS
Ed Van Petten	KANSAS LOTTERY
G L Saville	✓ ✓
Keith Kocher	" "
Jack Hawn	KPERS
TERRY FORSYTH	KNEA
Bill Henry	KCUA
Mike Huttles	Ks. Gov't. Consulting
Mark Heim	Conservation Comm.
Jay Edwards	KASB
Wenny Apt	USA - KCK -
Andy Sloan	Kearney & Assoc. Inc
Kathy Porter	Judicial Branch
Kim Fowler	Judicial Branch
J Yeardon	KSC
Keith HAXTON	SEAK

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST
DATE Ap 24 2003

NAME	REPRESENTING
Doug Bowman	CCECDS
Josie Torrez	KACIL
MARTY VINES	KAPE
David G Monical	Washburn
Kevin Barone	Hein Law Firm
Sheli Sweeney	Ks Dept on Aging
Tracy Taylor	KTEC
Scott Brunner	SRS
Janet Schalansky	SRS
Jason Gallagher	Independent
Ron McMurry	KDET
Dick Koerth	KDWP
Bill Schafer	KDHR
Jane Rhys	KCDD
Jim Conant	KDOR
Carolyn Ware	KCCTF
Warren G. Harding	White House

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST
DATE April 25, 2003

NAME	REPRESENTING
Bill Schafer	KDHR
Ron McMurtry	KDOT
Kim Strunk	KCDD
Jim Conant	KDOR
Martin Hawver	Hawver's Capitol Report
Carolyn Ward	KCCTF
Kevin Barone	Hein Law Firm
DAVID OWEN	HOMELESS COME HOME
MARTY VINES	KAPE
ANDY SANCHEZ	KAPE
Josie Torrez	KACIL
Craig Kaberline	KAAAA
Roger Werholtz	KDOC
Dennis Williams	KDOC
Keith Haxton	SEAK
Dawn Howard	SRS
Marianne Deagle	SRS
Bob Vancrum	Blue Valley, JCCC, Greater KC Chamber
Cindy Shaw	Kearney + Associates
Debra Prideaux	FHSU
Stephanie Buchanan	DOB

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST
DATE April 28, 2003

NAME	REPRESENTING
Sheli Sweeney	KDOA
Tony Folsom	BOTA
Keith Haxton	SEAK
Josie Torrez	KACIL
Marianne Deagle	SRS
James DeBoer	KDOA
Ron Seeber	Hein Law Firm
Andy Shaw	Kearney + Associates
Jerry Sloan	Judicial Branch
Joe Herold	KSC
Keith Kocher	KS Lottery
Ed Van Petten	KAN. LOTTERY
Gary Saville	✓ ✓
Jim Yeardor	" "
[illegible]	KAT
[illegible]	KACCT
Mike Huttles	Ks. Governmental Consulting
Marty Vines	KAPE
[illegible]	KAPE
Nancy Bryant	SOS
Bob Vancrum	USD 229
Denise Apt	USA - USD 500

Doug Bowman CCECDS

Bill Schafer KDHR

Senate Ways and Means
4-24-03
Attachment 1

STATE GENERAL FUND RECEIPTS, EXPENDITURES AND BALANCES
April 2003 Consensus Revenue Estimates
In Millions

	Actual FY 2002	FY 2003 April 22, 2003 Consensus Revenue	FY 2004 April 22, 2003 Consensus Revenue
Beginning Balance	$ 369.9	$ 12.1	$ (111.5)
Receipts (April 2003 Consensus)	4,108.3	4,234.4	4,392.1
Total Available	$ 4,478.2	$ 4,246.5	$ 4,280.6
Less Expenditures	4,466.1	4,358.0	4,524.7
Ending Balance	$ 12.1	$ (111.5)	$ (244.1)
Ending Balance as a Percentage of Expenditures	0.3%	-2.6%	-5.4%

KANSAS

DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

April 22, 2003

To: Governor Kathleen Sebelius and Legislative Budget Committee

From: Kansas Division of the Budget and Kansas Legislative Research Department

Re: Initial SGF Memo for FY 2003 (Revised) and FY 2004 (Revised)

The Consensus Revenue Estimating Group met today to revise the estimates for FY 2003 and FY 2004. The estimate of total tax receipts was reduced by $227.1 million over the two years.

A detailed memo will be available next week which contains the economic forecast for Kansas upon which the estimates are based, as well as a discussion of other factors influencing the individual source estimates.

For FY 2003, the estimate of tax receipts decreased by $99.1 million, or 2.3 percent, below the previous estimate that was made in November 2002. Even though estimated tax receipts are projected to fall, the overall revised SGF estimate of $4.234 billion is $82.3 million (2.0 percent) above the November 2002 estimate. This latter amount includes changes in transfers as a result of enacted legislation that stops the KDOT repayment, stops transfers to local governments, and makes sweeps of balances to the State General Fund.

For FY 2004, the estimate of tax receipts is $4.320 billion, which is $128.0 million, or 2.9 percent, below the original FY 2004 figure. The overall revised SGF estimate of $4.392 billion is $133.6 million, or 3.0 percent, less than the November estimate.

Attached are the estimates for both years.

STATE CAPITOL BUILDING, ROOM 152-E, TOPEKA, KS 66612-1575
Voice 785-296-2436 Fax 785-296-0231 http://da.state.ks.us/budget

Table 1
Consensus Revenue Estimates for Fiscal Years 2003 and 2004 and FY 2002 Actual Receipts
(Dollars in Thousands)

	FY 2002 (Actual)		FY 2003 (Revised)		FY 2004 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	$18,067	0.8 %	$17,000	(5.9) %	$17,500	2.9 %
Income Taxes:						
Individual	$1,829,609	(7.5)	$1,780,000	(2.7)	$1,845,000	3.7
Corporation	93,958	(55.7)	105,000	11.8	105,000	--
Financial Inst.	27,919	12.5	32,000	14.6	34,000	6.3
Total	$1,951,486	(11.9) %	$1,917,000	(1.8) %	$1,984,000	3.5 %
Estate Tax	$48,083	16.7 %	$50,000	4.0 %	$50,000	-- %
Excise Taxes:						
Retail Sales	$1,470,599	3.3 %	$1,570,000	6.8 %	$1,610,000	2.5 %
Compensating Use	233,764	(0.9)	230,000	(1.6)	240,000	4.3
Cigarette	48,041	(1.5)	130,000	170.6	145,000	11.5
Tobacco Product	4,301	5.1	4,600	7.0	4,900	6.5
Cereal Malt Beverage	2,378	(4.5)	2,600	9.3	2,600	--
Liquor Gallonage	14,632	1.0	15,000	2.5	15,200	1.3
Liquor Enforcement	37,423	5.9	39,500	5.6	41,000	3.8
Liquor Drink	6,615	6.0	7,100	7.3	7,400	4.2
Corporate Franchise	18,495	9.3	33,000	78.4	35,000	6.1
Severance	55,682	(45.2)	72,900	30.9	71,900	(1.4)
Gas	41,789	(52.1)	56,500	35.2	57,400	1.6
Oil	13,893	(2.3)	16,400	18.0	14,500	(11.6)
Total	$1,891,930	0.2 %	$2,104,700	11.2 %	$2,173,000	3.2 %
Other Taxes:						
Insurance Premium	$84,951	25.5 %	$92,000	8.3 %	$92,000	-- %
Miscellaneous	1,956	(7.4)	4,000	104.5	4,000	--
Total	$86,907	24.5 %	$96,000	10.5 %	$96,000	-- %
Total Taxes	$3,996,473	(5.6) %	$4,184,700	4.7 %	$4,320,500	3.2 %
Other Revenues:						
Interest	$38,820	(51.6) %	$18,000	(53.6) %	$12,000	(33.3) %
Net Transfers	21,840	n/a	(22,522)	n/a	4,415	n/a
Demand to Revenue Transfers	--	--	(99,009)	n/a	(59,274)	n/a
Other Transfers	21,840	n/a	76,487	n/a	63,689	n/a
Agency Earnings	51,187	18.5	54,200	5.9	55,150	1.8
Total Other Revenue	$111,847	(39.0) %	$49,678	(55.6) %	$71,565	44.1 %
Total Receipts	$4,108,320	(6.9) %	$4,234,378	3.1 %	$4,392,065	3.7 %

Table 2
State General Fund Receipts
FY 2003 Revised
Comparison of November 2002 Estimate to April 2003 Estimate
(Dollars in Thousands)

	FY 2003 CRE Est. Revised 11/05/02	FY 2003 CRE Est. Revised 04/22/03	Difference Amount	Difference Pct. Chg.
Property Tax:				
Motor Carrier	$16,500	$17,000	$500	3.0 %
Income Taxes:				
Individual	$1,845,000	$1,780,000	($65,000)	(3.5) %
Corporation	125,000	105,000	(20,000)	(16.0)
Financial Inst.	29,500	32,000	2,500	8.5
Total	$1,999,500	$1,917,000	($82,500)	(4.1) %
Estate Tax	$55,000	$50,000	($5,000)	(9.1) %
Excise Taxes:				
Retail Sales	$1,600,000	$1,570,000	(30,000)	(1.9) %
Compensating Use	230,000	230,000	--	--
Cigarette	132,000	130,000	(2,000)	(1.5)
Tobacco Product	4,600	4,600	--	--
Cereal Malt Beverage	2,700	2,600	(100)	(3.7)
Liquor Gallonage	15,300	15,000	(300)	(2.0)
Liquor Enforcement	39,000	39,500	500	1.3
Liquor Drink	7,100	7,100	--	--
Corporate Franchise	28,000	33,000	5,000	17.9
Severance	65,600	72,900	7,300	11.1
Gas	48,300	56,500	8,200	17.0
Oil	17,300	16,400	(900)	(5.2)
Total	$2,124,300	$2,104,700	($19,600)	(0.9) %
Other Taxes:				
Insurance Premium	$85,000	$92,000	$7,000	8.2 %
Miscellaneous	3,500	4,000	500	14.3
Total	$88,500	$96,000	$7,500	8.5 %
Total Taxes	$4,283,800	$4,184,700	($99,100)	(2.3) %
Other Revenues:				
Interest	$17,000	$18,000	$1,000	5.9 %
Net Transfers	(202,953)	(22,522)	180,431	(88.9)
Demand to Revenue Transfers	(144,916)	(99,009)	45,907	n/a
Other Transfers	(58,037)	76,487	134,524	(231.8)
Agency Earnings	54,200	54,200	--	--
Total Other Revenue	($131,753)	$49,678	$181,431	(137.7) %
Total Receipts	$4,152,047	$4,234,378	$82,331	2.0 %

Table 3
State General Fund Receipts
FY 2004
Comparison of November 2002 Estimate to April 2003 Estimate
(Dollars in Thousands)

	FY 2004 CRE Est. Revised 11/05/02	FY 2004 CRE Est. Revised 04/22/03	Difference Amount	Difference Pct. Chg.
Property Tax:				
Motor Carrier	$17,000	$17,500	$500	2.9 %
Income Taxes:				
Individual	$1,920,000	$1,845,000	($75,000)	(3.9) %
Corporation	140,000	105,000	(35,000)	(25.0)
Financial Inst.	31,000	34,000	3,000	9.7
Total	$2,091,000	$1,984,000	($107,000)	(5.1) %
Estate Tax	$60,000	$50,000	($10,000)	(16.7) %
Excise Taxes:				
Retail Sales	$1,640,000	$1,610,000	($30,000)	(1.8) %
Compensating Use	240,000	240,000	--	--
Cigarette	145,000	145,000	--	--
Tobacco Product	4,900	4,900	--	--
Cereal Malt Beverage	2,700	2,600	(100)	(3.7)
Liquor Gallonage	15,500	15,200	(300)	(1.9)
Liquor Enforcement	40,000	41,000	1,000	2.5
Liquor Drink	7,400	7,400	--	--
Corporate Franchise	30,000	35,000	5,000	16.7
Severance	66,500	71,900	5,400	8.1
Gas	49,800	57,400	7,600	15.3
Oil	16,700	14,500	(2,200)	(13.2)
Total	$2,192,000	$2,173,000	($19,000)	(0.9) %
Other Taxes:				
Insurance Premium	$85,000	$92,000	$7,000	8.2 %
Miscellaneous	3,500	4,000	500	14.3
Total	$88,500	$96,000	$7,500	8.5 %
Total Taxes	$4,448,500	$4,320,500	($128,000)	(2.9) %
Other Revenues:				
Interest	$11,000	$12,000	$1,000	9.1 %
Net Transfers	11,267	4,415	(6,852)	(60.8)
Demand to Revenue	--	(59,274)	(59,274)	n/a
Other Transfers	11,267	63,689	52,422	465.3
Agency Earnings	54,900	55,150	250	0.5
Total Other Revenue	$77,167	$71,565	($5,602)	(7.3) %
Total Receipts	$4,525,667	$4,392,065	($133,602)	(3.0) %

Kansas Legislative Research Department April 7, 2003

FY 2004 APPROVED BUDGET HIGHLIGHTS AS OF FIRST ADJOURNMENT

Budget Overview

As of first adjournment of the 2003 Legislature, the current approved FY 2004 budget totals $4.525 billion from the State General Fund and $10.062 billion from all funding sources.

- The FY 2004 amount is $31.3 million above the amount recommended by the Governor from the State General Fund and $169.5 million below the amount recommended by the Governor from all funds. The State General Fund increase is attributable to the decision to fund operations of the Kansas Highway Patrol, recommended by the Governor from the State Highway Fund, from the State General Fund. The reduction in approved all funds expenditures reflects the decision to defer funding for the budgets of the State Treasurer, the Department of Commerce and Housing, Kansas, Inc., and the Kansas Technology Enterprise Corporation for consideration in the Omnibus Appropriation Bill.

- The approved FY 2004 State General Fund amount is an increase of $166.7 million (3.8 percent) from the FY 2003 approved amount. Approved FY 2004 all funds amount is a reduction of $166.4 million (1.6 percent) from the approved FY 2003 amount.

- The approved number of full-time equivalent (FTE) positions totals 39,263.1, which is a reduction of 237.0 FTE positions from the Governor's FY 2004 recommendation of 39,486.4. Again, most of the reduction (230.0 FTE positions) from the Governor's recommendation is related to deferring consideration of four budgets until Omnibus.

- The recommendation includes funding for a **1.5 percent base salary increase** for all state employees, except legislators and Board members whose compensation is tied to legislative per diem reimbursement. The increase will be effective July 20, 2003, three pay periods into FY 2004. The Legislature also deleted funding equivalent to the 1.5 percent increase for Highway Patrol troopers.

The following information highlights actions of the 2003 Legislature in a number of specific areas.

Elementary-Secondary Education

- The amount approved for general and supplemental general state aid in FY 2004 ($1,932,519,000) would maintain Base State Aid Per Pupil (BSAPP) at the allotment-level rate of $3,863, which is $27 less than the statutory rate. As of first adjournment of the Legislature, no change has been made to the Governor's recommendation in terms of the amount of state aid available to fund BSAPP.

- The same amount of special education state aid is recommended for FY 2004 as is available in FY 2003 ($251,271,836). That amount of money is expected to fund special education excess costs at the 85 percent level in the current year and at about the 84 percent level in FY 2004. The Governor had recommended funding special education as

Senate Ways and Means
4-24-03
Attachment 2

a weight in the school finance formula, but the Legislature is recommending that special education be continued as a separate categorical aid program.

- There is no funding for inservice education (professional development) in FY 2004. School districts are mandated to offer approved inservice education programs, but will have to absorb the cost in FY 2004 because no specific appropriation is recommended. In the current year, the appropriation is $2,600,000.

- Funding for parent education is $7,139,500 in both FY 2003 and FY 2004. Of that amount, $2,500,000 is from the Children's Initiatives Fund and the remainder is from the State General Fund. The parent education program provides aid to school districts that offer programs for expectant parents and parents of children who are less than three years old. School districts are required to provide a 65 percent match. The program serves 18,226 children and 14,950 families.

- Funding for school district capital improvements aid is estimated to be $47,216,350 in FY 2003 and $55,000,000 in FY 2004. The program is a revenue transfer from the State General Fund. Money is paid to school districts for bond and interest payments in inverse proportion to the district's assessed valuation per pupil.

Higher Education

- The 2003 Legislature authorized $666.2 million from the State General Fund to support higher education in FY 2004, a decease of less than 1 percent from the current year budget. This equal's 14.7 percent of all approved State General Fund expenditures for FY 2004 and includes:

  - $541.6 million for state universities;
  - $81.0 million to support local community colleges;
  - $14.5 million to support postsecondary technical education programs;
  - $14.0 million for student financial aid;
  - $10.1 million to support Washburn University;
  - $1.0 million for adult basic education programs; and
  - $4.0 million for other higher education initiatives.

  - The 2003 Legislature also approved $10.0 million from special revenue funds to continue implementation of the **Kan-Ed Network**; $1.0 million from lottery funds to support **aviation research** at Wichita State University; and $700,000 from tobacco funds to support **pediatric biomedical research** at the University of Kansas Medical Center.

Department on Aging

- As of April 4, 2003, there are 1,236 individuals with a Level of Care (PASSAR) score of 26 and above on the **Home and Community Based Services/Frail Elderly (HCBS/FE) waiver waiting list**. The waiting list for services is estimated to increase to 1,450 persons by end of FY 2003.

- As of March 1,2003, 490 seniors were waiting for services under the **Senior Care Act**; the waiting list is estimated to reach 600 by the end of FY 2003. In SB 6, the 2003 Legislature added **$500,000 from the State General Fund** to the Governor's recommendation for Senior Care Act services. Senior Care Act services cost an average of $1,158 per person/per year. The additional funding will fund services for an additional 431 seniors in FY 2004. These services are funded entirely by the state and provide low income seniors with a variety of assistance.

Department of Social and Rehabilitation Services

- As of March 1, 2003, the **HCBS/PD (Physically Disabled) waiver waiting list** was 877 persons. These are persons receiving no services. The waiting list is frozen, except in crisis situations.

- As of March 1, 2003, the **HCBS/DD (Developmental Disabilities)** waiver waiting list was 761 persons. These are persons receiving no services. The waiting list is frozen, except in crisis situations.

- In SB 6, the 2003 Legislature increased funding for **Developmental Disability State Aid** by $700,000 (State General Fund) above the Governor's recommendation. State Aid funds infrastructure and local programs for the developmentally disabled through Community Developmental Disability Organizations or CDDO's.

- In SB 6, the 2003 Legislature increased funding for **Mental Health State Aid** by $500,000 (State General Fund) above the Governor's recommendation. State Aid funds infrastructure and local programs for those with mental illness through Community Mental Health Centers or CMHC's.

- In SB 6, the 2003 Legislature mandated that the Department of Social and Rehabilitation Services apply for a **Cash and Counsel Waiver**. The waiver would allow recipients to choose necessary services by giving them a set dollar amount, along with counseling, to fulfill their service needs. The waiver would be available to the **physically disabled** and to those in the **Working Healthy** program.

Capital Improvements

- The 2003 Legislature authorized $118.2 million for repairs and improvements to state owned facilities in FY 2004. $11.6 million (9.8 percent) of this amount was from the State General Fund, primarily for debt service payments.

- Appropriated $26.0 million from the Educational Building Fund for repairs at the state universities in FY 2004 and 2005.

- Authorized $49.2 million in bonds for repairs and other deferred maintenance issues at the state hospitals. Debt service payments are projected to be $3.75 million per year and will be financed by special revenue funds.

Senate Ways and Means
4-24-03
Attachment 3

EXPENDITURES FROM ALL FUNDING SOURCES

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Dollar	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
Legislative Coordinating Council	706,770	666,744	(40,026)	(5.7) %	0	(20,621)
Legislative Research Department	2,605,575	2,646,525	40,950	1.6	0	205,604
Revisor of Statutes	2,474,748	2,468,152	(6,596)	(0.3)	0	82,296
Legislature	12,014,919	12,223,253	208,334	1.7	0	(357,017)
Division of Post Audit	1,821,099	1,811,458	(9,641)	(0.5)	0	59,319
Governor's Department	5,871,025	13,100,858	7,229,833	123.1	0	359,854
Lieutenant Governor	132,628	112,093	(20,535)	(15.5)	0	0
Attorney General	17,743,180	13,084,950	(4,658,230)	(26.3)	0	(80,000)
Secretary of State	3,266,752	3,554,695	287,943	8.8	0	0
State Treasurer	78,681,117	0	(78,681,117)	(100.0)	0	(35,976,241)
Insurance Department	19,567,601	18,749,528	(818,073)	(4.2)	0	168,623
Health Care Stabilization Fund	29,654,105	29,729,667	75,562	0.3	23,000	132,715
Judicial Council	309,199	309,106	(93)	(0.0)	0	0
State Board of Indigents' Defense Services	16,004,036	14,631,312	(1,372,724)	(8.6)	0	0
Judicial Branch	96,480,762	95,763,621	(717,141)	(0.7)	0	2,822,804
KPERS	24,906,908	26,487,509	1,580,601	6.3	0	0
Governmental Ethics Commission	555,420	565,570	10,150	1.8	0	6,910
Kansas Human Rights Commission	1,862,551	1,706,173	(156,378)	(8.4)	0	0
State Corporation Commission	17,530,309	15,819,071	(1,711,238)	(9.8)	0	0
Citizens' Utility Ratepayer Board	654,683	580,552	(74,131)	(11.3)	0	0
Department of Administration	28,907,814	22,070,172	(6,837,642)	(23.7)	0	0
State Board of Tax Appeals	1,838,319	1,546,993	(291,326)	(15.8)	0	0
Department of Revenue	81,308,783	80,474,274	(834,509)	(1.0)	0	1,805,122
Kansas Lottery	59,970,737	59,971,857	1,120	0.0	0	(240,000)
Kansas Racing and Gaming Commission	6,209,735	6,351,475	141,740	2.3	0	0
Department of Commerce and Housing	115,126,342	0	(115,126,342)	(100.0)	0	(112,137,305)
Kansas, Inc.	441,414	0	(441,414)	(100.0)	0	0
Kansas Technology Enterprise Corporation	15,786,514	0	(15,786,514)	(100.0)	(200,000)	(13,953,820)
Abstracters Board of Examiners	20,285	19,463	(822)	(4.1)	0	0
Board of Accountancy	189,663	229,318	39,655	20.9	0	0

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EXPENDITURES FROM ALL FUNDING SOURCES

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Dollar	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
State Bank Commissioner	5,795,633	5,901,542	105,909	1.8	95,830	179,388
Board of Barbering	113,266	108,200	(5,066)	(4.5)	0	0
Behavioral Sciences Regulatory Board	517,271	492,147	(25,124)	(4.9)	0	0
State Board of Healing Arts	2,058,350	2,044,816	(13,534)	(0.7)	0	0
Board of Cosmetology	661,161	646,361	(14,800)	(2.2)	0	0
Department of Credit Unions	850,554	821,258	(29,296)	(3.4)	0	0
Kansas Dental Board	327,208	316,519	(10,689)	(3.3)	0	0
Board of Mortuary Arts	216,514	213,457	(3,057)	(1.4)	0	0
Hearing Aid Board of Examiners	19,222	18,702	(520)	(2.7)	0	0
Board of Nursing	1,459,832	1,327,001	(132,831)	(9.1)	0	0
Board of Examiners in Optometry	106,777	104,373	(2,404)	(2.3)	0	0
Board of Pharmacy	574,713	582,222	7,509	1.3	(6,784)	0
Real Estate Appraisal Board	207,855	221,439	13,584	6.5	0	0
Real Estate Commission	743,973	711,117	(32,856)	(4.4)	29,500	0
Office of the Securities Commissioner	2,132,996	2,048,842	(84,154)	(3.9)	0	0
Board of Technical Professions	555,193	523,044	(32,149)	(5.8)	0	10,288
Board of Veterinary Medical Examiners	276,429	239,223	(37,206)	(13.5)	0	0
Subtotal - General Government	**659,259,940**	**440,994,652**	**(218,265,288)**	**(33.1)**	**(58,454)**	**(156,932,081)**
Department of Human Resources	405,547,786	334,748,671	(70,799,115)	(17.5)	0	(13,796,097)
Kansas Commission on Veterans Affairs	22,133,820	21,486,182	(647,638)	(2.9)	0	1,027,825
Dept. of Health & Environment-Health	127,087,645	107,712,525	(19,375,120)	(15.2)	0	674,007
Department on Aging	393,181,921	418,348,145	25,166,224	6.4	0	500,000
Guardianship Program	998,297	1,000,506	2,209	0.2	0	0
Department of Social & Rehabilitation Services	1,987,648,846	2,149,785,653	162,136,807	8.2	0	400,000
Kansas Neurological Institute	23,987,714	24,247,416	259,702	1.1	0	0
Larned State Hospital	32,493,521	34,811,915	2,318,394	7.1	0	0
Osawatomie State Hospital	20,125,936	19,655,672	(470,264)	(2.3)	0	0
Parsons State Hospital & Training Center	20,075,859	20,361,666	285,807	1.4	0	0
Rainbow Mental Health Facility	6,684,079	6,819,608	135,529	2.0	0	0
Subtotal - Human Resources	**3,039,965,424**	**3,138,977,959**	**99,012,535**	**3.3**	**0**	**(11,194,265)**

EXPENDITURES FROM ALL FUNDING SOURCES

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Dollar	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
Department of Education	2,730,178,562	2,751,876,557	21,697,995	0.8	0	0
State Library	6,561,097	6,516,104	(44,993)	(0.7)	0	0
Arts Commission	2,083,883	1,995,300	(88,583)	(4.3)	0	0
School for the Blind	4,968,340	4,751,408	(216,932)	(4.4)	0	0
School for the Deaf	8,814,211	7,751,366	(1,062,845)	(12.1)	0	27,979
Historical Society	8,421,576	7,855,347	(566,229)	(6.7)	0	0
Fort Hays State University	61,294,835	59,835,085	(1,459,750)	(2.4)	0	0
Kansas State University	352,698,883	356,288,369	3,589,486	1.0	0	0
KSU-Ext. Sys. And Ag. Res. Programs	115,175,014	102,089,017	(13,085,997)	(11.4)	0	0
KSU-Veterinary Medical Center	27,841,168	25,299,816	(2,541,352)	(9.1)	0	0
Emporia State University	58,366,188	57,188,216	(1,177,972)	(2.0)	(240,000)	0
Pittsburg State University	66,237,668	66,813,977	576,309	0.9	0	0
University of Kansas	444,533,815	435,773,380	(8,760,435)	(2.0)	0	0
University of Kansas Medical Center	212,829,506	208,681,132	(4,148,374)	(1.9)	0	1,270,848
Wichita State University	151,321,816	150,070,857	(1,250,959)	(0.8)	0	1,000,000
Board of Regents	173,413,666	190,050,430	16,636,764	9.6	(49,000)	3,082,500
Subtotal - Education	**4,424,740,228**	**4,432,836,361**	**8,096,133**	**0.2**	**(289,000)**	**5,381,327**
Department of Corrections	111,048,590	108,736,709	(2,311,881)	(2.1)	0	0
Topeka Correctional Facility	11,272,733	11,233,969	(38,764)	(0.3)	0	0
Hutchinson Correctional Facility	25,116,907	24,644,294	(472,613)	(1.9)	0	0
Lansing Correctional Facility	32,816,784	32,539,719	(277,065)	(0.8)	0	0
Ellsworth Correctional Facility	10,444,357	10,536,835	92,478	0.9	0	0
Winfield Correctional Facility	9,924,124	9,987,045	62,921	0.6	0	0
Norton Correctional Facility	12,170,401	12,325,073	154,672	1.3	0	0
El Dorado Correctional Facility	20,407,247	20,825,731	418,484	2.1	0	0
Larned Correctional MH Facility	7,760,662	7,909,042	148,380	1.9	0	0
Juvenile Justice Authority	56,832,323	56,814,008	(18,315)	(0.0)	0	0

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EXPENDITURES FROM ALL FUNDING SOURCES

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Dollar	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
Topeka Juvenile Correctional Facility	12,641,256	13,846,728	1,205,472	9.5	0	0
Atchison Juvenile Correctional Facility	6,359,927	6,116,241	(243,686)	(3.8)	0	0
Beloit Juvenile Correctional Facility	5,398,749	5,114,775	(283,974)	(5.3)	0	0
Larned Juvenile Correctional Facility	5,446,597	7,693,438	2,246,841	41.3	0	0
Adjutant General	42,322,790	37,207,375	(5,115,415)	(12.1)	17,000	17,000
State Fire Marshal	3,653,822	3,512,477	(141,345)	(3.9)	0	0
Kansas Parole Board	502,257	486,102	(16,155)	(3.2)	0	0
Kansas Highway Patrol	52,163,390	56,275,955	4,112,565	7.9	0	(2,085,122)
Kansas Bureau of Investigation	21,665,629	19,327,811	(2,337,818)	(10.8)	0	80,000
Emergency Medical Services Board	1,009,072	968,974	(40,098)	(4.0)	0	51,269
Kansas Sentencing Commission	6,335,414	514,129	(5,821,285)	(91.9)	0	(212,660)
Ombudsman of Corrections	184,745	0	(184,745)	(100.0)	0	0
Subtotal - Public Safety	**455,477,776**	**446,616,430**	**(8,861,346)**	**(1.9)**	**17,000**	**(2,149,513)**
Department of Agriculture	21,602,226	19,782,736	(1,819,490)	(8.4)	0	0
Animal Health Department	2,575,379	2,362,165	(213,214)	(8.3)	0	0
State Fair Board	4,515,265	5,224,574	709,309	15.7	0	0
Department of Health and Environment-Environ.	62,084,463	59,341,547	(2,742,916)	(4.4)	0	0
State Conservation Commission	11,005,988	9,530,400	(1,475,588)	(13.4)	0	0
Kansas Water Office	6,110,093	5,626,960	(483,133)	(7.9)	0	0
Department of Wildlife and Parks	49,191,776	43,182,342	(6,009,434)	(12.2)	0	0
Subtotal - Agriculture and Natural Resources	**157,085,190**	**145,050,724**	**(12,034,466)**	**(7.7)**	**0**	**0**
Kansas Department of Transportation	1,497,596,866	1,456,197,776	(41,399,090)	(2.8)	0	0
Subtotal - Transportation	**1,497,596,866**	**1,456,197,776**	**(41,399,090)**	**(2.8)**	**0**	**0**
TOTAL	**10,234,125,424**	**10,060,673,902**	**(173,451,522)**	**(1.7)**	**(330,454)**	**(164,894,532)**

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EXPENDITURES FROM ALL FUNDING SOURCES

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Dollar	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
Other Adjustments	(6,123,070)	893,330	7,016,400	--	0	(4,619,310)
GRAND TOTAL	***10,228,002,354***	***10,061,567,232***	***(166,435,122)***	***(1.6) %***	***(330,454)***	***(169,513,842)***

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STATE GENERAL FUND EXPENDITURES

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Dollar	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
Legislative Coordinating Council	706,770	666,744	(40,026)	(5.7) %	0	(20,621)
Legislative Research Department	2,605,575	2,646,525	40,950	1.6	0	205,604
Revisor of Statutes	2,474,748	2,468,152	(6,596)	(0.3)	0	82,296
Legislature	11,786,966	12,092,253	305,287	2.6	(60,000)	(357,017)
Division of Post Audit	1,821,099	1,811,458	(9,641)	(0.5)	0	59,319
Governor's Department	2,040,477	1,599,031	(441,446)	(21.6)	0	0
Lieutenant Governor	132,628	112,093	(20,535)	(15.5)	0	0
Attorney General	5,262,951	4,120,785	(1,142,166)	(21.7)	0	(80,000)
Secretary of State	1,631,075	834,707	(796,368)	(48.8)	0	0
State Treasurer	1,483,788	0	(1,483,788)	(100.0)	0	0
Insurance Department	0	0	0	0.0	0	0
Health Care Stabilization Fund	0	0	0	0.0	0	0
Judicial Council*	186,123	0	(186,123)	(100.0)	0	0
State Board of Indigents' Defense Services	15,577,051	14,218,312	(1,358,739)	(8.7)	0	0
Judicial Branch	80,965,866	83,683,401	2,717,535	3.4	0	2,741,931
KPERS	0	0	0	0.0	0	0
Governmental Ethics Commission	438,295	435,699	(2,596)	(0.6)	0	0
Kansas Human Rights Commission	1,403,350	1,333,830	(69,520)	(5.0)	0	0
State Corporation Commission	0	0	0	0.0	0	0
Citizens' Utility Ratepayer Board	0	0	0	0.0	0	0
Department of Administration	25,463,037	19,312,708	(6,150,329)	(24.2)	0	0
State Board of Tax Appeals	1,823,819	1,232,493	(591,326)	(32.4)	0	0
Department of Revenue	31,261,742	25,213,302	(6,048,440)	(19.3)	0	0
Kansas Lottery	0	0	0	0.0	0	0
Kansas Racing and Gaming Commission	0	0	0	0.0	0	0
Department of Commerce and Housing	188,325	0	(188,325)	(100.0)	0	0
Kansas, Inc.	0	0	0	0.0	0	0
Kansas Technology Enterprise Corporation	0	0	0	0.0	0	0
Abstracters Board of Examiners	0	0	0	0.0	0	0

STATE GENERAL FUND EXPENDITURES

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Dollar	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
Board of Accountancy	0	0	0	0.0	0	0
State Bank Commissioner	0	0	0	0.0	0	0
Board of Barbering	0	0	0	0.0	0	0
Behavioral Sciences Regulatory Board	0	0	0	0.0	0	0
State Board of Healing Arts	0	0	0	0.0	0	0
Board of Cosmetology	0	0	0	0.0	0	0
Department of Credit Unions	0	0	0	0.0	0	0
Kansas Dental Board	0	0	0	0.0	0	0
Board of Mortuary Arts	0	0	0	0.0	0	0
Hearing Aid Board of Examiners	0	0	0	0.0	0	0
Board of Nursing	0	0	0	0.0	0	0
Board of Examiners in Optometry	0	0	0	0.0	0	0
Board of Pharmacy	0	0	0	0.0	0	0
Real Estate Appraisal Board	0	0	0	0.0	0	0
Real Estate Commission	0	0	0	0.0	0	0
Office of the Securities Commissioner	0	0	0	0.0	0	0
Board of Technical Professions	0	0	0	0.0	0	0
Board of Veterinary Medical Examiners	0	0	0	0.0	0	0
Subtotal - General Government	**187,253,685**	**171,781,493**	**(15,472,192)**	(8.3)	**(60,000)**	**2,631,512**
Department of Human Resources	2,513,867	1,891,612	(622,255)	(24.8)	0	0
Kansas Commission on Veterans Affairs	4,296,134	5,163,604	867,470	20.2	0	440,000
Dept. of Health & Environment-Health	19,718,631	17,228,571	(2,490,060)	(12.6)	0	230,000
Department on Aging	139,738,400	163,976,317	24,237,917	17.3	0	500,000
Guardianship Program	998,297	1,000,506	2,209	0.2	0	0
Department of Social & Rehabilitation Services	626,353,158	740,266,871	113,913,713	18.2	0	1,200,000
Kansas Neurological Institute	8,877,702	9,765,684	887,982	10.0	0	0
Larned State Hospital	12,062,205	25,527,686	13,465,481	111.6	0	0
Osawatomie State Hospital	5,286,669	8,225,647	2,938,978	55.6	0	0
Parsons State Hospital & Training Center	6,142,188	6,866,864	724,676	11.8	0	0
Rainbow Mental Health Facility	587,613	3,867,158	3,279,545	558.1	0	0

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STATE GENERAL FUND EXPENDITURES

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Dollar	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
Subtotal - Human Resources	**826,574,864**	**983,780,520**	**157,205,656**	**19.0**	**0**	**2,370,000**
Department of Education	2,331,722,827	2,344,505,609	12,782,782	0.5	0	0
State Library	4,962,850	4,917,857	(44,993)	(0.9)	0	0
Arts Commission	1,522,850	1,503,950	(18,900)	(1.2)	0	0
School for the Blind	4,377,205	4,223,738	(153,467)	(3.5)	0	0
School for the Deaf	7,089,885	6,866,148	(223,737)	(3.2)	0	30,000
Historical Society	5,833,735	5,553,906	(279,829)	(4.8)	0	0
Fort Hays State University	30,179,531	30,179,531	0	0.0	0	0
Kansas State University	101,091,282	101,091,282	0	0.0	0	0
KSU-Ext. Sys. And Ag. Res. Programs	46,456,360	46,456,360	0	0.0	0	0
KSU-Veterinary Medical Center	9,545,175	9,545,175	0	0.0	0	0
Emporia State University	28,991,556	29,231,556	240,000	0.8	(240,000)	0
Pittsburg State University	31,826,710	31,826,710	0	0.0	0	0
University of Kansas	131,222,584	131,222,584	0	0.0	0	0
University of Kansas Medical Center	99,479,412	99,479,412	0	0.0	0	0
Wichita State University	62,738,280	62,738,280	0	0.0	0	0
Board of Regents	129,461,702	124,710,876	(4,750,826)	(3.7)	(49,000)	330,250
Subtotal - Education	**3,026,501,944**	**3,034,052,974**	**7,551,030**	**0.2**	**(289,000)**	**360,250**
Department of Corrections	82,319,953	82,618,271	298,318	0.4	0	0
Topeka Correctional Facility	10,293,956	10,198,848	(95,108)	(0.9)	0	0
Hutchinson Correctional Facility	23,796,518	24,366,899	570,381	2.4	0	0
Lansing Correctional Facility	31,758,915	32,369,719	610,804	1.9	0	0
Ellsworth Correctional Facility	10,258,641	10,500,274	241,633	2.4	0	0
Winfield Correctional Facility	9,582,620	9,799,665	217,045	2.3	0	0
Norton Correctional Facility	11,796,681	12,166,215	369,534	3.1	0	0
El Dorado Correctional Facility	20,168,433	20,692,920	524,487	2.6	0	0

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STATE GENERAL FUND EXPENDITURES

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Dollar	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
Larned Correctional MH Facility	7,583,060	7,907,013	323,953	4.3	0	0
Juvenile Justice Authority	28,902,085	29,395,758	493,673	1.7	0	0
Topeka Juvenile Correctional Facility	12,103,324	13,171,684	1,068,360	8.8	0	0
Atchison Juvenile Correctional Facility	6,113,425	5,868,143	(245,282)	(4.0)	0	0
Beloit Juvenile Correctional Facility	5,161,963	4,873,945	(288,018)	(5.6)	0	0
Larned Juvenile Correctional Facility	5,061,310	7,229,161	2,167,851	42.8	0	0
Adjutant General	9,426,731	5,189,022	(4,237,709)	(45.0)	17,000	17,000
State Fire Marshal	0	0	0	0.0	0	0
Kansas Parole Board	502,257	486,102	(16,155)	(3.2)	0	0
Kansas Highway Patrol	13,111,909	28,880,582	15,768,673	120.3	0	28,880,582
Kansas Bureau of Investigation	12,135,069	11,915,195	(219,874)	(1.8)	0	80,000
Emergency Medical Services Board	0	0	0	0.0	0	0
Kansas Sentencing Commission	429,159	483,935	54,776	12.8	0	167,000
Ombudsman of Corrections	167,906	0	(167,906)	(100.0)	0	0
Subtotal - Public Safety	**300,673,915**	**318,113,351**	**17,439,436**	**5.8**	**17,000**	**29,144,582**
Department of Agriculture	9,385,304	9,406,284	20,980	0.2	0	0
Animal Health Department	572,318	574,087	1,769	0.3	0	0
State Fair Board	0	538,103	538,103	0.0	0	0
Department of Health and Environment-Environ.	7,248,232	9,226,710	1,978,478	27.3	0	0
State Conservation Commission	560,295	562,295	2,000	0.4	0	0
Kansas Water Office	1,283,892	1,251,448	(32,444)	(2.5)	0	0
Department of Wildlife and Parks	3,190,794	3,159,583	(31,211)	(1.0)	0	0
Subtotal - Agriculture and Natural Resources	**22,240,835**	**24,718,510**	**2,477,675**	**11.1**	**0**	**0**
Kansas Department of Transportation	0	0	0	0.0	0	0

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STATE GENERAL FUND EXPENDITURES

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Dollar	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
Subtotal - Transportation	**0**	**0**	**0**	**0.0**	**0**	**0**
TOTAL	**4,363,245,243**	**4,532,446,848**	**169,201,605**	**3.9**	**(332,000)**	**34,506,344**
Other Adjustments	(5,265,070)	(7,789,009)	(2,523,939)	--	0	(3,280,649)
GRAND TOTAL	***4,357,980,173***	***4,524,657,839***	***166,677,666***	***3.8 %***	***(332,000)***	***31,225,695***

*Reflects Governor's veto on SB 6

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FULL-TIME EQUIVALENT (FTE) POSITIONS

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Number	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
Topeka Juvenile Correctional Facility	226.0	394.0	168.0	74.3	0.0	0.0
Atchison Juvenile Correctional Facility	119.0	119.0	0.0	0.0	0.0	0.0
Beloit Juvenile Correctional Facility	103.0	103.0	0.0	0.0	0.0	0.0
Larned Juvenile Correctional Facility	148.0	148.0	0.0	0.0	0.0	0.0
Adjutant General	215.0	215.0	0.0	0.0	0.0	0.0
State Fire Marshal	46.0	46.0	0.0	0.0	0.0	0.0
Kansas Parole Board	4.0	3.0	(1.0)	(25.0)	0.0	0.0
Kansas Highway Patrol	823.8	823.8	0.0	0.0	0.0	(38.0)
Kansas Bureau of Investigation	201.0	201.0	0.0	0.0	0.0	0.0
Emergency Medical Services Board	13.0	13.0	0.0	0.0	0.0	0.0
Kansas Sentencing Commission	10.0	7.0	(3.0)	(30.0)	0.0	(2.0)
Ombudsman of Corrections	3.5	0.0	(3.5)	(100.0)	0.0	0.0
Subtotal - Public Safety	**5,083.8**	**5,244.3**	**160.5**	**3.2**	**0.0**	**(40.0)**
Department of Agriculture	296.5	296.5	0.0	0.0	(4.0)	(4.0)
Animal Health Department	31.0	31.0	0.0	0.0	0.0	0.0
State Fair Board	23.0	23.0	0.0	0.0	0.0	0.0
Department of Health and Environment-Environ.	488.0	484.0	(4.0)	(0.8)	0.0	0.0
State Conservation Commission	15.5	15.5	0.0	0.0	0.0	0.0
Kansas Water Office	22.5	22.5	0.0	0.0	0.0	0.0
Department of Wildlife and Parks	406.5	406.5	0.0	0.0	0.0	0.0
Subtotal - Agriculture and Natural Resources	**1,283.0**	**1,279.0**	**(4.0)**	**(0.3)**	**(4.0)**	**(4.0)**
Kansas Department of Transportation	3,247.5	3,247.5	0.0	0.0	0.0	0.0
Subtotal - Transportation	**3,247.5**	**3,247.5**	**0.0**	**0.0**	**0.0**	**0.0**
TOTAL	**39,489.4**	**39,263.1**	**(226.3)**	**(0.6)**	**(4.0)**	**(237.0)**

FULL-TIME EQUIVALENT (FTE) POSITIONS

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Number	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
Department of Education	208.3	208.3	0.0	0.0	0.0	0.0
State Library	27.0	27.0	0.0	0.0	0.0	0.0
Arts Commission	8.0	8.0	0.0	0.0	0.0	0.0
School for the Blind	93.5	89.5	(4.0)	(4.3)	0.0	0.0
School for the Deaf	161.2	157.2	(4.0)	(2.5)	0.0	0.0
Historical Society	136.5	136.5	0.0	0.0	0.0	0.0
Fort Hays State University	705.6	705.6	0.0	0.0	0.0	0.0
Kansas State University	3,162.9	3,162.9	0.0	0.0	0.0	0.0
KSU-Ext. Sys. And Ag. Res. Programs	1,395.7	1,395.7	0.0	0.0	0.0	0.0
KSU-Veterinary Medical Center	271.9	271.9	0.0	0.0	0.0	0.0
Emporia State University	742.3	742.3	0.0	0.0	0.0	0.0
Pittsburg State University	789.7	789.7	0.0	0.0	0.0	0.0
University of Kansas	4,180.3	4,180.3	0.0	0.0	0.0	0.0
University of Kansas Medical Center	2,283.8	2,283.8	0.0	0.0	0.0	0.0
Wichita State University	1,667.6	1,667.6	0.0	0.0	0.0	0.0
Board of Regents	54.0	54.0	0.0	0.0	0.0	0.0
Subtotal - Education	**15,888.3**	**15,880.3**	**(8.0)**	**(0.1)**	**0.0**	**0.0**
Department of Corrections	319.0	319.0	0.0	0.0	0.0	0.0
Topeka Correctional Facility	248.0	248.0	0.0	0.0	0.0	0.0
Hutchinson Correctional Facility	513.0	513.0	0.0	0.0	0.0	0.0
Lansing Correctional Facility	710.0	710.0	0.0	0.0	0.0	0.0
Ellsworth Correctional Facility	223.0	223.0	0.0	0.0	0.0	0.0
Winfield Correctional Facility	201.0	201.0	0.0	0.0	0.0	0.0
Norton Correctional Facility	266.0	266.0	0.0	0.0	0.0	0.0
El Dorado Correctional Facility	466.5	466.5	0.0	0.0	0.0	0.0
Larned Correctional MH Facility	186.0	186.0	0.0	0.0	0.0	0.0
Juvenile Justice Authority	39.0	39.0	0.0	0.0	0.0	0.0

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FULL-TIME EQUIVALENT (FTE) POSITIONS

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Number	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
State Bank Commissioner	85.0	85.0	0.0	0.0	0.0	0.0
Board of Barbering	1.5	1.5	0.0	0.0	0.0	0.0
Behavioral Sciences Regulatory Board	8.0	8.0	0.0	0.0	0.0	0.0
State Board of Healing Arts	29.0	29.0	0.0	0.0	0.0	0.0
Board of Cosmetology	12.0	12.0	0.0	0.0	0.0	0.0
Department of Credit Unions	13.0	13.0	0.0	0.0	0.0	0.0
Kansas Dental Board	2.5	2.5	0.0	0.0	0.0	0.0
Board of Mortuary Arts	3.0	3.0	0.0	0.0	0.0	0.0
Hearing Aid Board of Examiners	0.4	0.4	0.0	0.0	0.0	0.0
Board of Nursing	22.0	22.0	0.0	0.0	0.0	0.0
Board of Examiners in Optometry	0.8	0.8	0.0	0.0	0.0	0.0
Board of Pharmacy	7.0	7.0	0.0	0.0	0.0	0.0
Real Estate Appraisal Board	3.0	2.0	(1.0)	(33.3)	0.0	(1.0)
Real Estate Commission	13.0	13.0	0.0	0.0	0.0	0.0
Office of the Securities Commissioner	27.8	27.8	0.0	0.0	0.0	0.0
Board of Technical Professions	6.0	6.0	0.0	0.0	0.0	0.0
Board of Veterinary Medical Examiners	3.0	3.0	0.0	0.0	0.0	0.0
Subtotal - General Government	**5,553.5**	**5,328.0**	**(225.5)**	**(4.1)**	**0.0**	**(193.0)**
Department of Human Resources	940.4	940.4	0.0	0.0	0.0	0.0
Kansas Commission on Veterans Affairs	558.8	558.8	0.0	0.0	0.0	0.0
Dept. of Health & Environment-Health	513.0	392.5	(120.5)	(23.5)	0.0	0.0
Department on Aging	157.0	233.0	76.0	48.4	0.0	0.0
Guardianship Program	12.0	12.0	0.0	0.0	0.0	0.0
Department of Social & Rehabilitation Services	3,981.5	3,981.5	0.0	0.0	0.0	0.0
Kansas Neurological Institute	589.5	530.0	(59.5)	(10.1)	0.0	0.0
Larned State Hospital	699.8	663.0	(36.8)	(5.3)	0.0	0.0
Osawatomie State Hospital	413.9	436.3	22.4	5.4	0.0	0.0
Parsons State Hospital & Training Center	455.1	424.2	(30.9)	(6.8)	0.0	0.0
Rainbow Mental Health Facility	112.3	112.3	0.0	0.0	0.0	0.0
Subtotal - Human Resources	**8,433.3**	**8,284.0**	**(149.3)**	**(1.8)**	**0.0**	**0.0**

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FULL-TIME EQUIVALENT (FTE) POSITIONS

Agency	Approved Budget FY 2003	Approved Budget FY 2004	Change From FY 2003 Number	Change From FY 2003 Percent	Change From Governor's Recommendation FY 2003	Change From Governor's Recommendation FY 2004
Legislative Coordinating Council	13.0	13.0	0.0	0.0 %	0.0	0.0
Legislative Research Department	37.0	37.0	0.0	0.0	0.0	0.0
Revisor of Statutes	26.0	26.0	0.0	0.0	0.0	0.0
Legislature	33.0	33.0	0.0	0.0	0.0	0.0
Division of Post Audit	21.0	21.0	0.0	0.0	0.0	0.0
Governor's Department	32.0	34.0	2.0	6.3	0.0	0.0
Lieutenant Governor	3.0	3.0	0.0	0.0	0.0	0.0
Attorney General	95.0	95.0	0.0	0.0	0.0	0.0
Secretary of State	56.0	56.0	0.0	0.0	0.0	0.0
State Treasurer	55.5	0.0	(55.5)	(100.0)	0.0	(55.5)
Insurance Department	157.0	157.0	0.0	0.0	0.0	0.0
Health Care Stabilization Fund	16.0	16.0	0.0	0.0	0.0	0.0
Judicial Council	4.0	4.0	0.0	0.0	0.0	0.0
State Board of Indigents' Defense Services	165.0	165.0	0.0	0.0	0.0	0.0
Judicial Branch	1,816.3	1,819.3	3.0	0.2	0.0	0.0
KPERS	85.0	85.0	0.0	0.0	0.0	0.0
Governmental Ethics Commission	9.0	9.0	0.0	0.0	0.0	0.0
Kansas Human Rights Commission	37.0	36.0	(1.0)	(2.7)	0.0	0.0
State Corporation Commission	210.0	212.0	2.0	1.0	0.0	0.0
Citizens' Utility Ratepayer Board	5.0	5.0	0.0	0.0	0.0	0.0
Department of Administration	882.2	887.2	5.0	0.6	0.0	0.0
State Board of Tax Appeals	27.0	26.0	(1.0)	(3.7)	0.0	0.0
Department of Revenue	1,195.5	1,195.5	0.0	0.0	0.0	38.0
Kansas Lottery	87.0	87.0	0.0	0.0	0.0	0.0
Kansas Racing and Gaming Commission	64.0	67.0	3.0	4.7	0.0	0.0
Department of Commerce and Housing	148.0	0.0	(148.0)	(100.0)	0.0	(147.5)
Kansas, Inc.	4.0	0.0	(4.0)	(100.0)	0.0	0.0
Kansas Technology Enterprise Corporation	30.0	0.0	(30.0)	(100.0)	0.0	(27.0)
Abstracters Board of Examiners	0.0	0.0	0.0	0.0	0.0	0.0
Board of Accountancy	3.0	3.0	0.0	0.0	0.0	0.0

Items for Omnibus Consideration
(Referred by the Senate Committee)

Agency/Item	*State General Fund*	*All Other Funds*	*All Funds*	*FTEs*
FY 2003				
Board of Indigents' Defense Services				
Review of available cash balances in the Death Penalty Defense Unit.	0	0	0	0.0
KPERS				
Adjust estimated expenditures in FY 2003 based on latest KPERS projections for payments to investment managers.	0	0	0	0.0
Board of Tax Appeals				
Review progress of SB115/ HB 2147 which reduces size of Board and any fiscal impact on current year appropriations.	0	0	0	0.0
Kansas Lottery				
Review sales estimates during Omnibus and adjust revenue estimate as needed.	0	0	0	0.0
Board of Healing Arts				
Review computer system upgrade plan and budget prior to Omnibus.	0	0	0	0.0
Dept. of Health and Environment - Health				
Restore Governor's allotment of $120,695 to the Infant Toddler Program if funding sources are available.	0	0	0	0.0
School for the Blind				
Requests that the School and the Department of Education discuss the advantages and disadvantages of placing the School within the School financing formula and report back prior to Omnibus.	0	0	0	0.0
School for the Deaf				
Requests that the School and the Department of Education discuss the advantages and disadvantages of placing the School within the school financing formula and report back prior to Omnibus.	0	0	0	0.0
Adjutant General				
Consider adding $115,000 due to increased armory insurance costs.	115,000	0	115,000	0.0
TOTAL	**$115,000**	**$0**	**$115,000**	**0.0**
FY 2004				
State Treasurer				
Review funding alternatives (to Governor's recommendation) to supplant SGF.	0	0	0	0.0
Judicial Council				
Note that there will be a $60,000 shortfall for this agency and address the issue at conference or Omnibus.	0	0	0	0.0

Senate Ways and Means
4-24-03
Attachment 4

Agency/Item	State General Fund	All Other Funds	All Funds	FTEs
Board of Indigents' Defense Services				
Review of the budget for the Death Penalty Defense Unit and Legal Services for Prisoners, Inc.	0	0	0	0.0
KPERS				
Adjust estimated expenditures in FY 2004 based on latest KPERS projections for payments to investment managers.	0	0	0	0.0
Board of Tax Appeals				
Review change in rent methodology by Department of Administration in the Docking State Office Building.	0	0	0	0.0
Review reduction in number of Board members and fiscal impact of new filing fees.	0	0	0	0.0
Department of Revenue				
Review during Omnibus period collections of accounts receivable and projections for other years.	0	0	0	0.0
Review during Omnibus period the budget cuts and effect on collecting taxes.	0	0	0	0.0
Kansas Lottery				
Review sales estimates during Omnibus and adjust revenue estimate as needed.	0	0	0	0.0
Kansas Racing and Gaming Commission				
Review during Omnibus information about salaries and work loads of commissioners per SB 6.	0	0	0	0.0
Department of Commerce and Housing				
Review FY 2004 funding for the agency which was deleted by the conference committee pending the outcome of Executive Reorganization Order No. 30.	0	112,137,305	112,137,305	147.5
Kansas Inc.				
Review funding for the agency for FY 2004.	0	0	0	0.0
Kansas Technology Enterprise Corp.				
Review FY 2004 funding for the agency which was deleted by the conference committee pending the outcome of Executive Reorganization Order No. 30.	0	13,953,820	13,953,820	27.0
Kansas Dental Board				
Review agency's FY 2004 budget prior to Omnibus for adjustments related to moving costs.	0	0	0	0.0
Board of Nursing				
Review information regarding the impaired provider assistance program and the KNAP report.	0	0	0	0.0
Review the number of open cases, whether any are sent to the Attorney General due to the complexity, and how long an average case should be open.	0	0	0	0.0
Securities Commissioner				
Review before Omnibus current financial status as the 5.9 percent reduction may force the agency to layoff employees.	0	0	0	0.0

Agency/Item	State General Fund	All Other Funds	All Funds	FTEs
Department of Human Resources				
Review current status of SB 269 and SB 270 concerning the Governor's Budget Amendment, No. 1, Item 1, of $15,798,952 which placed a moratorium on the one week waiting period for unemployment benefits.	0	0	0	0.0
Commission on Veterans Affairs				
Review staffing levels at Kansas Soldiers' Home.	0	0	0	0.0
Dept. of Health and Environment - Health				
Increase funding for the Child Care Licensure Program should additional funds be available.	0	0	0	0.0
Receive report on the transfer of the nursing home regulation function from KDHE to the Dept on Aging.	0	0	0	0.0
Review funding levels of the Infant Toddler Program.	0	0	0	0.0
Review potential funding sources for the Funeral Assistance Program ($470,000).	0	0	0	0.0
Department on Aging				
Review transfer of Nursing Home Inspection program from KDHE to Aging.	0	0	0	0.0
Social and Rehabilitation Services				
Review alternatives to the $1.5 million reduction to the University of Kansas Graduate Medical Education Program.	0	0	0	0.0
Review alternatives to the $10 fee for child abuse and neglect reports for not-for-profit organizations.	0	0	0	0.0
Review exclusion of Children's Mercy Hospital from the disproportionate share reimbursement pool.	0	0	0	0.0
Review funding options for administration for the Kansas Children's Cabinet.	0	0	0	0.0
Review provider tax options.	0	0	0	0.0
Review the agency Policy Options Discussion guide.	0	0	0	0.0
Review the status of child protection needs and services.	0	0	0	0.0
Kansas Guardianship Program				
Review of program's FY 2004 funding level.	0	0	0	0.0
Department of Education				
Proviso to require State Department to request waiver from No Child Left Behind provisions. (Deferred to Omnibus by Conference Committee on SB 6. Originally a House floor amendment.)	0	0	0	0.0
School for the Blind				
Requests that the School and the Department of Education discuss the advantages and disadvantages of placing the School within the School financing formula and report back prior to Omnibus.	0	0	0	0.0
Review level of FY 2004 funding, especially the items in the reduced resources package.	0	0	0	0.0

Agency/Item	State General Fund	All Other Funds	All Funds	FTEs
School for the Deaf				
Requests that the School and the Department of Education discuss the advantages and disadvantages of placing the School within the school financing formula and report back prior to Omnibus.	0	0	0	0.0
Review FY 2004 funding, especially for those items that were in the reduced resources package.	0	0	0	0.0
Board of Regents				
Community College Trustees to report on Legislative action required to give the CC's more flexibility.	0	0	0	0.0
Department of Corrections				
Request the Secretary of Corrections report on possible mechanisms to control inmate healthcare costs; specifically: Examine SRS, JJA, and other agencies' payment practices re: client hospital care, i.e., use of Medicaid rates as payment basis.	0	0	0	0.0
Review whether funding exists to continue the Visitors' Centers.	0	0	0	0.0
Sentencing Commission				
Review the elimination of the CJIS Project Manager's position.	97,632	0	97,632	1.0
Ombudsman of Corrections				
Request the Secretary of Corrections evaluate whether funding exists from any KDOC-related source, including the room/board reimbursements for the 62 new work release beds and the Inmate Benefit Fund balance, and report back on or before Omnibus.	0	0	0	0.0
Animal Health Department				
Review funding for humane society relinquishment fee.	5,000	0	5,000	0.0
Review funding for kennel inspector positions.	87,065	13,305	100,370	2.0
Department of Wildlife and Parks				
Review at Omnibus any GBA on Cheyenne Bottoms grant of $2.0 million.	0	0	0	0.0
TOTAL	**$189,697**	**$126,104,430**	**$126,294,127**	**177.5**

FY 2005

Agency/Item	State General Fund	All Other Funds	All Funds	FTEs
Board of Nursing				
Review information regarding the impaired provider assistance program and the KNAP report.	0	0	0	0.0
Review the number of open cases, whether any are sent to the Attorney General due to the complexity, and how long an average case should be open.	0	0	0	0.0
TOTAL	**$0**	**$0**	**$0**	**0.0**

GRAND TOTAL	**$304,697**	**$126,104,430**	**$126,409,127**	**177.5**

Items for Omnibus Consideration
(Referred by the House Committee)

Agency/Item	*State General Fund*	*All Other Funds*	*All Funds*	*FTEs*
FY 2003				
Insurance Department				
Review the amounts the insurance companies rates may have to be increased in FY 2005 if "loans" from the Insurance Department's Special Revenue Funds are not repaid.	0	0	0	0.0
Review the details of the move of the SHICK program from Insurance Department to Aging and any impact it will have on the agency's budget.	0	0	0	0.0
Board of Indigents' Defense Services				
Review available cash balances of the Death Penalty Defense Unit and the Assigned Counsel Program.	0	0	0	0.0
KPERS				
Adjust estimated expenditures in FY 2003 based on latest KPERS projections for payments to investment managers.	0	0	0	0.0
Pending passage of SB 47 or similar legislation, review at Omnibus the $6.1 million of state savings as an alternative source of financing for other programs.	0	0	0	0.0
Board of Tax Appeals				
Review the actual amount of salary savings realized due to SB 115 to ensure that the agency doesn't have to make up the reductions in other salary areas.	0	0	0	0.0
Review the microfilm contract with the Norton Correctional Industries and review the issue.	0	0	0	0.0
Kansas Lottery				
Review sales estimates during Omnibus and adjust revenue estimate as needed.	0	0	0	0.0
Kansas Real Estate Commission				
Consider restoring $29,500 for purchase of electronic storage database. Agency to use KSIP funds.	0	29,500	29,500	0.0
Department of Health and Environment				
Review balances of the Underground Petroleum Storage Tank Release Trust Fund.	0	0	0	0.0
Kansas Neurological Institute				
Review education services provided for children and adolescents within the state hospital setting, prior to Omnibus.	0	0	0	0.0
Review federal funding for state hospitals, including DSH and Title XIX, prior to Omnibus.	0	0	0	0.0
Larned State Hospital				
Review education services provided for children and adolescents within the state hospital setting, prior to Omnibus.	0	0	0	0.0
Review federal funding for state hospitals, including DSH and Title XIX, prior to Omnibus.	0	0	0	0.0

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Agency/Item	State General Fund	All Other Funds	All Funds	FTEs
Osawatomie State Hospital				
Review education services provided for children and adolescents within the state hospital setting, prior to Omnibus.	0	0	0	0.0
Review federal funding for state hospitals, including DSH and Title XIX, prior to Omnibus.	0	0	0	0.0
Parsons State Hospital				
Review education services provided for children and adolescents within the state hospital setting, prior to Omnibus.	0	0	0	0.0
Review federal funding for state hospitals, including DSH and Title XIX, prior to Omnibus.	0	0	0	0.0
Rainbow Mental Health Facility				
Review education services provided for children and adolescents within the state hospital setting, prior to Omnibus.	0	0	0	0.0
Review federal funding for state hospitals, including DSH and Title XIX, prior to Omnibus.	0	0	0	0.0
Board of Regents				
Re-evaluate the rationale for the proviso adopted last session which prohibits salary savings from being used for OOE.	0	0	0	0.0
Adjutant General				
Consider adding $115,000 due to increased armory insurance costs.	115,000	0	115,000	0.0
TOTAL	**$115,000**	**$29,500**	**$144,500**	**0.0**

FY 2004

Agency/Item	State General Fund	All Other Funds	All Funds	FTEs
State Treasurer				
Review FY 2004 state operations financing.	0	0	0	0.0
Insurance Department				
Review the amounts the insurance companies rates may have to be increased in FY 2005 if "loans" from the Insurance Department's Special Revenue Funds are not repaid.	0	0	0	0.0
Review the details of the move of the SHICK program from Insurance Department to Aging and any impact it will have on the agency's budget.	0	0	0	0.0
Judicial Council				
Review additional funding needs and requests a five year financing plan from the agency in regards to projected publications revenue.	0	0	0	0.0
Board of Indigents' Defense Services				
Review of the agency's budget.	0	0	0	0.0
KPERS				
Adjust estimated expenditures in FY 2004 based on latest KPERS projections for payments to investment managers.	0	0	0	0.0
Pending passage of SB 47 or similar legislation, review at Omnibus the $24.0 million of state savings as an alternative source of financing for other programs.	0	0	0	0.0

Agency/Item	State General Fund	All Other Funds	All Funds	FTEs
Review status of HB 2325 during Omnibus or any other legislation that addresses the shortfall in FY 2004 funding of $5.7 million for the 13th check payment due in October 2003.	0	0	0	0.0
Kansas Corporation Commission				
Agency is to report back before Omnibus on well-plugging status and staffing of Chanute office.	0	0	0	0.0
Department of Administration				
Review the issue of KANS-A-N long distance fees at omnibus.	0	0	0	0.0
Department of Revenue				
Review ABC transfer issue during Omnibus and status of any pending legislation.	0	0	0	0.0
Kansas Lottery				
Review sales estimates during Omnibus and adjust revenue estimate as needed.	0	0	0	0.0
Kansas Racing and Gaming Commission				
Review status of the Horse Fair Racing Benefit Fund and whether any money above $300,000 may be transferred to the SGF.	0	0	0	0.0
Department of Commerce and Housing				
Review FY 2004 funding of agency which was deleted by the conference committee pending the outcome of Executive Reorganization Order No. 30.	0	112,137,305	112,137,305	147.5
Kansas Inc.				
Review the possibility of funding the agency for FY 2004.	0	0	0	0.0
Kansas Technology Enterprise Corp.				
Review FY 2004 funding which was deleted by the conference committee pending the outcome of Executive Reorganization Order No. 30.	0	13,953,820	13,953,820	27.0
Behavioral Sciences Regulatory Board				
Review the possible reinstatement of $5,000 in capital outlay expenditures.	0	0	0	0.0
Board of Nursing				
Request survey of all inactive nurses and why they left the profession and report the results back prior to Omnibus.	0	0	0	0.0
Review the long range plan and resources for nurse recruitment and the potential for federal money from the Nursing Act and when the proposed plan would end.	0	0	0	0.0
Review the plan to recruit nurses and any potential conflicts of interest.	0	0	0	0.0
Board of Veterinary Examiners				
Review expenditure levels resulting from agency's anticipated increase in revenue.	0	15,000	15,000	0.0
Commission on Veterans Affairs				
Review staffing levels at Kansas Soldiers' Home.	0	0	0	0.0

Agency/Item	State General Fund	All Other Funds	All Funds	FTEs
Department of Health and Environment				
Consider adding funding for community-based primary care clinics should additional funds be available.	1,000,000	0	1,000,000	0.0
Receive report on federal bioterrorism funding for FY 2004.	0	0	0	0.0
Receive report on the transfer of the nursing home regulation function from KDHE to the Dept on Aging.	0	0	0	0.0
Review fees charged by the Kansas Bureau of Investigation for criminal background checks of healthcare workers.	0	0	0	0.0
Review funding sources and effectiveness measures of the Tobacco Use Prevention Program.	0	0	0	0.0
Review Funeral Assistance Program (including potential funding sources).	0	0	0	0.0
Review possibility of transferring regulatory and inspection function for day care and foster care programs from KDHE to the Dept of Social and Rehabilitation Services.	0	0	0	0.0
Review Pregnancy Maintenance Initiative Program (including effectiveness measures).	0	0	0	0.0
Department on Aging				
Review combining all HCBS waivers into one waiver.	0	0	0	0.0
Review increasing the pool for health care.	0	0	0	0.0
Review raising the PASSAR score for the HCBS/FE waiver from 26 to 40.	0	0	0	0.0
Review shifting Adult Protective Services from SRS to Aging.	0	0	0	0.0
Review system of case management services for the HCBS waivers.	0	0	0	0.0
Review the disparity between self-directed and non self-directed care reimbursement rates.	0	0	0	0.0
Review the establishment of regulations to allow dollars to follow clients from institutions into the community.	0	0	0	0.0
Review transfer of nursing facility inspection from the Department of Health and Environment to the Department on Aging.	0	0	0	0.0
Social and Rehabilitation Services				
Review agency report on more cost effective purchasing alternatives for durable medical equipment.	0	0	0	0.0
Review capping HCBS waiver payments.	0	0	0	0.0
Review child care funding methodologies to maximize TANF match.	0	0	0	0.0
Review combining all waivers into a single waiver program.	0	0	0	0.0
Review eligibility criteria for the HCBS/DD waiver.	0	0	0	0.0
Review elimination of disproportionate share payments to Children's Mercy hospital.	0	0	0	0.0
Review funding alternatives for the $1.5 million SGF reduction to the University of Kansas Graduate Medical Education Program.	0	0	0	0.0
Review funding for the funeral assistance program, with savings from regional office closures as a funding option.	0	0	0	0.0
Review implementation of legislation to prevent the hiding of assets to achieve Medicaid eligibility.	0	0	0	0.0

Agency/Item	*State General Fund*	*All Other Funds*	*All Funds*	*FTEs*
Review implementing a program to place liens on the homes of Medicaid recipients who have been in a nursing facility for a year, or persons receiving HCBS services, as well as requiring reverse mortgages on homes of Medicaid recipients.	0	0	0	0.0
Review increasing the PASSAR score for the HCBS/PD waiver from 26 to 32.	(457,278)	(704,802)	(1,162,080)	0.0
Review isolating adoption services and shifting all placement responsibility with foster care providers.	0	0	0	0.0
Review isolating adoption services with adoption service providers and shifting all placement responsibility to foster care service providers.	0	0	0	0.0
Review maximization of federal funds for job training programs statewide.	0	0	0	0.0
Review models of charging interest for back child support payments.	0	0	0	0.0
Review options, recommendations and ideas for providing services to high needs foster care children.	0	0	0	0.0
Review the child support enforcement program and its performance given the budget reductions.	0	0	0	0.0
Review the policy of splitting spousal income for Medicaid eligibility and implementation of a sliding fee scale for services based on both spouses income.	0	0	0	0.0
Department of Education				
Consider issues relating to funding for USD 423 (Moundridge) in the Omnibus Bill.	0	0	0	0.0
If revenues become available, consider funding for statutory programs that are unfunded or underfunded in the Governor's budget: Mentor Teacher, Inservice Education, and Governor's Teaching Excellence Awards.	0	0	0	0.0
Proviso to require State Department to request waiver from No Child Left Behind Act provisions. (House floor amendment deferred to Omnibus by Conference Committee on SB 6.)	0	0	0	0.0
School for the Blind				
Request an explanation of the differences in the cost per pupil between the School for Blind and School for Deaf prior to Omnibus.	0	0	0	0.0
Requests that the School look into utilizing KAN-ED to maximize effectiveness, and respond back prior to Omnibus.	0	0	0	0.0
Requests the School to report back on any potential increases in Medicaid funding (Special Subcommittee is working on this item, no recommendation have been made).	0	0	0	0.0
Review the School's funding at Omnibus, as the Committee feels that the manner in which the School was treated is inconsistent with how the rest of Education was treated.	0	0	0	0.0
School for the Deaf				
Request an explanation of the differences in the cost per pupil between the School for Blind and School and Deaf prior to Omnibus.	0	0	0	0.0
Requests that the School look into utilizing KAN-ED to maximize the effectiveness, and respond back before Omnibus.	0	0	0	0.0
Requests the School to report back on any potential increases in Medicaid funding (Special Subcommittee is working on this item, no recommendation have been made).	0	0	0	0.0
Review the School's funding at Omnibus, as the Committee feels the manner in which the School was treated is inconsistent with how the rest of Education was treated.	0	0	0	0.0

Agency/Item	State General Fund	All Other Funds	All Funds	FTEs
KSU - Agricultural Extension & Research				
Report to Budget Committee on efforts to include sustainable agriculture initiatives in the Universities 5 year research plan.	0	0	0	0.0
University of Kansas Medical Center				
Consider funding for Medical Student Loans.	850,000	0	850,000	0.0
Consider funding for Pediatric Biomedical Research.	0	1,000,000	1,000,000	0.0
Wichita State University				
Support for Aviation Research.	1,000,000	0	1,000,000	0.0
Board of Regents				
Board to report by Omnibus on how increased funding for the comprehensive grant program will be allocated between public and private universities.	0	0	0	0.0
Consider the Board's request for funding for alternative teacher education programs at ESU, FHSU, and PSU.	900,000	0	900,000	0.0
Report progress on KBOR's progress on analysis of numerous matters related to technical schools.	0	0	0	0.0
Department of Corrections				
Request Secretary of Corrections continue to review options that would result in restoring offender management beds and substance abuse services in FY 2004 and report back to Budget Committee before Omnibus for further consideration.	0	0	0	0.0
Request Secretary of Corrections examine options for keeping visitors' centers operational.	0	0	0	0.0
Request Secretary of Corrections review and report to Budget Committee at Omnibus regarding costs of not establishing day reporting center or equivalent in Kansas City area; report whether costs are reduced when centers are operational.	0	0	0	0.0
Request Secretary of Corrections to provide, at or before Omnibus, an update on amount needed to pay in full the amount owed in local jail payments.	0	0	0	0.0
Highway Patrol				
Review ABC transfer issue during Omnibus and status of any pending legislation.	0	1,805,122	1,805,122	38.0
Kansas Bureau of Investigation				
Review the elimination of the CJIS Project Manager's position.	97,632	0	97,632	0.0
Sentencing Commission				
Review Governor's recommendation to transfer Byrne Funding from Sentencing Commission and the financing remaining to operate the agency.	0	0	0	0.0
Kansas Department of Agriculture				
Report on progress or resolution of information technology funding with the Kansas Water Office and the State Conservation Commission.	0	0	0	0.0
Animal Health Department				
Update on funding of Animal Facilities Inspection program in relation to HB 2443 (rabies vaccination surcharge bill).	0	0	0	0.0

Agency/Item	State General Fund	All Other Funds	All Funds	FTEs
State Conservation Commission				
Report on progress or resolution of information technology funding with the Kansas Water Office and the Department of Agriculture.	0	0	0	0.0
Kansas Water Office				
Report on progress or resolution of information technology funding with the Department of Agriculture and the State Conservation Commission.	0	0	0	0.0
Department of Wildlife and Parks				
Review GBA on Cheyenne Bottoms for a $2.0 million project if the Governor submits by Omnibus.	0	0	0	0.0
TOTAL	**$3,390,354**	**$128,206,445**	**$131,596,799**	**212.5**

FY 2005

Agency/Item	State General Fund	All Other Funds	All Funds	FTEs
Behavioral Sciences Regulatory Board				
Review the possible reinstatement of $7,200 in capital outlay expenditures.	0	0	0	0.0
Board of Nursing				
Request survey of all inactive nurses and why they left the profession and report the results back prior to Omnibus.	0	0	0	0.0
Review the long range plan and resources for nurse recruitment and the potential for federal money from the Nursing Act and when the proposed plan would end.	0	0	0	0.0
Review the plan to recruit nurses and any potential conflicts of interest.	0	0	0	0.0
Board of Veterinary Examiners				
Review expenditure levels resulting from agency's anticipated increase in revenue.	0	65,000	65,000	0.0
TOTAL	**$0**	**$65,000**	**$65,000**	**0.0**
GRAND TOTAL	**$3,505,354**	**$128,300,945**	**$131,806,299**	**212.5**

ECONOMIC DEVELOPMENT INITA TIVES FUND
Omnibus Consideration

	Governor's Recommendation FY 2003	Legislative Adjustments FY 2003	Governor's Recommendation FY 2004	Legislative Adjustments FY 2004
Department of Commerce and Housing[1]				
Operating Grant	$ 14,242,306	$ -	$ 14,026,980	$ (14,026,980)
Kansas Economic Initiatives Opportunity Fund	3,325,000	-	2,975,000	(2,975,000)
Kansas Existing Industry Expansion Program	475,000	-	423,246	(423,246)
Subtotal - Commerce and Housing	$ 18,042,306	$ -	$ 17,425,226	$ (17,425,226)
Kansas Technology Enterprise Corporation [1]				
Agency Operations	$ 2,366,729	$ (200,000)	$ 1,233,929	$ (1,233,929)
Centers of Excellence	3,374,387	-	3,363,510	(3,363,510)
Research Matching Grants	1,649,473	-	1,354,699	(1,354,699)
Commercialization Grants	1,593,356	-	1,317,151	(1,317,151)
Mid-America Manufact. Tech. Center	900,000	-	670,324	(670,324)
EPSCoR	3,062,167	-	2,664,575	(2,664,575)
Minus unplanned reappropriation	(1,715,645)			
Subtotal - KTEC	$ 11,230,467	$ (200,000)	$ 10,604,188	$ (10,604,188)
Kansas, Inc. [1]	$ 291,399	$ -	$ -	$ -
Board of Regents				
Technology Innovation & Internship Program - AVTS	$ 190,000	$ -	$ 180,500	$ -
Post-secondary Aid - AVTS	6,144,277	-	10,331,250	-
Capital Outlay Aid - AVTS	2,565,000	-	2,565,000	-
Comprehensive Grant	-	-	750,000	(750,000)
WSU Aviation Research	-	-	-	1,000,000
National Guard Educational Assistance	243,342	-	250,000	(250,000)
Subtotal - Regents	$ 9,142,619	$ -	$ 14,076,750	$ -
Dept. of Administration - Public Broadcasting	$ 114,099	$ -	$ -	$ -
Death and Disability Transfer	$ 18,747	$ -	$ -	$ -
State General Fund	$ 3,146,947	$ 200,000	$ -	$ -
State Water Plan Fund	$ 1,900,000	$ -	$ 1,900,000	$ -
TOTAL TRANSFERS AND EXPENDITURES	**$ 43,886,584**	**$ -**	**$ 44,006,164**	**$ (28,029,414)**
EDIF Resource Estimate				
Beginning Balance	$ (65,301)	$ (65,301)	$ -	$ -
Gaming Revenues	42,432,000	42,432,000	42,432,000	42,432,000
Other Income[2]	1,519,885	1,519,885	1,574,164	1,574,164
Total Available	$ 43,886,584	$ 43,886,584	$ 44,006,164	$ 44,006,164
Less: Expenditures and Transfers	43,886,584	43,886,584	44,006,164	15,976,750
ENDING BALANCE	**$ -**	**$ -**	**$ -**	**$ 28,029,414**

1) Does not include expenditures from prior year EDIF allocations.
2) Other Income includes interest earnings and released encumbrances.

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Attachment 6

State Water Plan Fund: FY 2003

Agency/Program	Governor's Recommendation FY 2003	Legislative Approved FY 2003
State Conservation Commission		
Aid to Conservation Districts	1,042,500	1,042,500
Watershed Dam Construction	677,451	677,451
Water Resources Cost Share	4,196,754	4,196,754
Multipurpose Small Lakes	0	0
Nonpoint Source Pollution Asst.	3,055,000	3,055,000
Riparian and Wetland Program	310,000	310,000
Water Quality Buffer Initiative	347,971	347,971
Water Rights Purchase	0	0
Total--Conservation Commission	9,629,676	9,629,676
Kansas Water Office		
Assessment and Evaluation	207,000	207,000
Federal Cost-Share Programs	160,285	160,285
GIS Data Access and Support Center	76,824	76,824
GIS Data Base Development	140,000	140,000
MOU - Storage Operations and Maintenance	390,715	390,715
Ogallala Aquifer Institute	40,000	40,000
PMIB Loan Payment for Storage	259,027	259,027
Public Information	35,000	35,000
Stream Gauging Program	353,180	353,180
Technical Assistance to Water Users	382,668	382,668
Water Planning Process	154,077	154,077
Water Resource Education	55,000	55,000
Weather Modification	100,119	100,119
Kansas Water Authority	22,101	22,101
Total--Kansas Water Office	2,375,996	2,375,996
Department of Wildlife and Parks		
River Recreation	0	0
Stream (Biological) Monitoring	50,000	50,000
Total--Department of Wildlife and Parks	50,000	50,000
Department of Agriculture		
Floodplain Management	64,185	64,185
Interstate Water Issues	241,423	241,423
Subbasin Water Resources Management	556,352	556,352
Water Appropriations Subprogram	71,028	71,028
Water Use	10,000	10,000
Total--Department of Agriculture	942,988	942,988
Department of Health and Environment		
Assessment of Sediment Quality	0	0
Contamination Remediation	1,200,624	1,200,624
Local Environmental Protection Program	1,630,236	1,630,236
Nonpoint Source Program	457,328	457,328
TMDL Initiatives	346,224	346,224
Total--Department of Health and Environment	3,634,412	3,634,412
KCC--Well Plugging	0	0
University of Kansas--Geological Survey	45,000	45,000
Total Water Plan Expenditures	16,678,072	16,678,072

State Water Plan Resource Estimate	Governor's Recommendation FY 2003	Legislative Approved FY 2003
Beginning Balance	1,666,000	1,666,000
Adjustments		
Prior Year Recovery	669,124	669,124
Revenues		
State General Fund Transfer	3,773,948	3,773,948
Economic Development Fund Transfer	1,900,000	1,900,000
Municipal Water Fees	3,000,000	3,000,000
Industrial Water Fees	1,180,000	1,180,000
Stock Water Fees	315,000	315,000
Pesticide Registration Fees	920,000	920,000
Fertilizer Registration Fees	2,800,000	2,800,000
Pollution Fines and Penalties	70,000	70,000
Sand Royalty Receipts	384,000	384,000
Total Receipts	15,012,072	15,012,072
Total Available	16,678,072	16,678,072
Less Expenditures	16,678,072	16,678,072
Ending Balance	0	0

Senate Ways and Means
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Attachment 7

State Water Plan Fund: FY 2004

Agency/Program	Governor's Recommendation FY 2004	Legislative Approved FY 2004
State Conservation Commission		
Aid to Conservation Districts	1,043,000	1,043,000
Watershed Dam Construction	352,500	352,500
Water Resources Cost Share	3,548,216	3,548,216
Multipurpose Small Lakes	0	0
Nonpoint Source Pollution Asst.	2,800,000	2,800,000
Riparian and Wetland Program	250,000	250,000
Water Quality Buffer Initiative	307,471	307,471
Water Rights Purchase	0	0
Total--Conservation Commission	8,301,187	8,301,187
Kansas Water Office		
Assessment and Evaluation	213,547	213,547
Federal Cost-Share Programs	100,000	100,000
GIS Data Access and Support Center	0	0
GIS Data Base Development	250,000	250,000
MOU - Storage Operations and Maintenance	419,385	419,385
Ogallala Aquifer Institute	40,000	40,000
PMIB Loan Payment for Storage	263,110	263,110
Public Information	35,000	35,000
Stream Gauging Program	353,203	353,203
Technical Assistance to Water Users	339,737	339,737
Water Planning Process	154,077	154,077
Water Resource Education	55,000	55,000
Weather Modification	9,000	9,000
Kansas Water Authority	25,000	25,000
Total--Kansas Water Office	2,257,059	2,257,059
Department of Wildlife and Parks		
River Recreation	0	0
Stream (Biological) Monitoring	40,000	40,000
Total--Department of Wildlife and Parks	40,000	40,000
Department of Agriculture		
Floodplain Management	65,836	65,836
Interstate Water Issues	240,076	240,076
Subbasin Water Resources Management	483,538	483,538
Water Appropriations Subprogram	74,420	74,420
Water Use	60,000	60,000
Total--Department of Agriculture	923,870	923,870
Department of Health and Environment		
Assessment of Sediment Quality	0	0
Contamination Remediation	1,060,434	1,060,434
Local Environmental Protection Program	1,630,236	1,630,236
Nonpoint Source Program	387,939	387,939
TMDL Initiatives	346,224	346,224
Total--Department of Health and Environment	3,424,833	3,424,833
KCC--Well Plugging	0	0
University of Kansas--Geological Survey	40,000	40,000
Total Water Plan Expenditures	14,986,949	14,986,949

State Water Plan Resource Estimate	Governor's Recommendation FY 2004	Legislative Approved FY 2004
Beginning Balance	0	0
Adjustments		
Prior Year Recovery	0	0
Revenues		
State General Fund Transfer	3,773,949	3,773,949
Economic Development Fund Transfer	1,900,000	1,900,000
Municipal Water Fees	3,500,000	3,500,000
Industrial Water Fees	1,190,000	1,190,000
Stock Water Fees	315,000	315,000
Pesticide Registration Fees	920,000	920,000
Fertilizer Registration Fees	2,940,000	2,940,000
Pollution Fines and Penalties	75,000	75,000
Sand Royalty Receipts	373,000	373,000
Total Receipts	14,986,949	14,986,949
Total Available	14,986,949	14,986,949
Less Expenditures	14,986,949	14,986,949
Ending Balance	0	0

FY 2003
Children's Initiatives Fund
(Tobacco)

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

Resource Estimate

	Actual FY 2002	Gov. Rec. FY 2003	Senate Adjustments FY 2003	House Adjustments FY 2003	Conference Committee Recommendation FY 2003
Beginning Balance	$1,775,242	$3,757,486	$3,757,486	$3,757,486	$3,757,486
KEY Fund Transfer	40,000,000	45,000,000	45,000,000	45,000,000	45,000,000
Total Available	41,775,242	48,757,486	48,757,486	48,757,486	48,757,486
Less: Expenditures and Transfers	38,017,756	48,711,868	48,711,868	48,711,868	48,711,868
ENDING BALANCE	$3,757,486	$45,618	$45,618	$45,618	$45,618

Senate Ways and Means
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Attachment 8

FY 2004
Children's Initiatives Fund
(Tobacco)

Agency/Program	Children's Cabinet Rec. FY 2004	Gov. Rec. FY 2004	Senate Adjustments FY 2004	House Adjustments FY 2004	Conference Committee Recommendation FY 2004
State Library					
Community Access Network	$0	$0	$0	$0	$0
Subtotal - Misc.	**$0**	**$0**	**$0**	**$0**	**$0**
Department of Health and Environment					
Healthy Start/Home Visitor	$250,000	$250,000	$0	$0	$0
Infants and Toddlers Program	750,000	500,000	120,000	300,000	300,000
Smoking Cessation/Prevention Program Grants	1,225,000	500,000	0	0	0
Subtotal - KDHE	**$2,225,000**	**$1,250,000**	**$120,000**	**$300,000**	**$300,000**
Juvenile Justice Authority					
Juvenile Prevention Program Grants	$6,000,000	$5,414,487	$0	$700,000	$0
Juvenile Graduated Sanctions Grants	0	3,585,513	(522,000)	0	0
Subtotal - JJA	**$6,000,000**	**$9,000,000**	**($522,000)**	**$700,000**	**$0**
Department of Social and Rehabilitation Services					
Children's Mental Health Initiative	$1,800,000	$1,800,000	$0	$0	$0
Family Centered System of Care	5,000,000	5,000,000	(40,000)	0	0
Therapeutic Preschool	1,000,000	1,000,000	0	0	0
Community Services - Child Welfare	2,600,000	3,106,230	(40,000)	0	0
Child Care Services	0	1,400,000	0	0	0
Children's Cabinet Accountability Fund	1,500,000	550,000	0	0	0
HealthWave	0	2,000,000	0	0	0
Smart Start Kansas - Children's Cabinet	6,000,000	4,300,000	(300,000)	(1,000,000)	(800,000)
Children's Medicaid Increases	0	3,000,000	0	0	0
Immunization outreach	0	500,000	0	0	0
Family Preservation	0	2,243,770	0	0	0
Grants to CMHC's to develop childrens programs	0	2,000,000	(40,000)	0	0
School Violence Prevention	0	228,000	(228,000)	0	0
Experimental wrap-around services	228,000	0	0	0	0
Subtotal - SRS	**$18,128,000**	**$27,128,000**	**($648,000)**	**($1,000,000)**	**($800,000)**
Department of Education					
Parent Education	$2,500,000	$2,500,000	$0	$0	$0
Four-Year -Old At-Risk Programs	4,500,000	4,500,000	0	0	0
School Violence Prevention	0	0	0	0	0
Vision Research	400,000	300,000	0	0	0
Communities in Schools	0	0	0	0	0
Mentoring Program Grants	0	0	0	0	0
Reading Recovery	0	0	0	0	0
Special Education	0	1,225,000	0	0	0
Subtotal - Dept. of Ed.	**$7,400,000**	**$8,525,000**	**$0**	**$0**	**$0**
University of Kansas Medical Center					
Tele-Kid Health Care Link	$250,000	$250,000	$0	$0	$0
Pediatric Biomedical Research	1,000,000	0	800,000	0	700,000
Subtotal - KU Medical Center	**$1,250,000**	**$250,000**	**$800,000**	**$0**	**$700,000**
Emporia State University					
Future Teachers Academy/ National Board Certification	$0	$0	$250,000	$0	$0
Subtotal - ESU	**$0**	**$0**	**$250,000**	**$0**	**$0**
Transfer to State General Fund	**$0**	**$0**	**$0**	**$0**	**$0**
TOTAL	$35,003,000	$46,153,000	$0	$0	$200,000

Resource Estimate

	Children's Cabinet Rec. FY 2004	Gov. Rec FY 2004	Senate Adjustments FY 2004	House Adjustments FY 2004	Conference Committee Recommendation FY 2004
Beginning Balance	$45,618	$45,618	$45,618	$45,618	$45,618
KEY Fund Transfer	46,125,000	46,125,000	46,125,000	46,125,000	46,125,000
Total Available	46,170,618	46,170,618	46,170,618	46,170,618	46,170,618
Less: Expenditures and Transfers	35,003,000	46,153,000	46,153,000	46,153,000	46,353,000
ENDING BALANCE	$11,167,618	$17,618	$17,618	$17,618	($182,382)

Consensus Caseload Estimate

April 17, 2003

	FY 2003 Governor's Recommendation		FY 2003 April Consensus Estimate		Change from Governor		% Change		FY 2004 Governor's Recommendation		FY 2004 April Consensus Estimate		Change from Governor		% Change	
	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF
Nursing Facilities	$301,771,205	$120,708,482	$301,771,205	$120,708,482	$0	$0	0.0%	0.0%	$322,000,000	$126,707,000	$322,000,000	$126,707,000	$0	$0	0.0%	0.0%
Nursing Facilities - Mental Health	13,656,360	9,727,425	13,656,360	10,778,929	0	1,051,504	0.0%	10.8%	13,100,000	8,927,650	13,100,000	8,927,650	0	0	0.0%	0.0%
Temporary Assistance to Families	54,598,877	29,821,027	53,361,175	29,821,027	(1,237,702)	0	-2.3%	0.0%	59,576,160	29,821,028	57,688,200	29,821,028	(1,887,960)	0	-3.2%	0.0%
General Assistance	6,900,000	6,900,000	6,882,489	6,882,489	(17,511)	(17,511)	-0.3%	-0.3%	7,305,261	7,305,261	7,517,103	7,517,103	211,842	211,842	2.9%	2.9%
Regular Medical	919,165,057	311,627,281	918,792,063	313,648,113	(372,994)	2,020,832	0.0%	0.6%	1,041,068,083	352,112,379	1,069,000,000	358,000,000	27,931,917	5,887,621	2.7%	1.7%
Foster Care Contract	88,003,683	33,337,435	88,241,117	33,491,672	237,434	154,237	0.3%	0.5%	87,192,502	33,235,967	89,483,117	34,810,765	2,290,615	1,574,798	2.6%	4.7%
Adoption Contract	33,561,332	15,670,018	32,786,744	15,138,038	(774,588)	(531,980)	-2.3%	-3.4%	34,421,790	16,261;271	34,371,722	16,226,884	(50,068)	(34,387)	-0.1%	-0.2%
	FY 2003 Governor's Recommendation		FY 2003 April Consensus Estimate		Change from Governor		% Change		FY 2004 Governor's Recommendation		FY 2004 April Consensus Estimate		Change from Governor		% Change	
	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF
TOTAL	$1,417,656,514	$527,791,668	$1,415,491,153	$530,468,750	($2,165,361)	$2,677,082	-0.2%	0.5%	$1,564,663,796	$574,370,556	$1,593,160,142	$582,010,430	$28,496,346	$7,639,874	1.8%	1.3%

Senate Ways and Means
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Attachment 9

Family Preservation Consensus Estimate

Both the House Appropriations and Senate Ways and Means committee requested that Family Preservation be included in caseload estimates. The Senate request included the stipulation that Family Preservation would not be part of the official estimate, but instead addressed as a separate item to determine it's usefulness in the estimating process. The estimate for Family Preservation was developed by the Department of Social and Rehabilitation Services and the Legislative Research Department. The Division of Budget chose not to participate in the estimate at this time.

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Family Preservation services are intensive in-home services offered to families who are in imminent danger of having a child come into the custody of the department and removed from their home unless the family can make the changes necessary to provide adequate care and safety. These services assist the family in identifying and understanding the problems within the family that place a child at risk of out-of-home placement and assist them in finding ways to change how the family unit functions. This program was privatized July 1, 1996. The SRS social worker is responsible for monitoring service delivery to achieve established outcomes.

Family Preservation Expenditures
FY 2002 - FY 2004

	FY 2002 Actual	FY 2003 Gov. Rec.	FY 2003 Consensus Estimate	Dollar Change	% Change	FY 2004 Gov. Rec.	FY 2004* Consensus Estimate	Dollar Change	% Change
SGF	$3,045,555	$0	$0	$0	0.0%	$267,909	$5,574,285	$5,306,376	1980.7%
All Funds	$10,554,275	$9,593,118	$9,593,118	$0	0.0%	$9,964,083	$15,361,974	$5,397,891	54.2%

* FY 2004 estimate assumes an average payment of $3,897 per referral with a total of 3,943 referrals.

Kansas Legislative Research Department

K A N S A S

OFFICE OF THE GOVERNOR

KATHLEEN SEBELIUS, GOVERNOR

April 23, 2003

The Honorable Steve Morris, Chairperson
Senate Committee on Ways and Means
Room 120-S, Statehouse

and

The Honorable Melvin Neufeld, Chairperson
House Committee on Appropriations
Room 517-S, Statehouse

Dear Senator Morris:

The first four amendments affect revenues and the remaining items involve expenditures. I amend my budget to increase State General Fund expenditures by $712,152 for FY 2003 and by $3,144,766 for FY 2004. These adjustments will result in a decrease of $3,856,918 in the balance of the State General Fund by the end of FY 2004. My amended budget will cause an increase of a .5 position in state government in FY 2003 and a total increase of 3.5 positions for FY 2004.

		FY 2003		FY 2004
State General Fund Revenues	$	1,000,000	$	685,607
All Funds Revenues	$	1,000,000	$	1,216,107
State General Fund Expenditures	$	712,152	$	3,144,766
All Funds Expenditures	$	(4,529,766)	$	27,871,168
FTE Positions		--		3.0
Non-FTE Unclassified Permanent		.5		.5
Total Positions		.5		3.5

Senate Ways and Means
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Attachment 11

Capitol, 300 SW 10th Ave., Ste. 212S, Topeka, KS 66612-1590

Kansas Lottery

1. Transfer to the State General Fund

I amend my budget to reflect the transfer of an additional $1.0 million from the Lottery to the State Gaming Revenues Fund, which will subsequently be transferred to the State General Fund. SB 6 reflects additional lottery receipts of $2.5 million in FY 2003 and $2.7 million in FY 2004. This amendment adds another $1.0 million in FY 2003 that the Lottery now expects to be available for transfer, making a total of $3.5 million.

Governmental Ethics

2. Inaugural Expense Fund

KSA 25-4186, Section i(2) states that any remaining balance in the Inaugural Expense Fund must be transferred to the Governmental Ethics Fee Fund. This transfer cannot be made until all expenses are paid and the July 10th termination report is filed. I amend my FY 2004 budget to nullify this section in existing law, so that the entire remaining balance of my Inaugural Expense Fund can be transferred directly to the State General Fund, rather than the Governmental Ethics Fee Fund. The balance is expected to be approximately $90,000. However, the exact amount will not be determined until my July 10th report has been filed.

University of Kansas

3. Transfer from Construction Defects Recovery Fund

I amend my FY 2004 budget to transfer $530,500 from the State Construction Defects Recovery Fund of the Department of Administration to the Restricted Fees Fund of the University of Kansas. The $530,500 was deposited in the recovery fund on behalf of the University from two construction defect settlements. The proposed transfer language for the Omnibus Bill is as follows:

> Sec. On July 1, 2004, or as soon thereafter as moneys are available, the director of accounts and reports shall make one or more transfers from the construction defects recovery fund of the department of administration to the restricted fees fund of the university of Kansas: *Provided*, That any such transfer from the construction defects recovery fund of the department of administration shall be only from amounts available in such fund which are in excess of an amount certified by the director of the division of the budget as being in excess of 150% of the amounts required to meet known and reasonably anticipated expenditures from the construction defects recovery fund of the department of administration: *Provided further*, That such transfer or transfers from the construction defects recovery fund of the department of administration to the restricted fees fund of the university of Kansas during the fiscal year ending June 30, 2004, shall not exceed an aggregate of $530,500.

Highway Patrol

4. Transfer to the State General Fund

I amend my budget to transfer $500,000 from the Highway Patrol Motor Vehicle Fund to the State General Fund on January 1, 2004. After reviewing this fund, it is projected that there would be a balance of $542,789 in the Highway Patrol Vehicle Fund at the end of FY 2004. This transfer in January will allow the Highway Patrol to purchase the vehicles it needs for timely replacement and generate revenue for the State General Fund.

Department of Administration

5. Public Broadcasting Grants

The approved budget for FY 2004 totals $2,339,353 from the State General Fund, $1,860,071 for operating and equipment grants distributed in accordance with a statutory formula and $479,282 to pay the debt service on the bonds that were issued to upgrade equipment for digital technology. In November 2002, KKSU, the Manhattan public radio station, terminated operations. The amount that represents the proportion of total grant funds that were earmarked for this station but are no longer needed is $47,055. Therefore, I amend my FY 2004 budget to capture these savings.

	FY 2003	FY 2004
State General Fund	$ --	$ (47,055)
All Other Funds	--	--
All Funds	$ --	$ (47,055)

Department of Revenue

6. Electronic Databases Fee Fund

The expenditures reported from the Electronic Databases Fee Fund in the Department of Revenue need to be increased by $324,327 in FY 2003, from $6,592,103 to $6,916,430. The increase should have been included in *The FY 2004 Governor's Budget Report* when it was originally published. Expenditures in this fund are increased to offset a corresponding reduction in funding from the State General Fund.

	FY 2003	FY 2004
State General Fund	$ 324,327	$ --
All Other Funds	--	--
All Funds	$ 324,327	$ --

Board of Indigents' Defense Services

7. Assigned Counsel

I amend my budget to add $500,000 from the State General Fund for FY 2003. The recommendation will allow the Board to continue making payments in the Assigned Counsel Program. Furthermore, this will prevent the unnecessary costs associated with travel that would be required if public defenders had to be assigned from offices farther away, instead of using members of the assigned counsel pool who are located in the vicinity of the affected cases.

	FY 2003	FY 2004
State General Fund	$ 500,000	--
All Other Funds	--	--
All Funds	$ 500,000	--

Board of Barbering

8. Special Project Position

I amend my budget to increase the expenditure authority from the Board of Barbering Fee Fund by $14,990 in FY 2003 and $15,072 in FY 2004 for a 0.5 non-FTE special project position that functions as the secretary for the Board. The expenditure authority would have been included in my original recommendations if the balances in the fee fund had been sufficient to cover the additional expenditures. Since the 2003 Legislature has passed a bill that increases the maximum fee schedule for the Board, expenditures at the previously desired level will now be possible.

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	14,990	15,072
All Funds	$ 14,990	$ 15,072

KPERS

9. A 13th Check for Certain KPERS Members

Under current law, KPERS members who retired prior to July 2, 1987, are eligible to receive an annual dividend payment. This payment is set by a statutory formula, which is based on dividends, interest, and realized gains and losses of the retirement system. Because of market performance, the formula may not provide a full payment to approximately 15,000 eligible KPERS members. I amend my budget to provide that the dividend payment would not be dependent on investment performance and the full dividend would be paid during FY 2004.

Board of Healing Arts

10. Upgrade Computer System

I amend my budget to include additional expenditure authority from the Healing Arts Fee Fund of $300,000 in FY 2004 and $250,000 in FY 2005 to allow the agency to upgrade its computer system. The new computer system will be used to support the increase in the agency's workload.

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	--	300,000
All Funds	$ --	$ 300,000

Secretary of State

11. Help America Vote Act Matching Funds

I amend my FY 2004 budget to add $225,000 from the State General Fund to provide matching funds for a $7.7 million federal grant to implement the provisions of the federal Help America Vote Act (HAVA). This amount is 3.0 percent of the total grant. Another 2.0 percent, $150,000, will be provided by Kansas counties. Total expenditures in the first phase of HAVA implementation will be $7,875,000. The plan includes the purchase of new voting machines and the development and maintenance of the statewide voter registration system.

	FY 2003	FY 2004
State General Fund	$ --	$ 225,000
All Other Funds	--	7,650,000
All Funds	$ --	$ 7,875,000

Kansas, Inc.

12. Independent Agency

In my original recommendations I proposed that Kansas, Inc. be merged into the Department of Commerce and Housing. I amend my FY 2004 budget to keep Kansas, Inc. as an independent state agency and recommend $431,546, including $179,791 from the Economic Development Initiatives Fund and $251,755 from Kansas, Inc.'s Matching Fund. I also recommend reducing the Department of Commerce and Housing's budget by $293,813, including $179,791 from the Economic Development Initiatives Fund, to fund part of Kansas, Inc.'s FY 2004 budget. Kansas, Inc.'s 5.0 positions will also be restored, 2.0 of which would be transferred back from Commerce. The EDIF funding from Commerce is a portion of funding that had been allocated for Commerce's Division of Housing, but is now uncommitted as a result of the issuance of my Executive Reorganization Order No. 30, which transfers the Division of Housing from the Department of Commerce and Housing to the Kansas Development Finance Authority.

Kansas, Inc.:

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	--	431,546
All Funds	$ --	$ 431,546

Department of Commerce and Housing:

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	--	(293,813)
All Funds	$ --	$ (293,813)

Department of Social and Rehabilitation Services

13. Additional Title IV-B Federal Grant

The Department of Social and Rehabilitation Services' Children and Family Policy Program has received an amended Title IV-B award for an additional $170,745 in FY 2003. I amend my budget to allow the agency to use this funding to replace State General Fund expenditures for Family Preservation contracts. The agency will then be able to restore $170,745 in Emergency Shelter Grants that were lost in the allotment reductions last year. The net effect will be to increase expenditures from all funding sources, with no change in State General Fund expenditures.

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	170,745	--
All Funds	$ 170,745	$ --

14. Additional Pharmaceutical Savings

I amend my budget to reflect the following savings in pharmaceutical expenditures and increased revenues from pharmaceutical rebates:

Activity	All Funds	State General Fund	Fee Fund
Expand Preferred Drug List	$ (7,500,000)	$(3,000,000)	$ --
Additional Drugs on Prior Authorization	(1,000,000)	(400,000)	--
Additional Point-of-Sale Edits	(1,000,000)	(400,000)	--
Additional Savings on Limiting Prescriptions to 31 Days	(1,000,000)	(400,000)	--
Sub-Total Reduced Expenditures	$(10,500,000)	$(4,200,000)	$ --
Expanded Rebates	--	(200,000)	200,000
Supplementary Rebates	--	(600,000)	600,000
Sub-Total Additional Rebates	$ --	$ (800,000)	$800,000
Total	$(10,500,000)	$(5,000,000)	$800,000

	FY 2003	FY 2004
State General Fund	$ --	$ (5,000,000)
All Other Funds	--	(5,500,000)
All Funds	$ --	$ (10,500,000)

15. Institutional Residents

I amend my budget to allow funding from SRS for a nursing facility to follow a resident who wishes to receive services in a community-based setting. The following language is proposed to make this authorization:

> During the fiscal year ending June 30, 2004, the director of accounts and reports shall transfer the amounts specified by the director of budget from the LTC - medicaid assistance - NF account of the Kansas department on aging to the LTC - medicaid assistance - HCBS/FE account of the Kansas department on aging or to the community based services account of the Kansas department of social and rehabilitation services: *Provided, however*, That such transfers shall be certified by the director of the budget on December 1, 2003, and on June 1, 2004, to reflect the nursing facility rate paid for persons moving from a nursing facility to the home and community-based services waiver for the physically disabled or the frail elderly for the six months preceding the date of certification: *And provided further*, That the aggregate of all transfers certified during fiscal year 2004 shall not exceed the amount required to support the movement of 75 individuals from nursing facilities to home and community-based services: *And provided further*, That each of the 75 individuals must meet the requirements described in a policy jointly developed by the secretary of aging and the secretary of social and rehabilitation services governing the operations of this transfer. The director of budget shall transmit a copy of each such certification to the director of the legislative research department.

16. Medicaid Caseloads

I amend my FY 2003 and FY 2004 budget to reflect changes in caseloads and the cost of assistance programs. These adjustments are the result of consensus caseload estimates that involved the staff of the Department of Social and Rehabilitation Services, Legislative Research, the Department on Aging, and the Division of the Budget. The consensus estimates included Regular Medical Assistance, Nursing Facilities, Nursing Facilities for Mental Health, Temporary Assistance to Families, General Assistance, Foster Care, and Adoption.

For FY 2003, this amendment includes a decrease from all funding sources of $2.2 million. However, an increase of $2.7 million from the State General Fund is necessary. This change in the funding mix is the result of changes in the populations that are served and the funding sources that are available to each population. For FY 2004, this amendment includes an increase of $28.5 million, including $7.6 million from the State General Fund. These adjustments include an increase of $27.9 million for Regular Medical Assistance, $211,842 for General Assistance, and $2.3 million for Foster Care. Decreases of $1.9 million for Temporary Assistance to Families and $50,000 for Adoption are also included. The recommended expenditures for Nursing Facilities and Nursing Facilities for Mental Health were not changed.

	FY 2003	FY 2004
State General Fund	$ 2,677,082	$ 7,639,874
All Other Funds	(4,842,443)	20,856,472
All Funds	$ (2,165,361)	$ 28,496,346

Department on Aging

17. **Nursing Transfer Correction**

I amend my budget to adjust the funding and FTE positions associated with the transfer of nursing facility regulation from the Department of Health and Environment to the Department on Aging. This amendment will allow the Department of Health and Environment to continue Health Occupational Credentialing and the inspection of health facilities that are not related to the Nursing Facilities Program in the Department on Aging. Total FY 2004 expenditures for the Department on Aging are decreased by $678,611, while State General Fund expenditures are increased by $270,665. Total FY 2004 expenditures for the Department of Health and Environment are increased by $678,611, while State General Fund expenditures are decreased by $270,665. FTE positions are increased by 12.0 in the Department of Health and Environment and decreased by 12.0 in the Department on Aging.

Department on Aging:

	FY 2003	FY 2004
State General Fund	$ --	$ 270,665
All Other Funds	--	(949,276)
All Funds	$ --	$ (678,611)

Department of Health and Environment:

	FY 2003	FY 2004
State General Fund	$ --	$ (270,665)
All Other Funds	--	949,276
All Funds	$ --	$ 678,611

Department of Health and Environment

18. **Expenditure of Federal Funds and 1.0 Non-FTE Unclassified Permanent Position**

I amend my budget to allow the expenditure in FY 2004 of federal money from the U.S. Department of Health and Human Services Administration to provide grants for injury prevention in children. During FY 2002 and FY 2003, the funding for these grants was received by the Kansas Board of Emergency Medical Services. Because of a change at the federal level, the funding will be sent to the Department of Health and Environment, beginning in FY 2004. Therefore, my original recommendations need to be adjusted to reflect the new arrangement.

Department of Health & Environment:

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	--	100,000
All Funds	$ --	$ 100,000

Emergency Medical Services Board:

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	--	(100,000)
All Funds	$ --	$ (100,000)

Department of Education

19. **School Finance Consensus Adjustments**

I amend my budget to adjust state funding for school finance in FY 2004. Current estimates for the amount of supplemental and general state aid to school districts are based on the recently released final assessed valuation data and enrollment changes agreed to by Legislative Research Department, the Department of Education, and the Division of the Budget. My recommendation funds base budgets of $3,863 per pupil.

	FY 2003	FY 2004
State General Fund	$ (423,000)	$ 3,695,000
All Other Funds	--	--
All Funds	$ (423,000)	$ 3,695,000

20. KPERS School

Staff from the Legislative Research Department, Department of Education, KPERS, and Division of the Budget met on April 16, 2003, to review the amounts appropriated for employer contributions to the KPERS Fund for school employees. It was determined that salaries are not increasing at the rate originally projected and that the amount budgeted in FY 2004 can be reduced by $2,802,655 as a result. I amend my budget to reflect these savings.

	FY 2003	FY 2004
State General Fund	$ --	$ (2,802,655)
All Other Funds	--	--
All Funds	$ --	$ (2,802,655)

University of Kansas

21. Bonding Authority for Hashinger Hall

I amend my FY 2004 budget to recommend $12.6 million in bonding authority for the University of Kansas for the renovation of Hashinger Hall. The proposed language for the appropriation bill is as follows:

> Sec. In addition to the other purposes for which expenditures may be made by the university of Kansas from housing authority funds for fiscal year 2004 as authorized by this or other appropriation act of the 2003 regular session of the legislature, expenditures shall be made by the university of Kansas from moneys appropriated from the state general fund or from any special revenue fund for fiscal year 2004 to provide for the issuance of bonds by the Kansas development finance authority in accordance with K.S.A. 74-8905 and amendments thereto to finance grants for the capital improvement project to convert living units to suites in hashinger residence hall at the university of Kansas: *Provided*, That such capital improvement project is hereby approved for the university of Kansas for the purpose 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: *Provided further*, That the university of Kansas may make expenditures from the money received from the issuance of any such bonds for such capital improvement project: *Provided however*, That expenditures from the money received from the issuance of any such bonds for such capital improvement project shall not exceed $12,600,000 plus all amounts required for costs of bond issuance, costs of interest on the bonds issued for such capital improvement project during the construction of such project and any required reserves for the payment of principal and interest on the bonds: *And provided further*, That all moneys received from the issuance of any such bonds shall be deposited and accounted for as prescribed by applicable bond covenants: *And provided further*, That 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.

Department of Corrections

22. Food Service Contract Savings

I amend my budget to reduce expenditures for the food service contract in FY 2004 by $959,000. The Department of Corrections has finalized a contract amendment with the correctional facility food service vendor that will reduce contractual costs in exchange for an extension of the contract by six years. As a result, $959,000 from the State General Fund can be lapsed in FY 2004 from the line-item appropriation for the food service contract.

	FY 2003	FY 2004
State General Fund	$ --	$ (959,000)
All Other Funds	--	--
All Funds	$ --	$ (959,000)

23. Contract for Leasing Prison Beds

I amend my budget to shift expenditures in FY 2003 to FY 2004 by $1,141,250, including $114,125 from the State General Fund and $1,027,125 in federal funds. These funds were to be utilized for the lease of up to 125 medium security beds for the last six months of the fiscal year in the event that additional bed capacity for male inmates was required. Based on the current inmate population level and the anticipated experience for the remainder of the fiscal year, there will not be a need to lease these beds in FY 2003. However, the Department will need the flexibility of leasing the additional beds in FY 2004.

	FY 2003	FY 2004
State General Fund	$ (114,125)	$ 114,125
All Other Funds	(1,027,125)	1,027,125
All Funds	$ (1,141,250)	$ 1,141,250

24. Offender Program Contract Savings

As a result of reductions in program services and spending constraints by various offender program contractors, savings of $600,000 from the State General Fund have been realized in FY 2003. This reduction is derived from holding vacant positions open, limiting expenditures for supplies and equipment, reducing expenditures for staff development activities, as well as reducing travel and subsistence expenses. Of the total savings of $600,000, I amend my budget to fund $69,000 for the revised average daily population for the medical and food services contract. The remaining $531,000 will be lapsed to the State General Fund.

	FY 2003	FY 2004
State General Fund	$ (531,000)	$ --
All Other Funds	--	--
All Funds	$ (531,000)	$ --

25. Visitor Centers

I amend my budget to fund the visitor centers in Hutchinson, Lansing, and Ellsworth in the amount of $240,000, all from the Inmate Benefit Fund in FY 2004. Although these centers were not originally funded in my budget, the Department of Corrections has reported that the ending balances of all the inmate benefit funds maintained are sufficient to fund the centers in FY 2004. I recommend that any additional resources the centers need beyond this amount be generated from private donations or fundraisers.

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	--	240,000
All Funds	$ --	$ 240,000

26. Bond Rebate Liability Overpayment

The Kansas Development Finance Authority (KDFA) notified the Department of Corrections that there was an overpayment of a rebate liability for a bond payment attributable to FY 1995. As a result, $124,524 was credited to a principal and interest fund. After utilizing $67,524 for a part of an arbitrage payment to KDFA, $57,000 can be used for bond payments. I amend my budget to offset a like amount that was paid from the State General Fund in FY 2003 for bond payments from the refund amount.

	FY 2003	FY 2004
State General Fund	$ (57,000)	$ --
All Other Funds	57,000	--
All Funds	$ --	$ --

27. Community Corrections State General Fund Financing Offset

To begin implementation of alternative penalties for illegal drug possession contained in SB 123, I amend my budget to offset $1.3 million from the State General Fund in FY 2004 for the Community Corrections Program in the Department of Corrections with carryforward balances in various local community corrections accounts. Most community corrections agencies receive fees and other reimbursements from offenders that have contributed to carryforward balances in these funds. Because the Sentencing Commission will be the agency responsible for the administration of the funds in accordance with SB 123, I amend my budget to increase FY 2004 expenditures in this agency by $1.3 million from the State General Fund. Over the next year, my staff will examine drug rehabilitation money throughout the state budget to determine whether any of these funds can be used to finance SB 123.

Department of Corrections:

	FY 2003	FY 2004
State General Fund	$ --	$ (1,300,000)
All Other Funds	--	--
All Funds	$ --	$ (1,300,000)

Sentencing Commission:

	FY 2003	FY 2004
State General Fund	$ --	$ 1,300,000
All Other Funds	--	--
All Funds	$ --	$ 1,300,000

28. Shift Interstate Compact Dues

The State of Kansas is a participating member of the Interstate Compact for Adult Offender Supervision that regulates the movement and supervision of offenders under community supervision between the states. The states' initial dues assessment will be $25,000 in FY 2004 and not in FY 2003 as originally anticipated. As a result, I amend my budget to lapse $25,000 from the State General Fund in FY 2003 and to appropriate $25,000 from the State General Fund for the compact in FY 2004.

	FY 2003	FY 2004
State General Fund	$ (25,000)	$ 25,000
All Other Funds	--	--
All Funds	$ (25,000)	$ 25,000

29. Local Jail Cost Recalculation

I amend my budget to reduce expenditures from the State General Fund for local jail payments in FY 2004. The Department of Corrections reports that it has experienced a significant reduction in the number of days that counties have requested reimbursement for housing parole violators. Assuming that costs for local jail reimbursements during FY 2004 will be the same as the revised estimates for FY 2003, the appropriation for FY 2004 can be reduced by $644,000.

	FY 2003	FY 2004
State General Fund	$ --	$ (644,000)
All Other Funds	--	--
All Funds	$ --	$ (644,000)

Sentencing Commission

30. Coverdell Forensic Federal Grant

I amend my budget to establish a federal grant fund titled "Coverdell Forensic Federal Grant." The Kansas Criminal Justice Coordinating Council, through the Sentencing Commission, was awarded $30,588 to administer the grant for forensic training. Of the total award, $19,588 will be awarded to the Sedgwick County Regional Forensic Science Center, $10,000 will be awarded to the Kansas Bureau of Investigation for supplies and training, and the Sentencing Commission will utilize $1,000 for administrative expenses.

Sentencing Commission:

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	20,588	--
All Funds	$ 20,588	$ --

Kansas Bureau of Investigation:

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	10,000	--
All Funds	$ 10,000	$ --

Parole Board

31. Change Parole Board Member Reduction Date

I amend my budget to reduce State General Fund expenditures for the Parole Board in FY 2003 by $14,805 and by $62,440 in FY 2004. In my original recommendation, the membership of the Parole Board was to be reduced by 1.0 FTE board member in January 2004. However, because of the resignation of a board member during the past year, a vacant board member position can be eliminated during part of FY 2003 and all of FY 2004.

	FY 2003		FY 2004	
State General Fund	$	(14,805)	$	(62,440)
All Other Funds		--		--
All Funds	$	(14,805)	$	(62,440)

Department of Wildlife and Parks

32. Wildlife Fee Fund Expenditure Increase

In August 2002, an allotment of State General Fund appropriations in state agencies was imposed by Governor Graves. As part of that allotment, the Department of Wildlife and Parks was required to reduce State General Fund expenditures by $130,041 in FY 2003. The Department asked to offset a part of the reduction in State General Fund financing by using $30,000 from its Wildlife Fee Fund. These additional expenditures should have been included in the Governor's original recommendations to the Legislature.

	FY 2003		FY 2004	
State General Fund	$	--	$	--
All Other Funds		30,000		--
All Funds	$	30,000	$	--

Department of Transportation

33. Change Special City and County Highway Fund Transfer Dates

Of the two annual transfers from the State General Fund to the Special City and County Highway Fund, the second was cancelled in FY 2003 and both were cancelled in FY 2004. These cancelled transfers meant the Special City and County Highway Fund received $5,031,822 less than originally approved in FY 2003 and $11,200,000 less than what was requested in FY 2004. As a result, cashflow in the fund necessitates a change in the dates on which transfers are made to local governments in the second half of FY 2004. The transfers to local governments are set in KSA 79-3425 as July 15, October 15, January 15, and April 15 of each fiscal year. In FY 2004, those dates need to be changed to July 15, October 15, February 15, and May 15. This will guarantee there is enough money in the fund to make the transfers in the same amounts that were planned to be transferred before the cancellation of the State General Fund transfers.

All Agencies

34. COLA Recalculation

I recommended a salary increase of 1.5 percent for state employees for FY 2004 in my original budget recommendations to the Legislature. When the Legislature approved the salary increase, the dollars were based on 23 biweekly payrolls in FY 2004, instead of the full 26. That action reduced the cost of the pay plan from $26,907,000 to $23,539,277 from all funding sources and from $13,500,000 to $11,390,065 from the State General Fund. The Division of the Budget has now recomputed the numbers for the pay plan and determined that another $435,158 in State General Fund savings can be realized. Of this total, $339,083 represents savings from the Executive Branch amounts, which are captured in this amendment, but it is estimated that another $96,075 could be saved from the Judiciary's appropriation. A transfer of $95,607 from the State Highway Fund to the State General Fund is necessary to implement the pay plan for the Highway Patrol as well as a transfer of $203,224 from the State Highway Fund to the Vehicle Operating Fund for the Department of Revenue.

Because of the limitations on time in developing my original recommendations, I was unable to continue the practice in recent years of including the salary plan financing in the budget of each state agency. Therefore, a single appropriation was made in SB 6 for the Executive Branch to be distributed by the Division of the Budget with the approval of the State Finance Council. However, because the detailed amounts for each agency are now known, it is unnecessary to recompute the numbers after adjournment of the Legislature. Therefore, I amend my budget to capture these savings and recommend that the amounts be appropriated to each agency in the Omnibus Bill.

	FY 2003	FY 2004
State General Fund	$ --	$ (339,083)
All Other Funds	--	--
All Funds	$ --	$ (339,083)

Messages on Other Issues

In addition to the amendments included above, there is legislation pending to implement several recommendations from my original budget submission. I urge the Legislature to take action on these bills.

Board of Tax Appeals—Board Members & Filing Fees

SB 115 was introduced to implement my recommendation to reduce the number of board members from 5.0 to 3.0, starting half way through FY 2003. Additional costs of $70,000 from the State General Fund for FY 2003 and $230,000 from the State General Fund for FY 2004 will occur if SB 115 is not passed. The bill has passed the Senate and the House Appropriations Committee and has been referred to the House Taxation Committee. The difference between the recommendations for FY 2003 and FY 2004 is a result of agency savings in FY 2003 from layoffs, separate from the board member issue, that remove the need to fund the salaries for five months, as was originally recommended. However, the larger amount of funding for FY 2004 would be necessary to finance restoration of the 2.0 positions for a full year. The reinstatement of 1.0 FTE position in FY 2003 and 2.0 FTE positions in FY 2004 also would be required if SB 115 is not passed.

In my original recommendations, I also proposed that $300,000 from the State General Fund be replaced with revenue from the establishment of filing fees in FY 2004. SB 115, the same bill involving the board members, has been amended to authorize the agency's establishment of filing fees. Therefore, I urge the Legislature to pass this bill not only for the board member reduction, but also to avoid the restoration of the State General Fund money to this agency's budget.

Health and Environment—Vital Statistics

My original recommendation was intended to save $1.9 million in State General Fund financing by making the Center for Vital Statistics, a program in the Department of Health and Environment, entirely fee-funded. Legislation has been introduced in both houses, but neither bill has yet been passed. SB 268 and HB 2423 are identical bills that would implement the change in fee structure I recommend. SB 268 has passed the Senate and is currently in the House Appropriations Committee, and HB 2423 has passed the House and is currently in the Senate Committee on Ways and Means. Without passage of one of these bills, $1.9 million in State General Fund money or financing from some other source of revenue will be required to support the Center for Vital Statistics.

Department of Education—Renewal of Mill Levy

The budget that I recommended in January and the budget the Legislature funded in 2003 SB 6 assumes that the statewide uniform mill levy for support of our schools will be renewed in its current form. SB 162 has passed the Senate and resides in the House Taxation Committee. If this renewal is not enacted, the budget for general state aid to schools will be short $257.7 million in FY 2004. I urge passage of this important legislation.

Children's Initiatives Fund

SB 6 authorized total FY 2004 expenditures from the Children's Initiatives Fund that are $182,382 higher than will actually be available in the fund. I encourage the Legislature to correct this discrepancy in the Omnibus Bill. One possible method to address the problem would be to reduce expenditures for Pediatric Biomedical Research at the Kansas University Medical Center from $700,000 to $500,000.

Decoupling Kansas Dividend Income from the Federal Tax Code

Currently, all dividend income is included in both Kansas and federal adjusted gross income. I encourage the Legislature to pass SB 146, which would require that dividend income be included in calculating Kansas adjusted gross income regardless of whether the federal government decides at some future date to exclude all or part of dividend income from federal adjusted gross income. Passage of SB 146 would not affect income tax receipts to the State

General Fund. In fact, it would allow Kansas to continue to recognize dividend income as part of Kansas adjusted gross income and serve as a stabilizing factor to income tax receipts. If this bill is not passed and a change occurs at the federal level, the reduction to the State General Fund is estimated to be at least $60.3 million.

KPERS Death and Disability Moratorium

In my original budget recommendation and in the budget that the Legislature passed in 2003 SB 6, there was an assumption of a five-quarter death and disability moratorium extension. However, the substantive legislation contained in SB 46 has not passed both chambers. Without the passage of SB 46, the budget will be short $21,144,360 from all funding sources, including $17,758,360 from the State General Fund. I urge the Legislature to pass this bill.

Sincerely,

Kathleen Sebelius

KATHLEEN SEBELIUS
Governor

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April 24, 2003

Additional Items for Potential Action

The following document is a list of items contained in the budget that require substantive law in order for them to take effect.

Board of Tax Appeals

A. SB 115 (Second House). SB 115 reduces the number of Board of Tax Appeals Members from 5 to 3 and gives the Board the authority to assess a filing fee. If the bill is not passed, the agency has indicated that SGF expenditures will need to be increased by $70,000 in FY 2003 and $529,486 in FY 2004.

Secretary of State

A. Presidential Preference Primary. If SB 101 (First House) or SB 102 (Governor) do not pass or are not signed by the Governor, the agency has indicated that the Presidential Preference Primary (PPP) will require additional funding in FY 2004 of $1.75 million (SGF).

B. SB 239 (Second House). SB 239 would allow the Secretary of State (SOS) to collect an information and services fee. If not passed, the agency has indicated that they would need $800,000 (SGF) added to the FY 2004 budget to replace anticipated fee funds.

KPERS

A. Death and Disability (HB 2014 - Conference Committee; SB 47 - Second House). If legislation does not pass, then payments for five quarters of employer contributions will be required. Savings of $5,999,913 for the state were collected in FY 2003, including $5,135,913 SGF and $858,000 AOF that were collected for the SGF. In addition, local units of government will save an estimated $1.59 million for one quarter, according to KPERS. FY 2004 savings for the state will total an estimated $21,144,360 from all funds, with $17,758,360 SGF and $3,386,000 in special revenue funds. In addition, local units of government will save an estimated $6.6 million for four quarters, according to KPERS.

B. Regents Bonds (HB 2014 - Conference Committee). If legislation does not pass, then payments of $9.0 million rather than $2.0 million will be required in FY 2004 for the KPERS–TIAA employer contribution.

Senate Ways and Means
4-24-03
Attachment 12

Economic Development Agencies

A. Legislative Approved Pay Plan Adjustments. The Legislative approved FY 2004 budget as of Senate Bill 6 includes a 1.5 percent base salary adjustment for state employees for 23 pay periods. The funding is not included in each agency's budget, but is subject to approval and release by the State Finance Council. There has been no allocation from the Economic Development Initiatives Fund to cover this pay plan for the three economic development agencies. The approximate amounts approved for the agencies are outlined in the table below.

Agency		Approved Adjustment
Department of Commerce and Housing	$	56,489
Kansas Technology Enterprise Corporation		18,925
Kansas, Inc.		0
TOTAL	$	75,414

Department of Health and Environment

A. Funding for the Center for Health and Environmental Statistics. The Governor's FY 2004 recommendation included the proposal to make the Center for Health and Environmental Statistics a completely fee-funded program in lieu of recommending an annual State General Fund appropriation. Currently, a portion of the fees charged to customers for copies of vital event certificates is transferred to the State General Fund. Statutory changes are required to allow the agency to retain those fees. Two bills authorizing the retention of the fees were introduced during the 2003 Legislative Session. SB 268 is currently in the House Appropriations Committee; HB 2423 is currently in the Senate Ways and Means Committee. Because the Governor's recommendation did not include a State General Fund appropriation for FY 2004, the agency estimates that it would need $1,957,173 should neither of the bills be enacted. The following table outlines the SGF revenue and appropriations for CHES since FY 2002.

	FY 2002 Actual	FY 2003 Governor's Recommendation	FY 2004 Agency Current Services Request
SGF Revenue from CHES Fees	$ 2,003,200	$ 2,020,000	$ 2,020,500
SGF Appropriation	$ 1,842,454	$ 1,778,122	$ 1,957,173

Department on Aging

A. Nursing Home Regulation (SB 282 - First House; HB 2467 - First House). The Governor's FY 2004 Budget recommendation included a shift of the nursing home inspection program from the Department of Health and Environment to the Department on Aging. SB 282 and HB 2467 make technical adjustments to state statutes to make this transition. A fiscal note is not yet available for these bills.

Kansas Parole Board

A. SB 195 (Second House). SB 195 reduces the size of the Kansas Parole Board from four to three members. Various cleanup amendments are also made to the statute. The bill was supported by the Governor's Office as a means to promote efficiency in government since, with the passage of sentencing guidelines legislation in 1993, there has been a continuing decline in the workload of the Board. The Board was reduced from five to four members in 1997. The fiscal note states there will be a savings of $58,488 from the State General Fund in FY 2004 and approximately $117,000 in subsequent years. The savings is reflected in the Governor's FY 2004 budget.

School for the Deaf

The agency erroneously submitted 12.3 FTE positions as non-FTE positions in their budget request. The Governor also incorrectly reflected these positions in her recommendations. The Legislature requested a GBA to restore these positions. The correct FTE positions are reflected in SB 6, however, there was not a GBA from the Governor concerning these positions. In addition, SB 6 also added back 4.0 FTE positions that were deleted in FY 2004 in the original Governor's recommendation. Unless the Committee takes further action the Legislature will have added 12.3 FTE positions in FY 2003 and 16.3 FTEs in FY 2004 above the Governor's recommendation in the School for the Deaf.

School for the Blind

SB 6 added back 4.0 FTE positions that were inadvertently omitted in the FY 2004 Governor's recommendation. Unless the Committee takes further action the Legislature will have added 4.0 FTE positions above the Governor's recommendation in FY 2004 in the School for the Blind.

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April 23, 2003

ITEMS FOR OMNIBUS CONSIDERATION

Kansas Lottery

A. Additional Revenues (Omnibus Review – House and Senate and GBA No. 3, Item 1, Page 2). Review sales estimates during Omnibus and adjust revenue estimate as needed in FY 2003 and FY 2004. Information supplied by the Kansas Lottery indicates that FY 2003 transfers to the State Gaming Revenues Fund (SGRF) will total $3.5 million higher than the $59.0 million previously estimated in the *Governor's Budget Report*. The legislative action in 2003 SB 6 increased the estimate by $2.5 million each year in FY 2003 and in FY 2004. Although no adjustment is made in FY 2004, the Lottery reports an additional $1.0 million SGRF transfer will be made in FY 2003. This money will be net to the State General Fund (SGF) on June 25, 2003, when by statute all amounts in excess of $50.0 million accrued in the SGRF are transferred to the SGF. The FY 2003 amount may be increased from $9.0 million to a total of $12.5 million, or $1.0 million more than the amount approved in SB 6, according to the agency.

Sales have totaled $152,637,729 since July 1, 2002. To date, transfers to the SGRF have totaled $47,950,000 for monthly amounts from August 15 to April 15 this fiscal year. Remaining transfers in FY 2003 are scheduled from May 15 to July 15, with a total of three, and the agency assumes monthly amounts of $4.85 million, for a total of $14.55 million.

	Totals	Avg. Monthly
Aug. to Apr. – Actual	$ 47,950,000	$ 5,327,778
May to Jul. – Estimated	14,550,000	4,850,000
FY 2003 Transfers	$ 62,500,000	$ 5,208,333

The Governor recommends increasing the estimated FY 2003 transfers by $1.0 million that will enhance the SGF per GBA No. 3 Item 1.

B. Veterans Benefit Game (HB 2400 – Conference Committee). The bill, as amended, would permit a new instant ticket game, designated as a veterans benefit game, to be conducted by the Kansas Lottery. Net profits from this game would be dedicated for National Guard scholarship assistance and the Kansas Commission on Veterans Affairs. The bill would direct 50 percent to the State Board of Regents to be used for Kansas National Guard Educational Assistance Act scholarships and the other 50 percent to Kansas Commission on Veterans Affairs, to be used for either operating expenditures or capital improvements for the two soldiers and veterans homes and for the state Veterans Cemetery System. The bill would exempt the Veterans Benefit Game from a statutory requirement that the Governor must approve all new games. A second exemption would reference the statutory provision that pertains to transfers to the State Gaming Revenues Fund and would allow proceeds to be used for purposes specified in the bill. The Senate Committee amendment would limit the new game to the periods of between May 1 and November 30, in 2003 and in 2004. The bill would be effective upon publication in the *Kansas Register.*

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Attachment 13

The Lottery's Executive Director reports that preliminary planning for a Veterans Benefit Game (as authorized in SB 280 and HB 2400) includes the use of $2.00 tickets and two runs of tickets in batches of 900,000 per run. Printing costs are estimated at $65,000 for each run which would supply tickets in two three-month periods. Prizes representing 60 percent (or 1:3.6 odds) would be paid on each run of tickets. Merchants' sales commissions of 5.0 percent and a cashing commission of 1.0 percent would be allowed. Based on projected FY 2004 sales of $3.6 million, as much as $1,094,000 could be generated for the designated purposes, after subtracting expenses of $2,506,000. There might be available $547,000 for National Guard scholarship assistance and $547,000 for the Kansas Commission on Veterans Affairs for FY 2005 since revenue accounting will take place on June 25, 2004, under SGRF transfer provisions.

Kansas Racing and Gaming Commission

A. Commissioner's Salaries (Omnibus Review – Senate). Review during Omnibus information about compensation and work loads of commissioners per SB 6. The bill, as amended by the House Committee of the Whole, would alter the statute governing compensation for members of the Kansas Racing and Gaming Commission and repeal the current requirement for a yearly financial compliance audit of Commission. The bill would change current law which allows the Governor to set compensation for Commissioners and would set future commissioner compensation to the per diem rate paid to legislators. The bill would be effective upon publication in the *Kansas Register*. (Staff Note: SB 6 was gutted and became the Mega Appropriation bill for 2003.) The House Committee of the Whole amendment would change how compensation for members of the Racing and Gaming Commissions is set. Under current law, the Governor fixes the amount of compensation. Since the original Commissioners were appointed in the 1980s, compensation has been set at $2,000 per month by each Governor. Total budgeted amount for five commissioners is $120,000 in FY 2004. The agency plans to present materials on this subject.

B. Ending Balance (Omnibus Review -- House). Review status of the Horse Fair Racing Benefit Fund and whether any money above $300,000 may be transferred to the SGF. (Staff Note: The Conference Committee on 2003 SB 6 concurred with a Senate offer and increased the transfer to $500,000 for the SGF in order to fund operating costs of Halsey Hall at the Kansas Soldiers Home. The transfer would occur on or after October 1, 2003, in order to allow receipts to augment any ending balance.)

For FY 2003, there was a beginning balance of $349,192, and monthly receipts have averaged $79,000 through March. Assuming the average monthly receipts continue, a total of $1.3 million would be available in FY 2003. The Governor's recommended expenditures are $950,184 in FY 2003 and $950,795 in FY 2004. Included in expenditures are $773,000 for grants and $243,942 for state operations. The ending FY 2003 balance would be $284,000 based on the Governor's recommendations. Staff for the Commissions have indicated expenditures may total $170,000 for administration and $800,000 for grants in FY 2003.

In recent years, the Commission has increased the amount of state operations financing for administrative expenses charged against this fund that historically has awarded grants to two race tracks. Prior the FY 1996, no administrative expenses were charged and only grants were paid. The FY 1996 budget included $53,404 for administrative expenses. By FY 2002, the administrative charges had risen to $213,920 when grants totaling $918,907 were awarded. For FY 2004, the estimated budget includes $244,553 for administration and $773,000 for grants. The agency plans to present materials on this subject.

Department of Wildlife and Parks

A. Cheyenne Bottoms (House and Senate – Omnibus Review). Review at Omnibus any Governor's Budget Amendment on Cheyenne Bottoms grant of $1,999,264 and news that the project may involve expenditures of $8.5 million from various funding sources.

B. Fee Increases (SB 43, HB 2078 – Law). These bills increase fees collected by the agency, but were not part of the Governor's recommended FY 2004 fee increases.

1. SB 43 (Law). The bill, as amended, would increase service fees charged for issuing licenses, permits and stamps provided by the Department of Wildlife and Parks. County clerks, private vendors and the agency currently sell the various documents and the service fee would rise from $.50 to $1.00 on licenses, permits and stamps, and from $.25 to $.50 on state migratory waterfowl stamps. In addition, the bill would authorize the agency to contract with private vendors to sell licenses and other documents over the telephone or internet, and also would allow additional service fees to be charged under the provisions of a contract with the agency. The bill also would repeal sunset of a provision which allows persons with unpaid camping or vehicle entry fees at State Parks to avoid being issued a citation if they either (1) pay both the permit fee and a $15 late payment fee within 24 hours; or (2) purchase an annual vehicle or camping permit.

The fiscal note indicates that the agency would received an estimated $300,000 increase in services fees and that the vendors, including county clerks, would receive an estimated $640,000 increase. Fees for the agency would be prorated between the Park Fee Fund with $200,000 and Wildlife Fee Fund with $100,000. The *Governor's FY 2004 Budget Report* does not anticipate this new revenue.

2. HB 2078 (Law). The bill establishes different maximum fees for big game tags for residents and nonresidents. For residents the maximum fee would be $20 and for nonresidents the fee will be $30. The maximum fee for nonresident applicants also increases from $5 to $25. The bill provides that beginning in 2003 and thereafter, the number of nonresident firearm and deer archery permits issued by KDWP will increase by 2 percent each year. Fines are increased on a number of wildlife species as values are increased in the bill.

The bill also directs the agency to develop a report containing recommendations for the establishment of a landowner deer management program. The bill requires the Secretary of KDWP to identify local geographical areas in which deer populations are causing significant property damage. The Secretary is authorized and directed to take actions necessary to reduce deer populations in these areas. Finally, the bill directs the agency to sell seized items, including wildlife parts with a dollar value, and certain firearms as described by the bill. The money will be credited to the Wildlife Fee Fund. The effective date for the bill is January 1, 2004. The fiscal notes indicates that $296,102 may accrue to the Wildlife Fee Fund with most of the money collected as a result of this legislation during FY 2005.

C. HB 2036 (Law). The bill would require that all bulk motor-vehicle fuels purchased by state agencies be fuel blends containing at least 10 percent ethanol as long as the price is not more than $0.10 cents per gallon greater than regular fuel. Also, the bill requires that, where available under current state purchasing agreements, individual motor-vehicle purchases for state-owned motor vehicles are to be motor-vehicle blends containing at least 10 percent ethanol as long as the price is not more than $0.10 per gallon greater than regular fuel. Lastly, the bill requires that when there are diesel fuel purchases for state-owned diesel powered vehicles and equipment, those purchases are to be a 2 percent or higher blend of biodiesel, where available, as long as the price is not greater than $0.10 more per gallon than the price of diesel fuel. The agency's fuel consumption is shown according to bulk and pump purchases for FY 2002 and as estimated for FY

2003. An average is projected to FY 2004 by category to show the possible fiscal impact on expenditures for fuel purchases.

Fuel (Gallons)	Total Fuels	Bulk Gasoline	Bulk Diesel	All Other Pump
FY 2002 actual	$ 515,365	$ 118,766	$ 24,519	$ 372,080
FY 2003 est.	495,700	114,234	23,583	357,882
FY 2004 proj.	505,533	116,500	24,051	364,981
Max. $0.10 diff.	$ 50,553	$ 11,650	$ 2,405	$ 36,498

D. Technical Item (and GBA No. 3, Item 32, Page 15). The Division of the Budget raised a question about the dollar amount appropriated from the SGF in FY 2004 as being inconsistent between the *Governor's Budget Report* and the Governor's appropriations bills as introduced. Ultimately, HB 2444 (the Governor's bill as introduced) with the original SGF dollar amount was incorporated into SB 6 with an amount of $3,189,583 for the FY 2004 SGF appropriation. The GBR had included a recommended amount of $3,159,583 SGF. The additional $30,000 amount was included in SB 6 as approved by the 2003 Legislature.

The Governor recommends increasing the Wildlife Fee Fund by $30,000 in FY 2003 in order to offset a reduction in SGF associated with one of the allotments. (**Staff Note:** The additional $30,000 SGF noted previously was appropriated in FY 2004.)

Kansas Public Employees Retirement System (KPERS)

A. Review Investment Management Costs (Omnibus Review – House and Senate). Adjust estimated expenditures in FY 2003 and FY 2004 based on latest KPERS projections for payments to investment managers. Based on poorer than expected market performance, investments and the related fee paid investment managers have been adjusted downward. For FY 2003, the estimate is reduced from $17,843,762 to $16,872,480. For FY 2004, the estimate is reduced from $18,660,611 to $16,887,452.

B. 13th Check (Omnibus Review – House and GBA No. 3, Item 9, Page 4). Review during Omnibus the status of HB 2325 or any other legislation that addresses the shortfall in FY 2004 funding estimated at $5.7 million for the 13th check payment due in October 2003. HB 2325 remains in the House Select Committee on Pensions after being withdrawn from the House Appropriations Committee on March 7, 2003, and referred to the new Select Committee.

The Governor recommends providing that the divided payment would not be dependent on investment performance and that the full 13th check would be paid in FY 2004.

C. Redirect SGF Savings (Omnibus Review -- House). Pending passage of SB 47 or similar death and disability moratorium legislation, review the $6.1 million FY 2003 savings and $24.0 million FY 2004 savings as an alternative source of SGF financing for other programs.

D. HB 2014 (Conference Committee). The KPERS Omnibus bill has three items with fiscal impact in FY 2003 and FY 2004 that need to be addressed during deliberations on the Omnibus appropriations bill.

1. Death and Disability Lapse (HB 2014 – Conference Committee and GBA No. 3, Other Issues, Page 18). One section of the bill pertains to the FY 2003 and FY 2004 budgets for all state agencies. The Governor proposes a moratorium for the fourth quarter in FY 2003 and for four quarters in FY 2004 on payments by KPERS participating employers who provide for death and disability coverage of public employees. The fiscal note indicates that savings of $6,123,070 million for the state were estimated in FY 2003, including $5,265,070 million in SGF and $858,000 in special revenue fund expenditures. In addition, local units of government will save an estimated $1.59 million, according to KPERS. FY 2004 savings for the state will total an estimated $21,144,360 from all funds, with $17,758,360 in State General Fund and $3,386,000 in special revenue funds. In addition, local units of government will save an estimated $6.6 million, according to KPERS. Excluded from the FY 2003 and FY 2004 estimated SGF savings is money in Regents institutions budgets for death and disability payments since the Governor recommends holding these budgets harmless to preserve the operating grant concept.

For FY 2003, the Director of the Budget reports SGF reductions totaled $5,135,913 and all other funds reductions totaled $858,000 that were collected for the SGF. A shortfall of $129,570, compared with the projection for the SGF receipts, is noted in the actual moneys lapsed and collected for the SGF.

Not included in the SGF amount is money from the Board of Regents institutions. Regents fee fund money was collected, but no SGF money is lapsed. The Governor's FY 2003 recommendation was to leave SGF financing for death and disability payments in the Regents budgets, as was the recommendation in FY 2004, in order to protect the operating grant concept. (Staff Note: The proviso exempting the Regents institutions from SGF lapses was included in HB 2444 for FY 2004, but not in HB 2026 for FY 2003.)

Included in the FY 2003 SGF amount is $4,600,000 in reductions for the KPERS school group. The KPERS certification for the first quarter of CY 2003 indicates that $3,810,552.46 for the school group was the calculated amount for the death and disability transfer had the moratorium not been in place. (Staff Note: A difference of $789,447.54 is noted between the two amounts. The $789,447.54 represents an unpaid amount that was due April 1, 2003, and would be included in the $6,227,618 recognized in the *Governor's Budget Report* as a shortfall in FY 2003 financing for the KPERS school group contributions. The total amount of retirement financing shifted to FY 2004 is $5,337,766 SGF. The revised total amount is $6,127,214, including death and disability financing of $789,448 that was underpaid in FY 2002. This total is $100,404 less than the Governor's recommended amount in SB 6.)

The Governor urges passage of legislation to enact the five quarter moratorium on death and disability benefits payments.

2. Regents $2,000,000 Payment (HB 2014 – Conference Committee). As part of 2003 SB 6, a plan to reduce Regents expenditures from $9.0 million to $2.0 million was included relative to designating a closed group comprised of Regents and Hospital Authority employees as special members of the KPERS in order to fund their retirement benefits. If HB 2014 does not pass, then the $9.0 million will be owed in FY 2004 to KPERS. Alternatively, if HB 2014 passes, then a payment of $2.0 million will be owed KPERS as part of the bonding plan to finance the remaining $15.5 million unfunded liability over 10 years with pension obligation bonds. In order to complete the FY 2004 transaction, a transfer of $2.0 million from the Regents Clearing Fund in 2003 SB 6 needs to be included in the Omnibus bill to pay the KPERS Fund an amount to partially fulfill the final payment on the unfunded liability, contingent upon passage of HB 2014 with the bonding provision included. The other payment will be $15.5 million in bond money to be remitted after issuance. If HB 2014 does not pass with bonding, then a payment of $9.0 million needs to be made for KPERS as the annual payment for amortizing the unfunded liability.

3. Legislator Retirement Benefits (HB 2014 – Conference Committee). Two provisions in the bill address legislator retirement. First, the bill authorizes retroactive payments for previous years when no contributions had been made for legislative service while legislators are on leave from a Regents institution. It is estimated to cost less than $20,000 by the Division of Legislative Administrative Services, and the payment would be made by a Regents institutions. Second, the bill authorizes a defined contribution plan for legislator retirement to assist members of the Legislature who have retired from a KPERS participating employer and now serve in the Legislature. Currently, they are unable to "unretire" and join KPERS again. No employer contributions are paid for retirement, death, or disability insurance for these legislators. Likewise, they do not pay the 4.0 percent employee contribution to KPERS. The fiscal note for participating in the 8.0 percent defined contribution plan is less than $10,000 if all seven eligible members elect to participate. The bill permits a choice by legislators regarding participation. It would be possible to opt out of participating in the defined contribution plan. (Staff Note: A technical issue has arisen regarding legislator participation in the KPERS Death and Disability Plan if they are already retired. Currently, the bill would allow these retired members to have coverage, if they select the defined contribution plan. This provision would add 0.6 percent to the costs of participating in a defined contribution plan.)

Department of Revenue

A. Electronic Databases Fee Fund Increase (GBA No. 3, Item 6, page 3). The Governor recommends increasing the expenditure limitation in FY 2003 by $324,327 in order to offset a reduction in SGF financing included in the *FY 2004 Governor's Budget Report*.

B. Executive Reorganization (Omnibus Review -- House). Review ABC transfer issue during Omnibus and the status of any pending legislation, such as HB 2458. That bill remains in the House Appropriations Committee. (Staff Note: SB 6, as amended by the Conference Committee, was approved by the Governor.) The bill includes financing for the ABC Division from the State Highway Fund, and the program is left in the Department of Revenue. Staffing of 38.0 FTE positions was authorized for the ABC Division.

C. Information on Tax Collections Omnibus Review -- Senate). Review during Omnibus period the budget cuts and effect on collecting taxes. Review during Omnibus period collections of accounts receivable and projections for other years. The agency plans to present materials on these subjects.

D. Fee Increases (HB 2192, SB 16, HB 2193 – Law). These bills increase fees collected by the agency and redirect the disposition of some receipts.

1. HB 2192 (Law) establishes the Photo Fee Fund and redirects $1.5 million in photo fees previously deposited into the State Highway Fund to the new Photo Fee Fund. The new fund needs to be appropriated for the agency (see item 2 below for further details). HB 2192 also increases the costs of driver licenses and identification cards by $1.00 percent year. Estimated new revenue is $2,074,000 in FY 2004, which by statute is apportioned as follows: $1.4 million to the State Highway Fund, $657,000 to the State Safety Fund, and $17,000 to the Motorcycle Safety Fund.

The Governor's FY 2004 budget recommendations included estimated revenue increases to the State Highway Fund of $2,075,000, and likewise used that figure in offsetting SGF financing with DOV Operating Fund money. This bill implements one of the Governor's revenue proposals in FY 2004 as recommended. Proviso language was included in 2003 SB 6 to expand the permitted uses of money in keeping with the Governor's FY 2004 budget recommendations in replacing $2.0 million of SGF financing for the agency. (Staff Note: Money deposited into the State Safety Fund and Motorcycle Safety Fund generally has been used for state aid to driver training courses in schools, but expenditures may be made for the administration of the drivers' license laws, according to KSA 8-267. Another statute, KSA 8-272 limits the amount of state aid that may be expended to $1,540,000 from the State Safety Fund and $210,000 from the Motorcycle Safety Fund. The Governor's recommended transfer from the State Highway Fund may be reduced by $674,000 in FY 2004, and the expenditures from the State Safety Fund and Motorcycle Safely Fund may be appropriated to replace financing from the DOV Operating Fund. Another alternative would be to replace SGF financing with fee fund money, at the expense of the State Highway Fund. The State Safety Fund had an unencumbered balance of $2,912,142 on June 30, 2002, and the Governor's recommended budget for FY 2003 and FY 2004 would reduce the amount to $2,017,840 on June 30, 2004, if revenue projections are realized in both fiscal years.)

2. SB 16 (Law) requires collection of social security numbers for all applicants of drivers licenses and identification cards, and the bill increases the photo fees by $2.00, yielding an additional $1.5 million in revenue. Total revenue in FY 2004 is estimated at $3.0 million for the Photo Fee Fund, which needs to be appropriated since it is a new fund established by HB 2192. This bill was not introduced as part of the Governor's FY 2004 budget recommendations. Included in the Governor's FY 2004 budget recommendations is a transfer of $1,050,750 in FY 2004 from the State Highway Fund for production of 685,000 driver licenses with photos. (Staff Note: Previously, these photo fee revenues would have been deposited into the State Highway Fund, and in the Governor's FY 2004 budget recommendation, no expenditures are financed from this new fund. The Governor's recommended transfer from the State Highway Fund may be reduced by an amount up to $3.0 million in FY 2004, and the expenditures from the Photo Fee Fund may be appropriated to replace financing from the DOV Operating Fund. Another alternative would be to replace SGF financing with fee fund money, at the expense of the State Highway Fund, since funding already has been transferred in SB 6 for FY 2004 to produce drivers licenses with photos.)

The agency's fiscal note for SB 16 requests that a portion of the new revenues from the $2.00 photo fee increase be used to pay administrative costs associated with verifying social security numbers. The estimated cost is $1.25 per application, with an estimated annual cost of between $937,500 and $1,125,000 for these contracted services, depending upon bids and contract negotiations. These expenditures were not included in the Governor's recommended FY 2004 expenditures.

3. HB 2193 (Law) amends existing law in regard to motor vehicle title fees and disposition of those fees. Specifically, the bill would: increase the cost of a motor vehicle title from $8.00 to $10.00; increase from $4.50 to $6.50 the fee for a reassignment form; repeal a provision in existing law whereby the title fee will be reduced from $8.00 to $3.50 on July 1, 2004; repeal the June 30, 2004, sunset of the transfer of $3.50 of each title fee to the Kansas Highway Patrol Motor Vehicle Fund; and increase from $1 to $3 the amount of each title fee transferred to the VIPS/CAMA Technology Hardware Fund. This bill implements one of the Governor's revenue proposals in FY 2004 as recommended.

The Department of Revenue estimates an increase of $1.6 million of receipts to the VIPS/CAMA Technology Hardware Fund in FY 2004, with revenue rising from $800,000 to $2.4 million. The estimate of revenue to the Highway Patrol's Motor Vehicle fund is $2.8 million annually after FY 2004 by removing the sunset. The VIPS/CAMA Technology Hardware Fund has been a source of financing for the Department of Revenue's Vehicle Information Processing System (VIPS) and the Division of Property Valuation's Computer Assisted Mass Appraisal System (CAMA) since 1993. KSA 74-2021 establishes this fund, and limits the use of money for the purpose of upgrading the VIPS/CAMA hardware for the state or for the counties. Proviso language was included in 2003 SB 6 to expand the permitted uses of money in keeping with the Governor's FY 2004 budget recommendations in replacing $1.6 million of SGF financing for the agency.

E. SB 130 (Law). The bill concerns apportioned registration of fleet vehicles and requires registration of a converter gear. An annual fee of $1.00 shall be charged for each registration. The fiscal note indicates additional revenue of approximately $20,000 will be deposited in the State Highway Fund as a result of this bill. The agency indicates administrative costs of reprogramming will be absorbed.

F. SB 159 (Law). The bill requires the Secretary of Revenue to make drivers' licenses and identification cards issued to persons under the age of 21 readily distinguishable by formatting them to be oriented vertically. The requirement would become effective on July 1, 2004. According to the agency, there is no administrative cost since implementation will coincide with installing a new driver's licensing system, and the changes required by this bill can be made at no additional cost.

G. HB 2220 (Law). The bill makes numerous changes to the Uniform Commercial Drivers' Licenses Act to comply with recent federal regulations. New provisions implement a "S" endorsement for a commercial drivers licenses (CDL) that adds school bus drivers. In complying with federal regulations, the number and type of violations that can result in either new or longer sanctions against driving privileges will substantially increase the workload of the agency. The most significant change will include major and serious traffic violations, while operating a non-commercial motor vehicle, as a consideration towards disqualification from operating a commercial motor vehicle and holding a CDL. The agency's fiscal note suggests that the increase in workload can be accommodated with existing resources.

H. HB 2208 (Law). The bill amends tax increment financing (TIF) laws to provide statewide authority for sales tax and revenue (STAR) bonds to be used for special bond projects of regional or statewide importance. The bill defines a special bond project as a project with at least a $50,000,000 capital investment and $50,000,000 in projected gross annual sales revenues. The bill includes in this definition projects located outside of metropolitan statistical areas, which have been found by the Secretary of Commerce to be in an eligible area under TIF law and of regional or statewide importance. The bill specifically excludes a project including a gambling casino from the definition of special bond project.

The bill modifies prior law as it relates to areas eligible for TIF to include a major commercial entertainment and tourism area as determined by the Secretary of Commerce and Housing. The bill also includes a major multi-sport athletic complex in the definition of major commercial entertainment and tourism area. Under the bill, river walk canal facilities are included in the list of redevelopment project costs which may be financed by STAR bonds. The bill is effective upon publication in the *Kansas Register*.

The agency requests $300,000 SGF for administrative costs associated with the bill. Included is a software package for $250,000 to track businesses in a redevelopment district. The application would be used for mapping business addresses. An annual software maintenance fee is estimated at $20,000 and modifications to the electronic tax filing systems will require contract programming estimated at $30,0000.

I. HB 2005 (Conference) would implement streamlined sales tax and numerous other tax changes. Fiscal impact estimated at up to $71 million net gain to SGF in FY 2004, based on providing potential state sales tax revenue from remote sales not currently collected and submitted by out-of-state retailers. In a fiscal note for implementing the streamlined sales tax, the agency estimates costs of $28,580 would be absorbed.

J. HB 2205 (Conference) would implement streamlined sales tax. Fiscal impact estimated at up to $71 million net gain to SGF in FY 2004, based on providing potential state sales tax revenue from remote sales not currently collected and submitted by out-of-state retailers. In a fiscal note for implementing the streamlined sales tax, the agency estimates costs of $28,580 would be absorbed.

K. HB 2416 (Conference) would implement a tax amnesty program. Fiscal impact estimated at net gain to SGF in FY 2004 of $19.5 million. An earlier phase of the amnesty program that did not require legislation was estimated to yield $12.5 million for the SGF in FY 2003. In the original fiscal note, the agency stated that any administrative costs would be absorbed within existing resources. That original fiscal note anticipated net gain to SGF in FY 2004 of $4.5 million.

Economic Development Agencies

A. GBA No. 3, Item 12, Page 5 – Kansas, Inc. Independent Agency

B. FY 2004 Funding (Conference Committee). The Conference Committee on Senate Bill 6 (Mega Appropriations Bill) delayed FY 2004 funding for the Department of Commerce and Housing, the Kansas Technology Enterprise Corporation, and Kansas, Inc. pending the outcome of Executive Reorganization Order No. 30. ERO 30 transfers the Division of Housing from the Department of Commerce and Housing to the Kansas Development Finance Authority. The deadline for legislative action on the ERO was April 11. As the ERO was not disapproved by the Legislature, the transfer will take place on July 1.

The following tables note the Governor's FY 2004 recommendation and the House and Senate changes from that recommendation. The Governor's FY 2004 recommendation included the proposal to transfer the duties and responsibilities of Kansas, Inc. to the Department of Commerce and Housing and abolish the agency. The Senate's recommendation maintains Kansas, Inc. as an independent agency.

Economic Development Agencies – FY 2004 Funding

Agency	Governor's Rec.	House Changes	Senate Changes
Department of Commerce and Housing			
EDIF	$ 14,026,980	$ 0	$ (525,320)
Other Funds	98,110,325	0	(114,022)
All Funds	$ 112,137,305	$ 0	$ (639,342)
FTE	147.5	0.0	(1.0)
Kansas Technology Enterprise Corporation			
EDIF	$ 10,604,188	$ 0	$ 325,320
Other Funds	3,349,632	0	0
All Funds	$ 13,953,820	$ 0	$ 0
FTE	27.0	0.0	0.0
Kansas, Inc.			
EDIF	$ 0	$ 0	$ 200,000
Other Funds	0	0	251,755
All Funds	$ 0	$ 0	$ 451,755
FTE	0.0	0.0	4.0

C. Senate Substitute for House Bill No. 2208 (Law). Senate Substitute for HB 2208 would amend tax increment financing law to provide statewide authority for sales tax and revenue (STAR) bonds to be used for special bond projects of regional or statewide importance. To be eligible, a project must have at least a $50.0 million capital investment and $50.0 million in projected gross annual sales revenues. These requirements could be waived by the Secretary of Commerce if located outside of the metropolitan statistical areas and the project is of regional or statewide importance.

The bill would require that each special bond project be approved by the Secretary of Commerce based upon a feasibility study. In addition, Kansas, Inc. is required to include an analysis of STAR bonds in its annual report on the cost effectiveness of economic development tax exemptions and credits. Kansas, Inc. estimates that it would need an additional $600 to implement the requirements of the bill.

The Department of Commerce and Housing states that the fiscal impact of the bill would depend upon the number of applications received. The agency would be able to absorb the additional work within its existing resources if only one or two applications for STAR bond authority were received each year. If three or more applications were received, the agency would contract for the required analysis at a cost of $30,000 per year.

Board of Indigents' Defense Services

A. GBA No. 3, Item 7, Page 4 – Assigned Counsel

B. FY 2003 Funding (Senate Subcommittee and House Budget Committee). The Senate Subcommittee requested a review of the agency's anticipated cash balances for the Death Penalty Defense Unit. The House Budget Committee requested a review of the agency's cash balances for the Death Penalty Defense Unit and the Assigned Counsel Program. The agency notes that it stopped paying assigned counsel on April 7.

The following table outlines the agency's revised FY 2003 expenditure estimates.

April 18, 2003	Agency Revised Estimate	Current Legislative Approved	Estimated Shortfall
Assigned Counsel Program	$ 5,925,165	$ 4,925,165	$ 1,000,000
Death Penalty Defense Unit	2,728,489	2,728,489	0
TOTAL	$ 8,653,654	$ 7,653,654	$ 1,000,000

C. FY 2004 Funding (Senate Subcommittee and House Budget Committee). The Senate Subcommittee requested a review of the agency's budget for the Death Penalty Defense Unit and Legal Services for Prisoners. The House Budget Committee requested a review of the agency's entire FY 2004 budget.

The 2003 Legislature passed House Bill 2121 which establishes an application fee for indigent defendants of $50 in FY 2004 and $100 in FY 2005 and beyond.

The following table outlines the agency's revised FY 2004 expenditure estimates.

	Agency Revised Estimate	Current Legislative Approved	Estimated Shortfall*	Estimated Revenue HB 2121
Administration	$ 702,705	$ 702,705	$ 0	
Assigned Counsel Program	5,794,869	4,794,869	1,000,000	
Legal Services for Prisoners	533,605	353,605	180,000	
Appellate Defender Program	1,497,324	1,497,324	0	
Public Defender Program	5,898,403	5,898,403	0	
Death Penalty Defense Unit	2,184,406	1,384,406	800,000	
TOTAL	$ 16,611,312	$ 14,631,312	$ 1,980,000	$ 117,000

* Estimated shortfall for FY 2004 assumes that the $1,000,000 shortfall in FY 2003 is addressed. It does not take the revenue from HB 2121 into consideration.

Department of Health and Environment

A. GBA No. 3, Item 17, Page 8 – Nursing Transfer Correction

B. GBA No. 3, Item 18, Page 9 – Expenditure of Federal Funds and 1.0 Non-FTE Unclassified Permanent Position

C. GBA No. 3, Other Issues, Page 17 – Health and Environment - Vital Statistics

D. Special Revenue Funds (Technical adjustment). The line items for several of the agency's special revenue and federal funds were omitted from Senate Bill 6 (Mega Appropriations Bill). In addition, a proviso specifying expenditures from the District Coroners Fee Fund was removed in error.

E. Balances of the Underground Petroleum Storage Tank Release Trust Fund (House Budget Committee). House Bill 2026 (Supplemental Appropriations Bill) transferred $10,000,000 from the Underground Petroleum Storage Tank Release Trust Fund to the State General Fund. The House Budget Committee requested continued monitoring of the balances of the fund so that adjustments in the transfer may be made if necessary. The balance of the fund as of March 31 was $4,707,564. The one cent per gallon fee on gasoline and related products is triggered when the fund balance dips below $2,000,000.

F. FY 2003 Funding - Infant Toddler Program (Senate Subcommittee). The Senate Subcommittee recommended that a source of revenue be found to replace the $120,695 reduced in the Governor's November, 2002, allotment. Senate Bill 6 (Mega Appropriations Bill) included an additional $300,000 from the Children's Initiatives Fund in FY 2004 for this program. It was specified that $120,000 of the additional funding was to replace the allotted funds.

G. Transfer of the Nursing Facility Regulation Function from KDHE to the Department on Aging (Senate Subcommittee and House Budget Committee). The Governor's recommendation for FY 2004 included the transfer of the nursing facility regulation function from the Department of Health and Environment to the Department on Aging. The two agencies formed a transition team to work on the details and logistics of the transfer. The Senate Subcommittee and the House Budget Committee requested an update from that transition team in order to more clearly understand the policy implications and budgetary effect of the transfer. The agency is still gathering information on this issue.

H. Funeral Assistance Program (Senate Subcommittee and House Budget Committee). The Governor's FY 2004 recommendation did not include funding for the Funeral Assistance Program in either the KDHE budget or the budget of the Department of Social and Rehabilitation Services. The Senate Subcommittee and House Budget Committee recommended a review of potential funding sources for the program. (See information from KDHE, page 1.)

I. Tobacco Use Prevention Program (House Budget Committee). The House Budget Committee recommended a review of the possibility of increasing funding for this program and requested information from the agency on total funding received (including grants from the American Legacy Foundation) as well as effectiveness measures for the program. (See information from KDHE, page 2.)

The following table outlines the amounts and sources of funding for the program for FY 2003.

Children's Initiatives Fund	Centers for Disease Control and Prevention	American Legacy Foundation*	TOTAL
$ 500,000	$ 1,204,700	$ 500,000	$ 2,204,700

* 1:1 match of state funds

J. Pregnancy Maintenance Initiative (House Budget Committee). The House Budget Committee recommended a review of potential funding sources for the Pregnancy Maintenance Initiative Program which was not funded in the Governor's FY 2004 recommendation. Senate Bill 6 (Mega Appropriations Bill) included funding of $300,000 SGF for this program. The agency was also requested to provide information concerning effectiveness measures. (See information from KDHE, page 13.)

K. Community Based Primary Care Clinics (House Budget Committee). The House Budget Committee recommended adding $1,000,000 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. The House Budget Committee specified that any addition of funds to the program would include the following requirements as to the use of those funds:

- 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;
- Development of new access points in high risk areas of the state; and
- Purchase of equipment and development of infrastructure.

L. Transfer of the Day Care and Foster Care Regulation Function from KDHE to the Department of Social and Rehabilitation Services (House Budget Committee). The House Budget Committee requested information from the Department of Health and Environment and the

Department of Social and Rehabilitation Services on the possibility of transferring the day care and foster care regulation function to avoid potential duplication. The agency is still gathering information on this issue.

M. Fees for Criminal Background Checks (House Budget Committee). The House Budget Committee recommended a review of fees charged by the Kansas Bureau of Investigation for criminal background checks required for employment applicants of adult care homes, home health agencies, and staffing agencies. The agency requested an enhancement of $37,500 SGF to cover a July 1 increase in those fees from $3.75 to $5.00. The Governor did not recommend the enhancement. (See information from KDHE, page 18.)

The following table outlines the fees charged to agencies by the Kansas Bureau of Investigation for fingerprints or record checks as of February, 2003.

Agency	Charge per Record Check	Charge per Fingerprint
State Gaming Agency (on behalf of Tribal Nations)		$ 54.00
Kansas State Gaming Commission		$ 54.00
Kansas Racing Commission		$ 54.00
Kansas State Lottery		$ 54.00
Department of Revenue		$ 54.00
Department of Education		$ 44.00
Board of Nursing	$ 15.00	
Department of Social and Rehabilitation Services	$ 15.00	
Department of Administration	$ 15.00	
Adjutant General	$ 15.00	
State Bank Commissioner	$ 15.00	
Insurance Department	$ 15.00	
Department of Human Resources	$ 15.00	
Pittsburg State University	$ 10.00	
Department of Health and Environment	$ 3.75	

N. Federal Bioterrorism Funding (House Budget Committee). Neither the agency's request nor the Governor's recommendation included expenditures from federal bioterrorism funds for FY 2004 due to the uncertainty of continuation of that funding. The House Budget Committee requested an update on the status of the funding.

According to the agency, the US Department of Health and Human Services has announced that Kansas would be eligible for a total of $15,564,925. There has been no official notice, however, of the grant awards or required objectives for expenditures. (See information from KDHE, page 19.)

O. Child Care Licensure Program (Senate Subcommittee). The Senate Subcommittee noted the staffing levels within the Child Care Licensure Program and requested a Legislative Post Audit of those staffing levels. 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 Senate Subcommittee recommended the addition of funds for staffing for this program should resources be available.

P. House Bill 2247 (Law). HB 2247 would establish a process by which owners of environmentally contaminated property could apply to the Department of Health and Environment for approval of an "environmental use control" to prohibit or restrict use of that property. The program would be funded through a one-time fee which would be based upon the classification of each site. The bill would establish the Environmental Use Control Fund, but does not set an expenditure limitation on the fund.

Adjutant General

A. Increased Insurance Costs. (House Budget Committee and Senate Subcommittee). During the 2003 Legislative Session, The House Budget Committee and Senate Subcommittee were informed of current law which mandates the agency to maintain fire and extended coverage insurance on armories. Subsequently, Senate Bill 240 was introduced to repeal the law mandating the agency maintain insurance on all armories. However, the agency would still maintain insurance on selected armories as dictated by bond covenant agreements in FY 2004, and self insure all other armories. The item was flagged by both the House Budget Committee and Senate Subcommittee's for Omnibus consideration at a cost of $115,000 (from the State General Fund) in FY 2003 to finance costs associated with the increase in extended coverage insurance on armories. In passing SB 240, the Committee's noted that some "savings" would be held for FY 2004. However, that amount is still indeterminate at this time. Lastly, it was noted that the Governor concurred with the repeal of the law, and reduced the agency's operating budget by $50,000 in FY 2004 with the belief the bill would be passed.

Sentencing Commission

A. GBA No. 3, Item 30, Page 14 – Coverdell Forensic Federal Grant

B. Senate Bill 123 (Law). Senate Bill 123 enacts a new sentencing policy for a defined target group of non-violent offenders convicted of drug possession that mandates drug treatment for up to 18 months and supervision through Community Corrections in lieu of incarceration. The bill contains specific provisions relating to failure/discharge from treatment and sets forth provisions for incarceration for third and subsequent drug possession convictions. The provisions of the bill are designated to be in effect for those offenders sentenced on or after November 1, 2003. Based on calender year 2002 data, it is projected that approximately 1,318 offenders a year would be eligible for treatment under the bill, at an average cost of $4,700. The bill would require modification to the sentencing database and re-programming of Prophet Projection Simulation Projection Software Model to accommodate the sentencing changes for drug offenders outlined in the bill at a cost of $18,650. The agency states that those costs will be absorbed within existing sources.

SB 123 sets forth the Sentencing Commission as the administrator of monies distributed from the newly established Substance Abuse Fund created by the bill to Community Corrections facilities at an average cost of $6.2 million per year. The Sentencing Commission estimates $4.6 million (from the State General Fund) would be needed to finance the provisions of the bill in FY 2004 due to the delayed implementation. The agency also requests $46,550 (from the State General Fund) and 1.0 FTE position to administer the newly created fund. Additionally, the Sentencing Commission will utilize a Federal Statistical Analyst Grant (SAC) in the amount of $50,000 to complete an 18 month evaluation of the impact and effectiveness of the drug sentencing policy set forth in SB 123. The grant would be sufficient to cover the cost of data collection, software, and equipment necessary to produce an evaluation report to Legislature.

(See Attachment A for a summary of the total FY 2004 fiscal impact of the bill.)

Staff Note: Senate Bill 6 (the Mega Appropriations Bill), provides the Sentencing Commission the authority to expend the $50,000 in SAC grant funding, in lieu of transferring the remaining federal law enforcement related grants to the Governor's Office.

C. Criminal Justice Information System (CJIS) Project Manager (Senate Subcommittee). During testimony, the Senate Subcommittee was informed that the CJIS Project Manager's position and the funding associated with the position ($97,632 from the State General Fund) were eliminated within the *Governor's FY 2004 Budget Report*. The Senate Subcommittee flagged the item for Omnibus consideration in the event additional funding became available to restore the position.

D. Operating Expenditures (House Budget Committee). Due to the Governor's recommendation to transfer federal Byrne grants from the Sentencing Commission to the Governor's Office, the House Budget Committee was informed of a reduction in agency operating funds. In transferring the administrative Byrne Grant funding ($256,532), financing utilized by the agency for operating expenses was reduced. Consequently, placing the agency in the position of not being able to fully fund its operations. In addressing the issue, the House Budget Committee drew attention to the Senate Committee's recommendation to transfer $147,505 ($167,311 from the State General Fund) to provide additional funding for the agency, and the recommendation to transfer the remaining federal grants to the Governor's office, those being: Local Law Enforcement Block (LLEBG), Residential Substance Abuse Treatment (RSAT), and National Criminal Improvement Program (NCHIP) grants. Additionally, the Senate Committee recommended the elimination 4.0 positions (2.0 FTE and 2.0 other unclassified positions) due to the transfer of the federal funds, thereby reducing the Sentencing Commission's mandated duties to that of a prison projection provider. Therefore, the House Budget Committee flagged the item for Omnibus consideration, and requested a Governor's Budget Amendment (GBA) to provide financing for the Sentencing Commission.

Staff Note: Senate Bill 6 (the Mega Appropriations Bill), provided the Sentencing Commission with $147,194 ($167,000 from the State General Fund), and eliminated 4.0 positions (2.0 FTE). Thus, making the Sentencing Commission a solely prison population projection agency, and fiscal impact provider.

Kansas Bureau of Investigation

A. Criminal Justice Information System (CJIS) Project Manager (House Budget Committee). During testimony, personnel from the Kansas Bureau of Investigation informed the House Budget Committee of the importance of the CJIS Project Manager in providing information to the Legislature relating to CJIS, managing the numerous state and local "connections" to the project, and maintaining the operation of the criminal justice database. The House Budget Committee flagged the item for Omnibus consideration to review the restoration of the $97,632, with the possibility of adding the position to the Division of Information Systems and Communications (DISC).

Kansas Highway Patrol

A. GBA No. 3, Item 4, Page 3 – Transfer to the State General Fund

B. Transferring the Division of Alcohol Beverage Control to the Kansas Highway Patrol (House Committee). Within the *Governor's FY 2004 Budget Report*, the Department of

Revenue Division of Alcohol Beverage Control, $1,805,122 ($1,603,590 from the State Highway Fund and $201,632 from other special revenue sources), and 38.0 FTE positions were recommended to be transferred to the Kansas Highway Patrol. During testimony to the House Budget Committee, conferees stated that transferring only the enforcement segment of state alcohol administrative functions to KHP leaves important functions still residing within the Department of Revenue. The conferee raised concerns that due to the enforcement function relying heavily on licencing and compliance functions, ABC may not function effectively as compared to its current operation. The House Budget recommended the Governor research the possibility of transferring both the licensure and compliance functions to the Kansas Highway Patrol in FY 2005 (along with associated personnel and funding) to enhance the continued efficient operation of ABC. However, the House Budget Committee discussing the budget of the Department of Revenue recommended the transfer not take place, thus transferring ABC back to the Department of Revenue. Therefore, the House Committee flagged the item for Omnibus consideration for further discussion.

Staff Note: With the passage of Senate Bill 6 (the Mega Appropriations Bill), the Conference Committee recommended the Division of Alcohol Beverage Control remain under the Department of Revenue, with financing from the State Highway Fund being re-paid by the State General Fund beginning in FY 2007.

Kansas Department of Transportation

A. GBA No. 3, Item 33, Page 15 – Change Special City and County Highway Fund Transfer Dates

B. House Bill 2036 (Law). HB 2036 would add a new provision to the illegal acts section of the Petroleum Products Inspection Act. The bill would make it a violation of the Act to represent that diesel fuel is or contains biodiesel fuel blend or that diesel fuel is made from renewable resources. The bill also would provide that biodiesel fuel used in biodiesel fuel blends would conform to specifications by the American Society of Testing and Materials, issued in March of 2002, or later versions adopted through rules and regulations of the Secretary of Agriculture. In addition, the bill would require that <u>all bulk motor-vehicle fuels purchased by any state agency or individual purchases</u> for use in state-owned motor vehicles be fuel blends containing at least 10 percent ethanol as long as the price is not more than 10 cents per gallon greater than regular fuel. Lastly, the bill would require that when there are diesel fuel purchases for state-owned diesel powered vehicles and equipment, those purchases are to be a 2 percent or higher blend of biodiesel. The Kansas Department of Transportation estimates that an increase of $0.009 per gallon for ethanol fuel and $0.06 per gallon for biodiesel fuel. The agency estimates an increase in expenditures of approximately $10,896 and $173,571 more per fiscal year as compared to regular unleaded fuel and biodiesel fuel respectively. The cost analysis is based on the FY 2002 actual fuel consumption. In addition, according to the Kansas Highway Patrol, using ethanol fuel in high-speed police vehicles could result in a long-range fiscal effect because of the increased wear and tear on engine parts.

Department of Corrections and Correctional Facilities

A. GBA No. 3, Item 22, Page 11, Food Service Contract Savings

B. GBA No. 3, Item 23, Page 11, Contract for Leasing Prison Beds

C. GBA No. 3, Item 24, Page 11, Offender Program Contract Savings

D. GBA No. 3, Item 25, Page 12, Visitor Centers

E. GBA No. 3, Item 26, Page 12, Bond Rebate Liability Overpayment

F. GBA No. 3, Item 27, Page 12, Community Corrections State General Fund Financing Offset

G. GBA No. 3, Item 28, Page 13, Shift Interstate Compact Dues

H. GBA No. 3, Item 29, Page 13, Local Jail Cost Recalculation

I. Report amount needed to pay in full the sum owed by the Department of Corrections (KDOC) in local jail payments (House Budget Committee). The House Budget Committee asked the Secretary of Corrections to report regarding the amount that would be needed to pay off the entire amount owed in local jail payments. Because of the recent fluctuation in the number of "jail days," or the number of days inmates spent in county jails upon their arrest due to parole violation, some question existed as to whether the entire amount budgeted would be needed.

For several years, KDOC had experienced a growing gap between the amount expended for payment to the counties for incarcerating parole violators and the amount appropriated for this purpose. This situation arose because more was encumbered (*i.e.*, more "jail day" reimbursements were billed by counties) than was appropriated for that purpose. The Department operated under this situation by delaying payment for the last quarter of the previous fiscal year until the first quarter of the new fiscal year. However, the amount carried into the next fiscal year grew, leaving increasingly less remaining in the current year appropriation to pay for current year charges, once the previous year's charges were paid.

At the time of its FY 2004 budget request, KDOC estimated that FY 2002 costs deferred for payment in FY 2003 totaled $671,000. KDOC further estimated the liability for deferred FY 2002 and new FY 2003 costs, adjusted by the amount budgeted for FY 2003, would result in a deficit of $1.3 million at the end of the current fiscal year. If no relief were received, KDOC predicted the entire $1.3 million would be deferred for payment in FY 2004. To help counteract this growing deficit, KDOC requested an enhancement package of $671,000. The Governor recommended this enhancement package and added another $200,000 to the amount, for a total of $871,000 in additional funding for local jail payments. This additional recommended funding resulted in a total recommended of $2,605,000 for local jail payments.

Since then, the Secretary of Corrections has reported a significant reduction in the number of jail days for parole violators. Jail days for the third and fourth quarters of FY 2002 totaled 13,045 and 9,648, respectively. Preliminary estimates of jail days for the first and second quarters of the current fiscal year are 9,100 and 7,400, respectively.

As a result, the Secretary anticipates a reduction in the need for jail payment funding, ranging from $344,000 to $644,000 less than the recommended sum of $2,605,000. The actual amount will depend on the actual number of jail days experienced during FY 2004. (The smaller, more conservative estimated savings amount assumes a higher cost per FY 2004 quarter of $450,000. The larger amount assumes the cost per quarter will be equal to the average amount per FY 2003 quarter, or $375,000.) Both estimates assume the current reduction in jail days will continue through the end of FY 2003.

The Secretary cautions that these costs can be volatile; they will depend upon actual revocation experience and the ability of KDOC to transfer parole violators to a state correctional facility. If future bed space is less available, resulting in backlogs in county jails, then local jail costs will increase and the Secretary's estimates will be affected accordingly. Also, should the FY 2004 amount become insufficient to fully fund local jail payments, a supplemental appropriation would be required or payments would have to be deferred to FY 2005.

J. Review options that would help restore substance abuse services in the communities in FY 2004 (House Budget Committee). The Budget Committee noted the FY 2003 allotment decisions resulted in a reduction in substance abuse treatment services in both the facilities and the community. These reductions were preceded by an earlier reduction in FY 2002. Given the number of offenders with substance abuse issues, the Budget Committee noted its belief that restoration of offender management beds and substance abuse services in the community would assist the Department in reducing condition violations and returns to the prison system. The Budget Committee therefore asked the Secretary of Corrections to examine options to restore these services in the communities.

If sufficient funding were to become available, the Secretary indicated KDOC would restore substance abuse treatment services based on priorities supported by effective interventions research, principles and practice. The priorities analysis involves consideration of offender risk and need levels, the goal being to target the more intensive services to the higher risk-need offenders and the use of evidence-based program service models to which offender populations are more responsive.

Based on these criteria, KDOC would first seek to restore therapeutic community (TC) capacity, which would include both facility and community transition (TTC) components. Community residential transition services (CRB) to assist in safe and effective offender re-entry would be the next priority for restoration. The third set of priority programs would restore some capacity of intermediate residential treatment in community settings, and the fourth priority would be to restore some capacity for less intensive outpatient services in facilities as another part of the treatment continuum. The program priorities with estimated capacities and costs are outlined below:

KDOC Program Priorities, Capacities, and Costs			
Program	Estimated Capacity	Cost/Fiscal Year	Notes
1(a) -- Male TC Facility - Medium Custody	65-75 beds	$285,000	
1(b) -- Community Transitional TC (TTC) - Med./Max.	24 beds	$245,000*	*The community component would be a second- and subsequent-year cost for the above TC.
2(a) -- Male TC Facility - Med./Max.	65-75 beds	$285,000	
2(b) -- Community Transitional TC (TTC)	24 beds	$245,000*	*This component would be a second- and subsequent-year cost for TC #2 (above).
3 -- Community Residential Transition Services (CRB)	Multiple sites, approx. 180 additional beds	$1,445,500	
4 -- Community-based Intermediate Residential Treatment	48 beds	$700,800	
5 -- Short-term Facility-based Treatment	96 slots	$475,000*	*This treatment modality is comparable to community-based outpatient treatment.

Funding options available to the Department to restore treatment services are primarily from three potential sources: State General Fund (SGF) appropriations, Inmate Benefit Fund (IBF) money, and federal or private grant funds. Given the state's current fiscal challenges, the Secretary notes it seems unlikely KDOC would receive additional SGF appropriations for restoring offender treatment services in FY 2004. Following is the Secretary's synopsis of the status of the remaining sources:

- KDOC has utilized a significant portion of IBF money to support various offender programs for many years. For FY 2004, after the proposed utilization of an additional amount of $240,000 to restore funding for Outside Connections' visitor centers, IBF money has been committed and is not available for restoring substance abuse treatment services.

- KDOC currently supports a 100-bed male TC program with federal Residential Substance Abuse Treatment (RSAT) grant funds.

- The Department will seek to restore a 65- to 75-bed TC program using federal Byrne Grant funding and has submitted an application to that end.

- KDOC will continue to explore potential grant funding for treatment services.

K. Review past and future costs of not establishing a day reporting center or its equivalent in the Kansas City area; determination of whether costs are reduced when day reporting centers are operational. KDOC presently has two operational day reporting centers. The first to be established is located in Topeka; the second, in Wichita, opened toward the end of calendar year 2002. Although a third day reporting center was intended for the Kansas City area (specifically, Wyandotte County), plans for this one were never realized due to difficulties in securing an acceptable location for the center. As a result, the former Secretary of Corrections released the contractor from responsibility for establishing the Kansas City site. The current Secretary of Corrections has indicated he is pursuing a new effort to establish a service in the Kansas City area that would achieve similar outcomes to the day reporting centers while operating in a manner and location acceptable to the local community. The House Budget Committee requested the Secretary report on the cost of not establishing a day reporting center or its equivalent in the Kansas City area. As part of this report, the Committee also asked that the Secretary report on the cost benefit of such operations.

Based upon information received from the Kansas Sentencing Commission (KSC), a 60-slot day reporting center would reduce the need for additional bed capacity by an average of 150 beds annually over the fiscal year period 2004-2013. As long as KDOC's bed capacity is sufficient to house the inmates that otherwise would have been diverted from prison, there is not any cost associated with the absence of a day reporting center in the Kansas City area. The Secretary of Corrections explains this conclusion is based upon a comparison of the estimated marginal cost incurred to incarcerate 150 additional inmates ($300,000) and the estimated FY 2004 cost to operate a 60-slot day reporting center ($929,000). Once additional bed capacity is required, it can be assumed that a portion of the additional capacity would be attributable to the absence of a day reporting center. A detailed summary of the issue by the Secretary of Corrections will be distributed.

L. Explore possible mechanisms to control inmate healthcare costs/use of Medicaid or similar model to control inmate healthcare costs (Senate Subcommittee). The Senate Subcommittee noted it was cognizant of potential cost changes with respect to renewal of the systemwide contract for inmate health and medical care. The current contract will expire at the end of FY 2005. This impending contract change caused the Subcommittee to identify as a possible point of comparison the payment practices of other state agencies (such as the Department of Social and Rehabilitation Services and the Juvenile Justice Authority) for hospital care for their clients. Specifically, the Subcommittee was questioning whether it would be possible to utilize Medicaid rates, or a similar rate model, as a basis for payment. If such a plan were possible, the Subcommittee asked the Secretary to comment regarding whether the healthcare contractor should be required to implement similar practices.

According to the Secretary, it appears such a decision would not result in immediate savings for the state *with respect to the current contract*, but it would improve the contract's profitability for Prison Health Services, the current contractor, by decreasing hospital payments. In addition, it would establish a cost history that would be of benefit to the state when negotiating for medical services for inmates in the next contract cycle. A complete explanation of the issue by the Secretary of Corrections will be distributed.

M. Examine options to restore funding for the Visitors' Centers (House Appropriations Committee). The House Appropriations Committee requested the Secretary of Corrections report on any options that might be developed to restore funding for the Visitors' Centers operated by Outside Connections at Lansing, Hutchinson, Ellsworth and Norton. According to the Secretary, KDOC has identified Inmate Benefit Fund (IBF) resources to sustain a reduced funding level of $240,000 The amount that would have been expended in FY 2003, if the program had not been terminated, is $261,375.

The Secretary notes this reduced amount of $240,000 will be financed by using balances that were estimated to be available in KDOC and facility funds based upon the approved FY 2004 IBF budgets and by additional resources that were freed up in the Department's IBF budget (a) by freezing a position that was financed with IBF money, and (b) adding the $15,000 that would have been transferred to the Ombudsman for Corrections, had the Ombudsman office's funding not been eliminated for FY 2004.

In addition, KDOC has taken several steps to reduce the actual operating costs of the Visitors' Centers:

- Norton Correctional Facility -- Five buildings are located east of the medium-security compound that served as staff housing when the facility was a state hospital. If Outside Connections could obtain donated materials, which would allow KDOC to renovate three of those buildings, they could be made available at no cost for use by Outside Connections, with the capacity to provide overnight accommodations. It would be necessary for Outside Connections to maintain liability insurance as well as coverage for the repair of any damage beyond normal wear and tear. The Secretary notes this location would actually be more convenient for both visitors and the facility.

- Ellsworth Correctional Facility -- The City of Ellsworth rented an old motel, located across the street from the correctional facility, to Outside Connections for use as a visitors' center. When KDOC terminated the contract, the city agreed to make the building available to the program at no cost for the balance of the fiscal year. The Secretary states he has contacted the city to determine if the city would be willing to make the building available at no cost on a permanent basis, if the Department agreed to conduct the routine maintenance on the building. As has occurred in the past, the building could also be made available to the city to house stranded travelers or others needing shelter on a short-term basis, when it is not occupied by visitors to the facility.

- Lansing Correctional Facility (LCF) -- The federal government has made available to LCF some surplus buildings that can be disassembled and moved to the facility site. These are primarily small warehouse-type buildings. LCF will work to identify a building that could be used to house a visitors' center if materials could be donated to remodel and repair the interior as required to convert the building to such a purpose. It should be noted that the visitors' centers at Lansing and Hutchinson have not provided overnight shelter in the past, so the types of interior finishes required would not be as great as if it were planned to provide overnight accommodations. The building would be erected on facility property, and it could be provided rent free to Outside Connections.

- Hutchinson Correctional Facility -- A similar strategy using a surplus federal building is contemplated for HCF.

In order to align the operations of the Visitors' Centers more closely with the core functions of KDOC's public safety mission, the Secretary states Outside Connections would be expected to maintain and expand the recent effort to partner with KDOC's sex offender treatment contractor, DCCCA, to work with families of sex offenders regarding re-entry and management issues. Likewise, the Secretary indicates KDOC will encourage Outside Connections to develop programming (and pursue the appropriate revenue streams for that programming) targeted at youth offenders who are statistically much more likely to be incarcerated as adults than children who do not have an offender as a parent.

According to the Secretary, this plan, if implemented successfully, would bring two centers on line in July (Lansing and Ellsworth), and the others would be restored based on the availability of donated materials and construction/renovation schedules permitting.

N. SB 110 (Law). As determined in Conference Committee, SB 110 amends the Kansas Securities Act to (a) create graduated penalties for certain existing crimes – including violations of securities fraud statutes and the broker-dealer or agent registration statute – depending on the dollar amount at issue; (b) create several new crimes, and (c) increase civil penalties for violations of the Securities Act or a rule or order of the Securities Commissioner.

The Kansas Sentencing Commission (KSC) estimates that passage of this bill could increase prison admissions by two to twelve per year from FY 2004 through FY 2013. Based on this estimate, KDOC predicts the inmate population would be increased by four inmates in FY 2004 and by four to forty-three inmates by the end of FY 2013. KDOC estimates additional costs, for the gain of four inmates predicted for FY 2004, at the marginal cost level of $2,000 per inmate, or $8,000 for the year. Further, the Department states additional beds might be needed to implement the bill. One-time construction project costs for new housing units, as well as additional annual operating costs, would occur in this case. Construction costs are estimated to be $28,000 per bed for a double-celled (*i.e.*, medium security) or $56,000 per bed for a single-celled (*i.e.*, maximum security) unit. Annual operating costs would range from approximately $14,000 to $25,000 per inmate.

O. HB 2088 (Law). HB 2088 amends current law in regard to the provision of a release gratuity of $100 to offenders released from a KDOC facility to a detainer, if the offender is subsequently released from the detainer into the community within 30 days. The current restrictions for eligibility for a release gratuity for inmates released from prison but not to a detainer would apply to those offenders released to a detainer and subsequently returned to the community within 30 days.

KDOC estimates its expenditures would be increased by $33,400 as a result of authorizing gate pay eligibility for inmates released through a detainer, if released within 30 days. This amount, the agency states, could be absorbed within existing resources.

P. HB 2271 (Conference). HB 2271 amends several statutes regarding criminal offenses and their penalties:

- Theft – Increases sentences on the high-dollar end and decreases sentences on the low-dollar end, relating to the value of the theft of either property or services.
- Endangering a child – Expands the definition of the crime to include knowingly and intentionally causing or permitting a child under 18 to be present at a site where various activities regarding methamphetamine are taking place.
- Rape – Makes the penalty for a second or subsequent conviction of rape punishable under the persistent sex offender provisions, allowing up to a doubling of the sentence.
- Battery of a law enforcement officer – Expands the crime to include battery against a state, county, or city law enforcement officer with a motor vehicle, if the offender has actual knowledge that the person is a law enforcement officer and

the offender intended to commit the injury because the person is a law enforcement officer.

Fiscal Impact – House Version: HB 2271 as amended by the House would revise graduated penalties in the cases of criminal damage to property, in addition to the other changes. KSC estimates a net savings of 44 to 84 beds in FY 2004 under the House version of the bill. This translates into a KDOC marginal cost savings ($2,000 per inmate) of $88,000 to $168,000. By FY 2013 KSC projects a savings of 39 to 80 beds.

Fiscal Impact – Senate Version: The Senate Committee struck a section that would have made revisions to the graduated penalties for criminal damage to property. According to KSC, a net savings of 15 to 27 beds is projected for FY 2004 under the Senate version of the bill. This translates into a KDOC marginal cost savings ($2,000 per inmate) of $30,000 to $54,000. By FY 2013, KSC projects 26 to 108 additional prison beds will be needed.

Q. HB 2090 (Law). HB 2090 clarifies that organizations using inmates on work crews for public service are not agents of the state, except for the purpose of maintaining the confinement of the inmates, and, therefore, any negligence on the part of the organization or entity benefitting from the work performed would not be imputed to the state or KDOC.

According to KDOC, the bill's passage could have a fiscal effect, because it would reduce the Department's legal liability by making it difficult for the Department to be sued for negligence on the part of another agency in the supervision of inmate work crews.

R. SB 123 (Law). SB 123 authorizes a new sentencing policy for a defined group of nonviolent offenders convicted of drug possession. These offenders are required to participate in a mandated treatment program in lieu of incarceration or other penalties currently employed. Penalties are established for offenders failing to complete the mandated treatment program. KDOC is required to certify treatment programs, which will be supervised through Community Corrections, and KSC is required to award funding to the programs KDOC certifies. SB 123 contains a delayed implementation date of November 1, 2003.

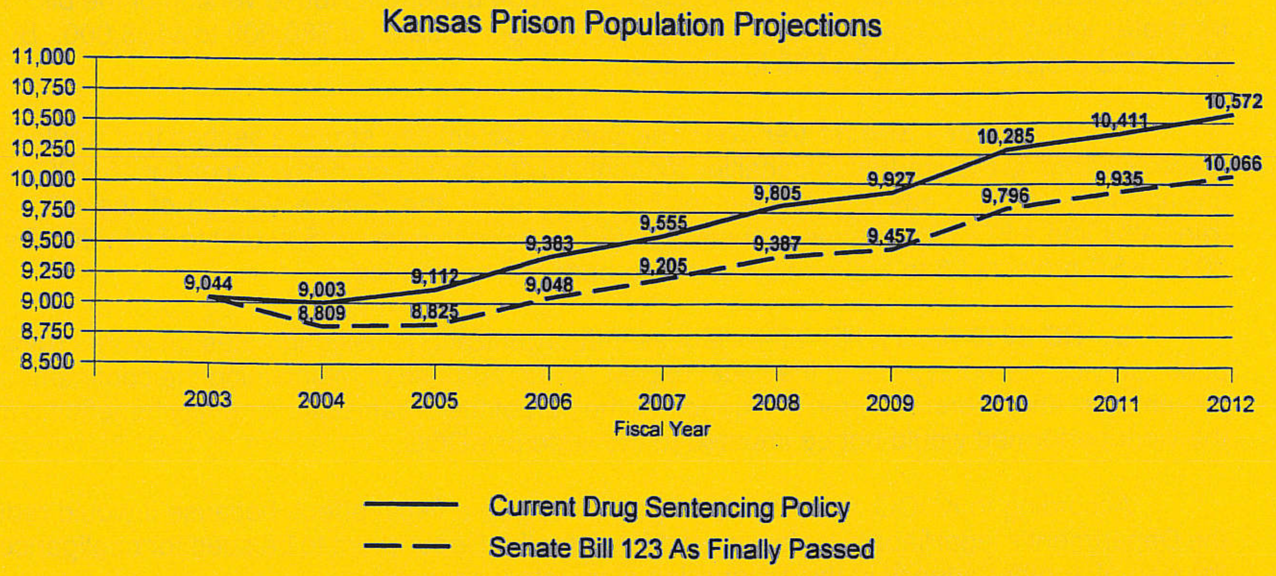
The bill is projected to result in lower per capita costs than for incarceration in the future, and it is projected to delay the need for constructing a new correctional facility. The bill also results in the need for additional funding if its provisions are to go into effect. (The bill contains a provision that renders the act ineffective if no funding is provided for the nonprison sanction of certified drug abuse treatment and supervision programs.) KDOC estimates it will need 3.0 FTE staff to certify drug treatment programs throughout the state. The estimated cost for the 3.0 FTE staff is $178,000.

According to KDOC, the average annual supervision cost per offender for Community Corrections is $2,906. The total increased funding for the Community Corrections' net caseload increase of 843 offenders, expected under the bill's provisions in FY 2004 after adjusting for the delayed implementation date, is $1,641,340 for the period from November 1, 2003 through June 30, 2004.

SB 123 also would require duties of the KSC. These duties and their expected costs are discussed elsewhere in this document under the Sentencing Commission.

Bed Space Impact of SB 123. KSC and KDOC estimate SB 123, as sent to the Governor, would save 194 beds in the first year of implementation (FY 2004), if the bill were to be effective at the beginning of the fiscal year. By FY 2013, the number of beds saved will be 517. Taking into account (a) the fact that the 194-bed savings will add up over the course of the year and (b) the delayed implementation date of November 1, 2003, KDOC estimates marginal costs totaling approximately $130,000 will be saved in FY 2004.

The following chart illustrates the effect of this projected bed space savings on the state's inmate population:



Source: Kansas Sentencing Commission

Once it is determined additional bed space is required, legislation and funding will be needed to commence construction on the new cell house(s). Earlier this Legislative session the Joint Committee on Corrections and Juvenile Justice Oversight introduced SB 10, which authorizes KDOC to initiate and complete capital improvements for the construction of two additional cell houses at the El Dorado Correctional Facility, subject to appropriation. The bill was referred to the Senate Ways and Means Committee and has received no hearing as of yet. If SB 10 were passed and funds were appropriated for this construction, KDOC estimates a total of approximately $14.4 million in construction costs would be needed. The cell houses would have a capacity of 256 maximum-custody or 512 medium-custody inmates. Additional annual operating costs for the facilities are estimated to average $20,200 per maximum-custody inmate or $14,100 per medium-custody inmate.

(See Attachment A for a summary of the total FY 2004 fiscal impact of the bill.)

Ombudsman for Corrections

A. Determine whether sufficient funding exists to continue the agency's operation from any source(s) associated with the Kansas Department of Corrections (Senate Subcommittee). Although the Senate Subcommittee concurred with the Governor's recommendation to not fund the Ombudsman's budget from the State General Fund (SGF), the Subcommittee noted its belief in the Ombudsman's value as an objective evaluator of inmate complaints and claims and recommended the Legislature pursue other sources of funding. The Subcommittee therefore requested the Secretary of Corrections evaluate whether funding exists from any source(s) related to the Kansas Department of Corrections (KDOC), including the Inmate Benefit Fund (IBF).

Because of the Governor's recommendation to eliminate the Ombudsman's budget, that agency's funding was actually considered at several different junctures during the Legislature's budget deliberations, in addition to being considered on its own by the Senate and House committees established for that purpose. Other recommendations were made to fund the budget – for example, by using newly generated SGF money from a net increase of 62 work release beds into the state's adult correctional system (from required room and board reimbursements). However, the Conference Committee for SB 6 (Mega budget bill) agreed to not fund the Ombudsman's budget. Amounts adding up to the total new work release money were committed to other agencies.

In response to the original request by the Senate Subcommittee, the Secretary of Corrections indicates no additional funding is available, given previous analyses and extant priorities for KDOC as reported elsewhere in this document.

Real Estate Commission

A. Supplemental Request (House Budget Committee). The House Budget Committee recommended that the agency's FY 2003 supplemental request of $29,500 for the purchase of an electronic data base system be considered in the Omnibus Bill. The supplemental request was funded by the Senate and the House concurred with the Senate in Conference Committee. The agency's FY 2003 expenditure limitation increased in SB 6 to provide funding for the supplemental request.

Securities Commissioner

A. Current Financial Status (Senate Subcommittee). The Senate Subcommittee recommended a review of the financial status of the Office of the Securities Commissioner during Omnibus to determine if the 5.9 percent reduction ($128,461) might force the agency to layoff employees. The agency reported to the Senate Subcommittee in a letter dated April 11, 2003, that the agency would prefer a lesser cut than the 5.9 percent. The agency has indicated they would be able to manage the 5.9 percent reduction, however, the reduction may require the agency to layoff two employees.

Kansas Corporation Commission

A. Well Plugging Status (House Committee). The House Committee recommended the agency report back before Omnibus to update the House Budget Committee on the current status of well plugging activities. The agency reported to the House Budget Committee the procedures for processing/sale of salvage materials at State funded well plugging operations, the current number of wells being plugged, the bid process for awarding contracts to plug wells, and well plugging activities in the Chanute area. The agency then presented to the House Committee written testimony of those items presented to the House Budget Committee.

B. HB 2018 (Law). HB 2018 would create the Renewable Energy Electricity Generation Cooperative Act. In addition, the bill would authorize the Kansas Development Finance Authority (KDFA) to issue revenue bonds to finance the construction, upgrade, or acquisition of electric transmission lines. The bill would also impose duties on KCC related to interconnection agreements between electric utilities and generators of electricity from renewable resources. The KCC anticipates contracting with consultants to determine prudent fees for interconnection agreements. The anticipated cost for such consultants is $25,000.

Department of Human Resources

A. Governor's Budget Amendment. Governor's Budget Amendment No. 1, Item 1, placed a moratorium on the one week waiting period in FY 2004. The GBA included $13,906,097 for additional unemployment benefits and $1,892,855 for administrative costs, for a total of $15,798,952 from federal Reed Act funds. Due to concerns about constitutionality, the language pertaining to the moratorium was deleted from the appropriations bill by both the House and Senate Committees. The House Committee recommended the adoption of the funding portion of the GBA. The Senate Committee did not recommend the GBA and recommended the introduction of bills (SB 269 and SB 270) to provide for the moratorium language and to place the waiting period at the end of the unemployment benefits instead of the beginning. Also, the Senate Committee recommended reviewing the status of the GBA at Omnibus. In a floor amendment on SB 263, the Senate added the $1,892,855 in administrative costs. In the Conference Committee, the House concurred with the Senate to delete the remaining $13,906,097 of the GBA. The Senate Committee of the Whole amended HB 2332 to add the provisions extending unemployment benefits by two additional weeks at the end of the benefit period for a one-year period (provisions similar to the contents of SB 269). In the Conference Committee on HB 2332, the House concurred with the amendment. The Department of Human Resources anticipates a fiscal impact of additional unemployment benefits to be paid from Employment Security Benefit Fund to be $9 million.

B. HB 2332 (Law). In addition to extending unemployment benefits by two weeks, HB 2332 also amends the Employment Security Law by doing away with the current requirement that a person's unemployment benefits have 50 percent of Social Security and Railroad Retirement Act benefits deducted from unemployment benefit payments. The Department of Human Resources indicates the fiscal impact to be that unemployment benefits from the Employment Security Trust Fund would increase by $1.2 million.

Department of Administration

A. GBA No. 3, Item 5, Page 3 – Public Broadcasting Grants

B. KANS-A-N Long Distance Rates (House Budget Committee). The House General Government and Human Resources Budget Committee indicated it wished to further consider the issue of KANS-A-N long distance rates. The Division of Information Services and Communications (DISC) of the Department of Administration had announced a per-minute increase for KANS-A-N long distance calls (from $0.035 to $0.055) and for KANS-A-N calling card calls (from $0.055 to $0.075) in FY 2004. This increase was included in the budget cost indices used by agencies at the time their budgets were submitted. Several state agencies, during the course of budget presentations, had expressed concern with the rate increase and the overall impact on their individual budgets. Subsequent to the Budget Committee's recommendation, the Secretary of Administration directed DISC to hold the increases at the FY 2003 rate for FY 2004. DISC estimates FY 2004 savings to agencies of approximately $710,000, with approximately one-half of that amount ($355,000) from the State General Fund.

Legislative Post Audit

A. SB 8 (Law). Senate Bill 8 was recommended by the Legislative Post Audit Committee. It would add language to the Legislative Post Audit Act (KSA 46-1106) to make the scope of the annual statewide financial-compliance audit and the scope of the biennial investment performance audit for the Pooled Money Investment Board identical, thus eliminating the separate biennial audit.

The Board's practices are currently reviewed as part of two separate audits, with the investment performance audit contracted out by the Board and the financial-compliance audit performed under a contract with the Legislative Division of Post Audit. The audit is conducted by an outside accounting firm hired by the Legislative Division of Post Audit. According to the fiscal note by the Division of the Budget and testimony provided by the Board, enactment of SB 8 would save $10,000 in special revenue funds every other year beginning in FY 2004.

Legislature

A. Veto: Information Technology Projects Proviso. Section 133 of SB 6 was line item vetoed in its entirety. The proviso restricted expenditures for technology hardware, software, and networks until the Director of the Budget certified to the Director of Accounts and Reports that an agency had complied with all statutory reporting requirements. In the veto message, the Governor indicated the reason for the veto was the duplication of existing budget instructions, an unduly burdensome certification process, and a possible loss of time and money.

B. Proviso (Technical Adjustments). A proviso in SB 6 requiring the Legislative Coordinating Council to approve the number of meeting days for any joint committee of the Legislature inadvertently omitted an exemption for the Joint Committee on State Building Construction which was intended to be included by the Conference Committee on SB 6.

Board of Barbering

A. GBA No. 3, Item 8, Page 4 – Special Project Position.

Parole Board

A. GBA No. 3, Item 31, Page 14 – Change Parole Board Member Reduction Date.

Board of Regents

A. Salary Savings Proviso Review (House Budget Committee). The House Budget Committee recommended Omnibus review of a proviso adopted during the 2002 Legislative Session which prohibits the shifting of any salary savings in FY 2003 to other areas of expenditure. Subsequent to the Budget Committee's recommendation, the Conference Committee on SB 6 agreed to eliminate the proviso in question.

B. Allocation Of New Comprehensive Grant Funding (House Budget Committee). During budget review for the Board, the Budget Committee received testimony that in prior years increased funding for the Comprehensive Grant program has been allocated 57 percent to State Universities, 38 percent to private institutions and 5 percent to Washburn University. The Budget Committee recommended that the Board and representatives of the various sectors meet to review this allocation method and that the Board report to the Budget Committee on the allocations of new program monies by Omnibus. Subsequent to the Budget Committee's recommendation, the Board testified to the Senate Ways and Means Subcommittee that the current allocation formula would be retained for FY 2004.

C. Alternative Teacher Certification Program Expansion (House Budget Committee). The Budget Committee recommended Omnibus review of expansion of alternative teacher certification programs which help address the need for teachers by providing teacher training to people who have degrees in areas besides teaching. The Board of Regents has requested $900,000 in FY 2004 to establish alternative teacher certification programs at FHSU and ESU and to expand the PSU program.

D. Technical Education Issues (House Budget Committee). The House Budget Committee directed the Board to study several issues relating the current technical education funding system and to report back to the Budget Committee on the progress of the analysis.

E. Community College Flexibility (Senate Subcommittee). The Senate Subcommittee recommended that the Trustees of the community colleges explore what the Legislature might do to give them additional flexibility in meeting budgetary challenges without reducing services or increasing the burden on local property tax payers and to report back to the Subcommittee by Omnibus.

F. HB 2009 (Law). HB 2009 increases registration fees for proprietary schools and general educational development (GED) credentials. The Board requests $35,000 from the proprietary school fees and 0.5 FTE positions in FY 2004 to increase the oversight of proprietary schools as recommended in a recent Division of Post Audit analysis. The Board requests $24,000 from GED fees for the provisions of GED-related services, primarily the certification of GED credentials.

G. Governor's Veto. The Governor vetoed a proviso included in SB 6 which would have required the Board to remove the funding of any department or division of any state university which expends funds for the purchase or display of any videos in an undergraduate human sexuality class which are legally obscene.

State Universities Systemwide

A. Substitute for House Bill 2036 (Law). Sub. for HB 2036 includes a provision which requires that all bulk motor-vehicle fuels purchased by any state agency or individual purchases for use in state-owned motor vehicles be fuel blends containing at least 10 percent ethanol as long as the price is not more than 10 cents per gallon greater than regular fuel. In addition, the bill requires that when there are diesel fuel purchases for state-owned diesel powered vehicles and equipment, those purchases are to be a 2 percent or higher blend of biodiesel. The University of Kansas indicates that compliance with this provision will cost an additional $8,100 in FY 2004. Emporia State University reported that the provision would result in an unidentified cost increase. The other State Universities did not submit a fiscal note on the provision but presumably would also face increased costs in the operation of their vehicles.

Wichita State University

A. Aviation Research Initiative. (House Budget Committee). The House Budget Committee recommended that FY 2004 funding for aviation research at WSU be considered during Omnibus. Subsequent to the Budget Committee's recommendation, the Conference Committee on SB 6 agreed to provide $1.0 million from the EDIF for the program.

Kansas State University Experimental Stations and Agriculture Research Programs

A. Sustainable Agriculture Research (House Budget Committee). During budget review the Budget Committee received testimony which questioned the level of resources committed by KSU-ESARP to sustainable agriculture initiatives. The Budget Committee also learned that KSU-ESARP is currently in the process of developing their five year research plan. The Budget Committee recommended that KSU-ESARP meet with those parties interested in sustainable agriculture and report back to the Budget Committee on the opportunities for inclusion of sustainable agriculture in future research activities and their five year plan by Omnibus.

University of Kansas

A. GBA No. 3, Item 3, Page 2 – Transfer from Construction Defects Recovery Fund

B. GBA No. 3, Item 21, Page 10 – Bonding Authority for Hashinger Hall

University of Kansas Medical Center

A. GBA No. 3, Other Issues, Page 17 – Children's Initiatives Fund

B. Medical Student Loan Program (House Budget Committee). The House Budget Committee recommended that consideration be given during Omnibus on FY 2004 funding for the Medical Student Loan Program. At the time of the Budget Committee's review, no funding was available for any new loans in FY 2004. Subsequent to the Budget Committee's recommendation, the Conference Committee on SB 6 agreed that sufficient loan repayment funds were available to support at least 20 new loans in FY 2004.

C. Pediatric Biomedical Research (House Budget Committee). The House Budget Committee recommended that consideration be given during Omnibus on FY 2004 funding for the Pediatric Biomedical Research program. The University had requested $1.0 million from the CIF to continue state support for the program while the Governor recommended no state funding for the program. Subsequent to the Budget Committee's recommendation, the Conference Committee on SB 6 agreed to provide $700,000 CIF for the program in FY 2004.

State Department of Education

A. GBA No. 3, Item 19, Page 9 – School Finance Consensus Adjustments

B. GBA No. 3, Item 20, Page 10 – KPERS School

C. GBA No. 3, Other Issues, Page 17 – Renewal of Mill Levy

D. Revised School Finance Estimates and GBA No. 3, Item 19, Page 9. Staff from the State Department of Education, the Division of the Budget, and the Legislative Research Department met April 16, 2003, to reevaluate school finance estimates that had been made in November for FY 2003 and FY 2004. For the current year, actual information on enrollments and local resources caused the staff to revise the estimates by adding 1,399 weighted full-time equivalent (FTE) students and by increasing available local resources by about $2,400,000.

The increase in local resources almost exactly offsets the amount of additional resources needed for general state aid in FY 2003 in order to fund the increased enrollment, falling short by only $4,000. The amount of money available for supplemental general state aid is estimated to be $427,000 more than necessary. Pursuant to the authorization contained in SB 6, which allows the State Department to reappropriate savings from one year to the next, the $427,000 would be carried forward and be used to fund supplemental general state aid in FY 2004.

For FY 2004, the estimators again increased both the number of FTE students and local resources from the original estimate made in November 2002. This time, the increase in local resources is not considered to be enough to offset the increase in enrollments and it is estimated that a total of $3,268,000 from the State General Fund would be needed in FY 2004 to fund BSAPP and supplemental general state aid at the allotment rate of $3,863. Of the total, $2,901,000 would be for general state aid and $367,000 would be for supplemental general state aid. Failure to appropriate the additional amount for general state aid would result in a reduction of about $5.01 per FTE student.

The table below summarizes revisions made to the school finance estimates. (Amounts are in thousands.)

	Approved FY 2003	Revised FY 2003	Difference FY 2003	Approved FY 2004	Revised FY 2004	Difference FY 2004
Gen. State Aid	$ 1,792,480	$ 1,792,484	$ 4	$ 1,777,788	$ 1,780,689	$ 2,901
Supp. State Aid	148,427	148,000	(427)	156,383*	156,750	367
TOTAL	$ 1,940,907	$ 1,940,484	$ (423)	$ 1,934,171	$ 1,937,439	$ 3,268

* Assumes the reappropriation of $427,000 in savings from FY 2003.

E. Revised Estimates for KPERS-School and GBA No. 3, Item 20, Page 10. The staff that met April 16 to consider school finance estimates did not change the estimate for KPERS-School in the current year. The amount available for FY 2003 is $112,147,986 from the State General Fund and takes into account a reduction of $4,600,000 due to the approved death and disability moratorium. The total is $6,127,214 less than is estimated to fully fund the entitlement, but because of the state's revenue situation, that amount has been added to the appropriation for FY 2004 and will be paid after the end of the current fiscal year, plus $72,461 as a late payment charge.

For FY 2004, the staff determined that, because the salary base is expected to be smaller than originally estimated, $3,000,000 from the State General Fund that was appropriated in 2003 SB 6 for KPERS-School can be lapsed. Another $15,400,000 will be lapsed from the appropriation due to the death and disability moratorium. Assuming these lapses, the KPERS-School appropriation would be $120,540,758, which includes $6,127,214 for the money that is part of the FY 2003 entitlement, plus $72,461 for the late payment charge.

F. No Child Left Behind Waiver. The Conference Committee on SB 6 decided to defer to Omnibus Bill consideration the matter of requiring the State Department of Education to seek a waiver from the provisions of the No Child Left Behind Act. The requirement was contained in a House floor amendment to the State Department's budget and stipulated that no expenditures could be made in FY 2004 for agency operations unless the State Department makes a request to the U.S. Department of Education for a waiver.

G. Statutory Programs That Are Unfunded or Underfunded. The House Budget Committee that considered the budget of the State Department of Education recommended that, in the event additional revenues become available, consideration should be given in the Omnibus Bill to adding funding for statutory programs that are unfunded or underfunded. Statutory programs that are not fully funded in FY 2004 are the following:

- Mentor Teacher Program–Not funded. The State Department requests $2,500,000 in FY 2004 to fund mentors of teachers in the three-year probationary period.

- Inservice Education Program–Not funded. The State Department requests $7,500,000, which would fully fund the state's share of the program in FY 2004. Of that total, $4,900,000 is part of the State Department's enhancement request.

- Governor's Teaching Excellence Awards–Funded at $56,000. A total of $150,000 is requested to fully reimburse school districts in FY 2004 for $1,000 bonuses for teachers who attain National Board certification.

- Base State Aid Per Pupil–Funded at $3,863 (this amount does not reflect the revised school finance estimates). In order to fully fund BSAPP at the statutory rate of $3,890, an additional $15,620,553 for general and supplemental general state aid is needed in FY 2004 in order to increase BSAPP by $27 to the statutory rate.

H. USD 423 (Moundridge). The House Appropriations Committee recommended that issues relating to funding for USD 423 be considered in the Omnibus Bill. At the time of the recommendation, the school district was suing the State Board of Education because the State Board had disallowed state aid payments of approximately $1.0 million for 360 students who were enrolled in the Mid-Kansas Independent Academy.

In early April, the State Board of Education and the board of education of USD 423 reached an agreement that ended the lawsuit which was pending in McPherson County District Court. The agreement specifies that the district's Academy will be closed and its charter revoked effective at the end of the current school year. Its current enrollment will be counted in determining the amount of state aid due to the district for this year. However, the district will not be allowed to include the Academy's enrollment in the preparation of its budget for any future school year.

I. SB 74 (Law). SB 74 requires the State Board of Education to develop curriculum, materials, and guidelines for personal literacy programs at all grade levels for use in public and accredited nonpublic schools. Implementation of the programs is optional at the local level. The State Department of Education estimates it will cost $16,000 in FY 2004 to develop the materials and for printing and postage. In testimony before the House and Senate Education Committees, Jill Docking informed members that Financial Fitness Foundation, a 501(c) (3) organization, will pledge to raise $15,000 in support of the program.

J. SB 83 (Law). SB 83 concerns schools and school district budgets. It implements recommendations of the School District Budget Task Force, including the consolidation of some funds and the abolition of others. It also authorizes school districts to carry forward unexpended balances in all funds except the general and the supplemental general funds instead of showing the money as being spent. Beginning on July 1, 2004, the bill requires that changes be made in forms for annual school district budgets, requires that a form for a summary of proposed school district budgets be developed, and mandates school district profiles based on the district's adopted budget.

The State Department will have to develop and rewrite computer programs to implement the changes and requirements imposed by the bill. The State Department's costs to implement the bill are estimated to be $16,000 in FY 2004. It is the State Department's plan that school districts will access the forms on the Internet. Implementation costs to the districts of SB 83 are expected to be minimal.

Attorney General

A. Attorney General Veto. The Governor vetoed Section 29(d) of SB 6 which would have given the Attorney General flexibility to transfer money in FY 2004 from State General Fund agency operating accounts to water litigation accounts or from one water litigation account to the other. The Legislature added the provision to give the Attorney General flexibility to fund Colorado and Nebraska water litigation and made the policy permanent by enacting substantive legislation (HB 2456). Because HB 2456 has been signed by the Governor, the provision in SB 6 is unnecessary.

Board of Veterinary Examiners

A. Review expenditure levels (House Budget Committee). The Governor's recommendation included operating reductions of $15,000 in FY 2004 and $65,000 in FY 2005 resulting from the agency's initial revenue projections. Following the hearing on the agency's budget, the agency provided revised revenue projections to the House Budget Committee. The agency estimates revenue to be $37,200 higher for FY 2004 and FY 2005 than originally anticipated. Due to the Budget Committee receiving the information after the hearing, the Budget Committee recommended that this item be deferred to Omnibus consideration.

The agency lowered revenue projections for FY 2004 and FY 2005 in response to discussion at the national level to shift licensure exam applications from the state to national level. The agency reported that the national testing organization met in January 2003, and officials with the national organization confirmed that discussion on moving the applications to a national system appear to be dead. As a result of this meeting, the agency submitted a revised revenue estimate to the Legislature and requested an increase in operating expenditures from the Governor's recommendation. The following table shows the agency's revenue and expenditure levels based on the revised request.

Fee Fund Analysis: Agency Revised Estimate

Resource Estimate	Actual FY 2002	Agency Estimate FY 2003	Agency Request FY 2004	Agency Request FY 2005
Beginning Balance	$ 373,277	$ 277,736	$ 181,631	$ 114,608
Net Receipts	193,101	180,324	187,200	202,199
Total Funds Available	$ 566,378	$ 458,060	$ 368,831	$ 316,807
Less: Expenditures	288,642	276,429	254,223	279,047
Ending Balance	$ 277,736	$ 181,631	$ 114,608	$ 37,760
Ending Balance as Percentage of Expend.	96.2%	65.7%	45.1%	13.5%

Kansas Commission on Veterans' Affairs

A. Kansas Soldiers' Home staffing levels (House Budget Committee and Senate Subcommittee). The Committees heard testimony regarding the staffing levels at the Kansas Soldiers' Home. For FY 2004, the shrinkage rate at the Home is at 21.5 percent. For FY 2003, the shrinkage rate is set at 18.6 percent, with 25 FTE positions currently being held vacant. This results in 20 beds being left unfilled. The agency reported to the Senate Subcommittee that for FY 2004 a shrinkage rate of 12.5 percent would be adequate to fill all of the vacant beds. For FY 2004, $442,108 would be required to meet this rate. (Note: In SB 6, the Legislature added $440,000 to the Kansas Soldiers' Home directing that the funding be used for salaries and wages for direct care personnel for Halsey Hall at the Kansas Soldiers' Home)

Kansas Department of Agriculture

A. Information Technology Support (House Budget Committee). The Committee heard testimony that the Department of Agriculture (KDA) provides information technology support and staffing for the Kansas Water Office (KWO) and the State Conservation Commission (SCC). During FY 2000, $20,100 from the State General Fund and $6,700 from the SCC's Land Reclamation Fee Fund were added to KDA's budget for this service. The KDA included the elimination of this support in a reduced resources package for FY 2004 citing that the KWO and the SCC have not provided the KDA with continued funding for service. Some disagreement regarding the funding for this service exists between the three agencies. The Committee recommended that the three agencies work with the Division of the Budget to resolve the issue and to report on the progress or resolution of this issue during Omnibus. A no limit information technology fund was created for the KDA in Senate Bill 6 in the event that it is determined that a transfer from the KWO and the SCC to the KDA is necessary to maintain the IT support. According to a letter from the Division of the Budget to the Chair of the Agriculture and Natural Resources Budget Committee dated April 15, 2003, the issue has been resolved.

Animal Health Department

A. Update on status of HB 2443 (House Budget Committee). The Committee recommended the introduction of HB 2443 which would require all dogs, cats, and ferrets in the state to be vaccinated for rabies and a two dollar surcharge be assessed for the vaccination. The revenue from the surcharge would be used to support the agency's animal facilities inspection program. The bill was introduced and referred to the House Appropriations Committee. A hearing has not been held on the bill.

B. Review Payment of Humane Society Relinquishment Fee (Senate Subcommittee). The Subcommittee noted that the agency request included an enhancement package of $5,000 to pay a relinquishment fee to humane societies for animals in state custody which are surrendered to the societies. Once the animal is surrendered, the humane society bears the cost of veterinary treatment, housing, and food. Most humane societies charge a $7 to $10 fee to accept an animal from the general public. The pounds and shelters have not charged this fee to the agency, but several have asked the agency to consider providing compensation.

C. Review Funding for Kennel Inspector Positions (Senate Subcommittee). The Subcommittee noted that the agency is currently holding one animal facility inspector position open to meet funding reductions in the agency. Funding of $34,246 ($13,305 SGF) would be needed to fund this position. In addition, the agency requested funding of $66,124 SGF and 2.0 FTE for additional animal facility inspectors. According to the agency, inspectors in the program are already working overtime to handle the workload. The agency does not have enough funding to pay overtime, so inspectors currently use their overtime hours as compensatory time. This allows them to take additional time off creating a further backlog of inspections and other work. In addition, when the agency is required to make an animal seizure, inspectors from across the state are sometimes required to help with the seizure, taking them for their regular work duties and requiring them to work additional overtime hours.

State Conservation Commission

A. Information Technology Support (House Budget Committee). The Committee heard testimony that the Department of Agriculture (KDA) provides information technology support and staffing for the Kansas Water Office (KWO) and the State Conservation Commission (SCC). During FY 2000, $20,100 from the State General Fund and $6,700 from the SCC's Land Reclamation Fee Fund were added to KDA's budget for this service. The KDA included the elimination of this support in a reduced resources package for FY 2004 citing that the KWO and the SCC have not provided the KDA with continued funding for service. Some disagreement regarding the funding for this service exists between the three agencies. The Committee recommended that the three agencies work with the Division of the Budget to resolve the issue and to report on the progress or resolution of this issue during Omnibus. A no limit information technology fund was created for the KDA in Senate Bill 6 in the event that it is determined that a transfer from the KWO and the SCC to the KDA is necessary to maintain the IT support. According to a letter from the Division of the Budget to the Chair of the Agriculture and Natural Resources Budget Committee dated April 15, 2003, the issue has been resolved.

Kansas Water Office

A. Authority for Internal Transfer of Funds (Veto). The Governor vetoed the proviso granting the Kansas Water Office the authority to shift funds between line-item appropriations of the State Water Plan Fund (SWPF) with the approval of the Kansas Water Authority. Other state agencies, including other agencies with multiple line-item appropriations of the SWPF, have this authority with approval by the Director of the Budget. The Governor states that this proviso departs from the authority granted to other agencies and grants authority to make budgetary decisions entirely to the Kansas Water Authority. The Governor requests that the Legislature restore the original language placing the approval of the transfer with the Director of the Budget.

B. Information Technology Support (House Budget Committee). The Committee heard testimony that the Department of Agriculture (KDA) provides information technology support and staffing for the Kansas Water Office (KWO) and the State Conservation Commission (SCC). During FY 2000, $20,100 from the State General Fund and $6,700 from the SCC's Land Reclamation Fee Fund were added to KDA's budget for this service. The KDA included the elimination of this support in a reduced resources package for FY 2004 citing that the KWO and the SCC have not provided the KDA with continued funding for service. Some disagreement regarding the funding for this service exists between the three agencies. The Committee recommended that the three agencies work with the Division of the Budget to resolve the issue and to report on the progress or resolution of this issue during Omnibus. A no limit information technology fund was created for the KDA in Senate Bill 6 in the event that it is determined that a transfer from the KWO and the SCC to the KDA is necessary to maintain the IT support. According to a letter from the Division of the Budget to the Chair of the Agriculture and Natural Resources Budget Committee dated April 15, 2003, the issue has been resolved.

Board of Healing Arts

A. Information Technology Projects (Senate Subcommittee and GBA No. 3, Item 10, Page 5 – Upgrade Computer System). The Senate Subcommittee noted the Board's efforts to upgrade its computer system and recommended a review of the upgrade plan prior to Omnibus. The Board outlined its need for computer upgrade and cost estimates in a proposal submitted to the Division of the Budget requesting a Governor's Budget Amendment for an increase in the Board's expenditure limitation for FY 2004 by $300,000 and for FY 2005 by $250,000. The Board is not requesting a supplemental for the current year expenditure limitation.

The cost estimates for the upgrade, the Board states, includes on-line renewals for all practitioners, making all forms available on-line, complaint tracking system, investigation and case management system, an expanded practitioner database, and an electronic document management system to support public access, paperless meetings and records preservation. The Board states that its current computer system was installed in 1990. The Board also states that it is in the process of developing an IT project plan and is seeking approval by the Executive Chief Information Technology Officer prior to Omnibus.

B. SB 225 (Law). Senate Bill 225 changes the level of credentialing for physical therapists from registration to licensure. For FY 2004, the Board estimates that the implementation of the bill would increase its operating expenditures by $5,150. The Board would continue to use its current fee schedule for physical therapists and does not expect to see an increase in its fee revenue from the issuance of licenses or temporary permits associated with the passage of SB 225. The Board states that the increased expenditures would require an increase in its expenditure limitation for FY 2004.

Kansas Dental Board

A. Move-related expenses (Senate Subcommittee). The Senate Subcommittee recommended a review of the Board's FY 2004 budget prior to Omnibus to look at any necessary adjustments related to move costs. The Board estimates one time costs associated with the move to the Landon State Office Building of $10,372. In addition, the Board notes an 11.1 percent increase ($1,675) in annual operating expenses associated with the move to the state building, including increased rent, DISC and e-mail fees.

Kansas Guardianship Program

A. Review of FY 2004 Funding (Senate Subcommittee). The Senate Subcommittee recommended a review of the agency's FY 2004 funding level at Omnibus. The Subcommittee recommended an addition of $30,000 from the State General Fund be considered for addition at Omnibus to bring the funding to a level that the agency believes will ensure the program's integrity.

SRS State Hospitals

A. Federal Funding (House Budget Committee). The Social Services Budget Committee recommended a review of the federal funding for the state hospitals, including Disproportionate Share (DSH) and Title XIX, prior to Omnibus. The Department of Social and Rehabilitation Services stated that the amount of federal funds available to the state hospitals is declining. The primary reasons cited for the decline were declining Disproportionate Share Funding and Adverse Medicaid Findings by the Centers for Medicare and Medicaid Services (CMS). The following chart shows a summary of the actual and budgeted sources and uses of federal funds for FY 2002, FY 2003, and FY 2004.

Title XIX Medicaid	FY 2002	FY 2003 GBR	FY 2004 GBR
Balance Forward from Previous Year	$ 23,242,552	$ 11,129,376	$ 3,430,149
Collections from Medicaid Fee for Service	25,845,761	34,337,023	26,375,413
Collections from Disproportionate Share	18,429,320	15,300,265	14,948,104
Collections/(Pay Back) from Audit Settlements	6,597,633	(6,268,032)	0
Expenditures for Hospital Services and Operations, Physician Malpractice, and Consultants	(62,985,890)	(51,068,483)	(44,360,825)
Balance	$ 11,129,376	$ 3,430,149	$ 392,841

The agency states that over the next two budget years, Title XIX revenue is projected to meet budgeted expectations while citing two concerns that may have a negative impact on these projections.

Disproportionate Share for Hospitals. The agency cited developments in this program that allows qualified hospitals, including the state mental health hospitals, to collect additional federal Medicaid funding if the hospital serves a much higher than usual percentage of indigent persons for whom it receives no other reimbursement. In 2000, Congress limited the amount of each state's DSH allotment that is allowed to be transferred to state mental health institutions. In 2003, Congress passed another law that allowed for increased access to DSH, but kept the limitation on the transfer to the state mental health hospitals. SRS noted that it has studied the federal rules and sought input from independent consultants to maximize the amount of DSH that can be transferred. The agency further noted that "not only can no additional DSH funds be accessed, but the amount of DSH funds is likely to decline even further in FY 2005 as we experience the full effect of the new federal rules."

Adverse CMS Findings. SRS had noted in its testimony to the committees that the Centers for Medicare and Medicaid Services (CMS) had deferred a $11.2 million Medicaid claim for the state mental health hospitals. SRS noted that it has "responded to the deferral with the necessary information to validate the claim." The agency further noted that if CMS persisted in their position and denied the claim, the agency plans to appeal their denial, while noting that federal rules allow would allow the state to keep federal funds while the appeal is being processed. If the appeal is not successful, SRS noted that there will be "a significant shortfall in Title XIX funds in FY 2004, and SRS may be required to pay interest to CMS."

B. Education Services for Children and Adolescents (House Budget Committee). The Social Services Budget Committee recommended a review of education services provided for children and adolescents within the state hospitals' setting, prior to Omnibus. SRS noted that two state laws govern how children in the state hospitals are provided education services:

- KSA 72-970 requires every state institution to provide special education and related services for "exceptional" children in state institutions. These services must meet the standards and criteria set by the State Board of Education. State institutions, the department noted, may contract with local school districts or other appropriate agencies to provide education services. The requirements apply, the agency noted, to "nearly all children under 22 years of age served by the three state mental health and two developmental disability institutions".

- KSA 72-8223, the agency noted, further requires SRS to pay the local school district for children in state hospitals whose education is provided by a local school district. The tuition that SRS is charged is based on the individual district's operating costs minus any categorical aid the district receives from the Board of Education.

The laws, SRS also noted, mean that the state hospitals may contract with either local or inter-local school districts to provide education services. The districts apply for and receive categorical aid for the education that are provided to the children in the state hospitals. This negotiated cost minus what the districts receive in categorical aid is paid out of the state hospitals' appropriations.

C. Teacher Salary. The Department of Education estimates an average statewide salary increase for teachers of 2.0 percent. The Governor's recommendation and legislative action to date for FY 2004 includes teacher salary increase within the education contracts. The education contracts in the FY 2004 budgets show teacher salary adjustments at the following percentages: 0.0 percent change from FY 2003 for Parsons State Hospital and Training Center and 4.0 percent increase for Larned State Hospital in teacher salary. The numbers for Larned State Hospital have been adjusted to reflect the decrease in FTE positions from FY 2003 to FY 2004 due to the change in the educational contract created by the opening of the new Larned Juvenile Correctional Facility. The Kansas Neurological Institute and Rainbow Mental Health Facility also have education contracts, but due to the nature of the contracts, adjustments are not necessary. The following table illustrates the adjustment necessary to provide uniform salary increases across the institutions.

Percent Increase	Parsons State Hospital and Training Center	Larned State Hospital*	Total
0.5%	$ 1,725	$ 4,230	$ 5,955
1.0%	3,450	8,460	11,910
1.5%	5,175	12,690	17,865
2.0%	6,899	16,920	23,819
2.5%	8,624	21,150	29,774
3.0%	10,349	25,380	35,729
3.5%	12,074	29,610	41,684
4.0%	13,799	33,840	47,639

* The estimates for Larned State Hospital include the percentage amounts in addition to the budgeted increase.

D. Categorical Aid. For FY 2003, the budget school contracts for the institutions include categorical aid based on a rate of $19,000 for Parsons State Hospital and Training Center, and $19,000 for Larned State Hospital. Due to the nature of the contract, an adjustment at Rainbow Mental Health Facility is not necessary. In addition, as part of a reduced resources package submitted to and approved by the 2002 Legislature, KNI no longer has expenditures for Special

Education. An agreement was made with USD 609 that the school district would continue to provide education programs for the students who live at KNI in exchange for the use of classrooms in the Wheatland Building for the education programs the district provides to other Shawnee County school districts. The current FY 2003 categorical aid rate per eligible teaching unit is estimated to be at $19,485. If this rate is maintained, the school contracts for FY 2003 at the institutions would need adjustments. The table below identifies the State General Fund adjustment required.

Institution	FY 2003 Change
Parsons State Hospital and Training Center	$ 2,756
Larned State Hospital	1,370
TOTAL	$ 4,126

For FY 2004, the categorical aid rate was budgeted at $19,000 for Parsons State Hospital and Training Center, and $19,000 for Larned State Hospital. Due to the nature of the contract, an adjustment at Kansas Neurological Institute and Rainbow Mental Health Facility is not necessary. The current FY 2004 categorical aid rate is estimated to be at $19,150. The table below identifies the State General Fund adjustments required.

Institution	FY 2004 Change
Parsons State Hospital and Training Center	$ 871
Larned State Hospital	7
TOTAL	$ 878

State Treasurer

A. Review of FY 2004 Funding (House Budget and Senate Subcommittee). The budget committees recommended a review of the agency's financing. The Governor did not recommend any State General Fund support for the agency and instead recommended an amount equal to the agency's SGF request to be funded from the Unclaimed Property Expense Fund. The House concurred with the Governor's recommendation, while the Senate recommended an alternative funding proposal through the creation of cash management and voucher processing fees. The Conference Committee removed the budget from SB 6, for consideration at Omnibus.

Fee Source(s)	Governor's Rec.	House Rec.	Senate Rec.
Unclaimed Property Claims Fee	$ 1,475,545	$ 1,475,545	$ 0
Cash Management Fees:			
1) Banking Services	0	0	340,000
2) Non-payroll warrants/ direct deposits	0	0	973,000
Voucher Processing Fees	0	0	180,000
TOTAL	$ 1,475,545	$ 1,475,545	$ 1,493,000 *

* The amounts for the fees are set at aggregate amounts.

Department of Social and Rehabilitation Services

A. GBA No. 3, Item 13, Page 6 - Additional Title IV-B Federal Grant

B. GBA No. 3, Item 14, Page 6 - Additional Pharmaceutical Savings

C. GBA No. 3, Item 15, Page 7 - Institutional Residents

D. GBA No. 3, Item 16, Page 7 - Medicaid Caseloads

E. Review $10 fee for child abuse and neglect reports to not-for-profit organizations (Senate Committee). The Senate Committee expressed concern that SRS has decided to initiate a fee of $10 for providing a child abuse and neglect report to a not-for-profit organization seeking that information as part of a screening process for adult volunteers. This fee is estimated to raise over $400,000. The Senate Committee directed SRS to consider the consequences of such a fee and to report back to the full committee at Omnibus as to other options available.

The agency indicates that the fee increase has not affected the number of requests for registry checks, and does not believe the fee is placing children at risk.

F. Review funding of the University of Kansas Graduate Medical Education Program (Senate Committee) (House Committee). The Graduate Medical Education Program is funded through funds from Medicare and Medicaid, patient care revenue and state primary care support. Medicare funding is reduced for the program by $1.9 million federal funds as part of the Balance Budget Act of 1997. The Department of Social and Rehabilitation Services further reduced funding for the program in January of 2003 by $1.5 million SGF, which in turn reduced Medicaid funding by $2.2 million federal funds. Options to address the cut include closing residency programs, reducing residency spots, cutting faculty positions, limiting Medicaid and uninsured patients. The Committees requested that the agency seek alternatives and report back at Omnibus.

The agency is currently working with stakeholders to develop a methodology to match the Medical School's SGF with federal dollars through certified match. The agency indicates that it will be able to replace the reduction without additional state dollars.

G. Review the implementation of provider taxes (Senate Committee) (House recommended bill introduction). The state of Missouri has implemented provider taxes, but run up against problems with the federal government based on the way the tax was structured. The Missouri tax holds nursing homes and hospitals harmless on the provider tax - they are reimbursed the amount of tax they are paid. Federal law does not allow the states to temporarily collect taxes. However, if the state modifies its tax to eliminate the guarantee that hospitals and nursing homes get back the taxed amount, that may bring them into compliance. More information will be available from the Center for Medicare and Medicaid Services at a later date.

Provider taxes are limited by four basic requirements:

1. The provider tax must be broad-based; the tax must apply to providers in the same permissible class of items and services.

2. The state must uniformly impose the provider tax rate for all services and items in the class.

3. The provider tax cannot be applied to a class of items and services that receives more than 50 percent of its revenues from Medicaid or 80 percent combined from Medicaid, Medicare, and other federal programs.

4. The provider tax must not include direct or indirect hold harmless provisions guaranteeing repayment of tax to provider is Medicaid rates or other payments.

HB 2470, which has been introduced in the house but has not yet been assigned to a committee, proposes a provider assessment for nursing facilities.

H. Review the exclusion of Children's Mercy Hospital from the pool of hospitals eligible to receive disproportionate share reimbursements (Senate Committee) (House Committee). The Committees recommended that the agency review its disproportionate share policy for all hospitals, including those out of state hospitals that serve Kansans, and report back at Omnibus.

The agency indicates that it is developing a revised payments system to stay with in budget but reduce the impact of the limited budget on large hospitals, including Children's Mercy Hospital. The revised system could result in a restoration of $318,000 all funds for Children's Mercy Hospital, which received $1.45 million all funds in FY 2002. The restoration of disproportionate share payments to out of state hospitals has an estimated cost of $600,000 SGF.

I. Review of the issue of locating a source of administrative funding for the Kansas Children's Cabinet (Senate Committee). The Committee requested that the agency and the Cabinet work together to find funding sources, while maximizing federal match dollars available to the cabinet for administrative expenditures.

The agency indicates that using Smart Start Kansas funds as match for the Community - Based Family Resource and Support (CBFRS) Grant would free up funds for administrative expenses. The agency and the Children's Cabinet continue to explore financing options.

J. Review the status of child protection needs and services (Senate Committee). The Committee expressed concern that fiscal circumstances may compromise the ability of the agency to address critical child protection needs. In response to these concerns the agency has assured the Committee that SRS has reallocated resources to make certain child protection services are not compromised. As a result of this reallocation the agency's ability to keep children safe will not be adversely impacted according to the agency. The Committee directed the agency to strategically monitor the child protection assets and resources of the agency and community based resources and provide the committee with further testimony at Omnibus to fully document the status of child protection needs and services.

The agency indicates that reports of abuse and neglect have remained relatively stable over the past three years, workloads for case workers have decreased, as has the number of children in foster care.

K. Review the Policy Options Discussion Guide presented by the agency (Senate Committee). The Committee recommended Omnibus review of the Policy Options Discussion Guide presented by the Secretary of SRS, which sets forth additional budget reductions and their impacts. (See hand-out.)

L. Review more cost effective options for purchasing durable medical equipment (House Committee). The Committee requested the agency pursue more cost effective purchasing alternatives for durable medical equipment and report back to the committee at Omnibus. Current purchasing requirements, (*i.e.*, from a medical supplier) can be more expensive than allowing the consumer to purchase similar items from local discount stores.

Medicaid regulations require that durable medical equipment (DME) only Medicaid DME providers can fill DME prescriptions and they must bill Medicaid directly. The number of approved providers for a given geographic area is limited, reducing competition. This results in higher retail prices for DME. The agency is working to reduce the reimbursement on items with a set price, like adult diapers. Other items are reimbursed at manufacturers suggested retail price minus 15 percent, or wholesale price plus 35 percent.

M. Review isolating adoption services from foster care services (House Committee). The Committee requested the agency report back at Omnibus on the concept of isolating adoption services with adoption providers and shifting all placement responsibility with the foster care contractors to expedite adoption placement, which currently has a delay of six months or more. In addition, the shift in services would eliminate disruption of changing placements, service providers, etc. In order to address concerns regarding conflict of interest, a statewide system of case management would be implemented.

The agency indicates that is has begun preparing to re-bid child welfare contracts and will evaluate this concept as it gathers information and analyzes data prior to re-bidding the contracts.

N. Review capping Home and Community Based Services (HCBS) waiver payments (House Committee). The Committee requested the agency review capping HCBS waiver payments, to insure that waiver services are the most cost effective type of care for that client, as recommended in the August 2002 Post Audit Report "Medicaid Cost Containment: Controlling Costs of Long-Term Care. The report indicates that the agency spent $9.0 million more on waiver services than they would have if the same persons had received institutional services.

Currently, the state of Kansas establishes cost effectiveness for the Home and Community Based Services (HCBS) waivers as compared to nursing facilities by showing, that in the aggregate, waiver services are less expenses - an average of $1,300 monthly per person as opposed to $2,300 monthly per person in a nursing facility. Federal regulations would allow for capping the HCBS waiver rate, but at the nursing facility rate. Doing so would, in effect, force those whose waiver plan of care exceeded the average nursing facility rate into institutions. This would violate the Olmstead decision's principle that persons with disabilities should receive services in the least restrictive setting appropriate to their needs.

O. Review increasing Pre-Admission Screening and Resident Review (PASARR) Scores for the HCBS Physical Disability Waiver (House Committee). The Committee recommended Omnibus review of increasing PASARR scores for the Physical Disabilities waiver from 26 to 32 and grand fathering in the increased score. This would result in a savings of $457,278 SGF and $1.2 million all funds. There are currently 636 persons receiving services and 165 persons on the waiting list with a PASSAR score of 31 or lower.

The current PASARR score for waiver eligibility is 26. As of March 7, 2003, 3,884 persons were receiving PD waiver services, with 836 persons on the waiting list for services. If the score were increase from 26 to 32, 165 would be removed from the waiting list and 636 people would be grand fathered – they would continue to receive services even though their PASARR score falls below 32. The agency estimates savings of $457,278 SGF ($1,162,080 all funds), depending on the number of persons leaving the waiver in FY 2004.

P. Review policy change to eliminate the separation of spousal income for waiver edibility assessment (House Committee). The Committee recommended the agency review the policy of separating spousal income for waiver eligibility assessment and report back at Omnibus. Currently, based on federal regulations, a spouse's income is not counted in assessing Medicaid eligibility for waiver services. The Budget Committee requests that the agency explore options for assessing fees on a sliding fee scale based on the income of both spouses for those services.

Because nursing facility income rules are applied to the HCBS waivers, only the consumer's income is counted for eligibility. In addition, the division of assets law allows the HCBS consumer to provide a portion of his or her income (to a maximum level) which exempts it from eligibility calculations. The agency indicates that this method is less expensive to the state by allowing the consumer spouse to access less expensive services. State data indicates that only 15 cases or 0.2 percent involve spouses with income greater than $50,000 a year, and only one spouse had income in the $100,000 range.

Q. Review combing all of the HCBS Waivers into one waiver (House Committee). The Committee recommended that Aging and SRS review combining all of the waivers into one waiver program and report back at Omnibus. The single waiver would provide the following three services:

- Training, to assist consumers in performing tasks independently;
- Personal Assistance Services (PAS), to provide services for people who cannot perform tasks due to their level of disability;
- Assistive Services, which would include durable medical equipment and other devices to allow consumers to perform tasks more independently.

The single waiver program would include review for Plans of Care by a neutral third party to assure that all efforts to utilize local natural support have been made, training options are used whenever possible, and every effort is being made to increase consumer independence.

The agencies indicate that implementing a single waiver would be difficult given that different assessment tools are used to determine eligibility for the waivers, that federal requirements regarding cost effectiveness for waivers would become more complex to address with one waiver and many types of institutional services, and the specialized staff training needed to deal with each population.

R. Maximize TANF Match (House Committee). The Committee recommended review of child care funding methodologies to maximize TANF match opportunities and report back prior to Omnibus.

The agency indicates that all TANF match for child care match has been maximized.

S. Review DD Waiver Eligibility (House Committee). The Committee recommends Omnibus review of the eligibility criteria for the HCBS/DD waiver.

T. Maximize Federal funds for Job Training Programs (House Committee). The Committee recommended that SRS work with all state agencies involved in providing and administering job training programs to maximize federal funding for those programs.

U. Review Child Support Enforcement program (House Committee). The Committee recommended Omnibus review of the Child Support Enforcement program in regards to the effect of open positions on enforcement and the role of court trustees in addressing those challenges.

V. Interest on Child Support Payments (House Committee). The Committee requested that the agency review models of charging interest on back child support payments and their effectiveness in motivating prompt support payments, with a report at Omnibus.

The agency indicates that federal law authorizes late fees of 3.0 to 6.0 percent, which can only be collected after all child support is paid in full. Late fees are considered program income, therefore 66.0 percent would be remitted to the federal government under federal law. Implementation of late fees would require enabling legislation as well as the Child Support Enforcement automated system would need to be modified to address the late fees.

W. Review Services for High Needs Foster Children (House Committee). The Committee requested that the agency work with foster care providers to look at options, recommendations and ideas for providing services for high needs foster children to increase the probability and speed of returning these children to their families.

X. Review Funeral Assistance Program (House Committee). The Committee recommended Omnibus review of funding for the Funeral Assistance program. The Budget Committee notes that the program was moved to the Department of Health and Environment in FY 2003, but not funded in either budget in FY 2004. The burden of burying indigent Kansans the falls to the counties. Clarification of this responsibility is addressed in SB 244 which was passed by the Senate and referred to House Appropriations.

Y. Review Liens on Medicaid Recipients Homes (House Committee). The Committee requested that the agency report back at Omnibus on implementing legislation to allow the agency to place a lien on a Medicaid recipient's home after they have been in a nursing facility for one year or when they begin receiving HCBS waiver services. Typically, persons entering a nursing facility indicate that their plan is to return home, and often do so after several months of treatment. In addition, the Budget Committee requests that the agency explore the possibility of requiring reverse mortgages on property for persons in nursing facilities to assist in paying for their care.

SB 272, which was passed by the Senate Committee of the Whole and introduced in the House, includes lien provisions.

Z. Review Policies to Address "Hiding" of Assets (House Committee). The Committee requested the agency report back at Omnibus on implementing legislation to prevent the hiding of assets to achieve Medicaid spend-down in the following areas:

- a waiver to increase the number of years of "look-back" from three to five;
- amending the definition of estate to include jointly owned property;
- limiting property agreements that specify a percentage of ownership;
- preventing discretionary trusts that do not pay necessary medical expenses;
- limits on prepaid agreements between family members to provide basic services.

SB 272, which was passed by the Senate Committee of the Whole and introduced in the House, addresses the definition of estate, limiting of property agreements, preventing discretionary trusts and limiting prepaid agreements.

AA. HB 2125 (Conference). The bill provides for a pilot project to expire on July 1, 2005, to be established in one rural and one urban judicial district in which the court may not exclude foster parents, and up to two people designated by the child's parents, in CINC proceedings. Of the two people allowed to attend who are designated by the parent, both must have participated in an approved parent advocate program. The program would cost $7,000 SGF.

Department on Aging

A. GBA No. 3, Item 17, Page 8 - Nursing Transfer Correction

B. Review the difference between self-directed and agency directed reimbursement rates for the HCBS Frail Elderly waiver (House Committee). The Committee expressed concern with the Frail Elderly Waiver reimbursement rate disparity between self-directed and agency directed services. The Committee noted that the disparity between these rates is even greater in the Department of Aging budget than it is in the SRS budget.

C. Review case management services for the HCBS/FE, DD, and PD waivers (House Committee). As a matter of public policy, the Committee would like to review the provision of case management service for FE, DD , and PD waivers with state agencies (SRS, KDOA) and providers (Centers for Independent Living, Area Agencies on Aging, Community Developmental Disability Organizations, etc.). The Committee recommended that the review of case management include discussion of the development of a regional peer review system for quality assurance purposes among these providers, along with more global talks about how the quality of case management services can be improved statewide.

SRS and the Department on Aging are currently reviewing all case management services that are reimbursed by Medicaid, looking for any duplication of services. SRS and Aging continue to work with stakeholders to improve the current system and review new ideas regarding how to best assure the health and welfare of Kansans with disabilities.

D. Increase Pool for Healthcare (House Committee). The Committee recommended that Aging and SRS review increasing the pool for healthcare and report back before Omnibus. There are two options to do this. The first option would increase the number eligible to get a medical card, by allowing consumers to pay premiums for the card. The second option would be to allow consumers of state services and as well as other providers (not for profit organizations like CDDO's are already allowed to participate) to become part of the state health care system. The working poor who currently cannot afford insurance for themselves or their families often end up utilizing expensive emergency room services for lack of other options.

If the pool cannot be increased in the current fiscal year, the Budget Committee recommends interim review of the topic.

E. Review combining all of the HCBS waivers into one waiver (House Committee). The Committee recommended that Aging and SRS review combining all of the waivers into one waiver program and report back before Omnibus. The single waiver would provide the following three services:

- Training, to assist consumers in performing tasks independently;
- Personal Assistance Services (PAS), to provide services for people who cannot perform tasks due to their level of disability; and
- Assistive Services, which would include durable medical equipment and other devices to allow consumers to perform tasks more independently.

The single waiver program would include review for Plans of Care by a neutral third party to assure that all efforts to utilize local natural support have been made, training options are used whenever possible, and every effort is being made to increase consumer independence

The agency indicates that implementing a single waiver would be difficult given that different assessment tools are used to determine eligibility for the waivers, that federal requirements regarding cost effectiveness for waivers would become more complex to address with one waiver and many types of institutional services, and the specialized staff training needed to deal with each population.

F. Review policies that allow dollars to follow clients from institutions to community services (House Committee). The Committee recommended Aging and SRS review and report back at Omnibus on establishing regulations that allow dollars to follow clients as they move from institutions to community-based services and guarantee excess dollars from those clients remain in the waiver program.

SRS and the Department on Aging have requested a Governor's Budget Amendment for an appropriations bill proviso which will move money from the nursing facility budgets to the Home and Community Based Services waiver budgets. Both agencies stand ready to work with stakeholders to finalize the necessary details to ensure that funds follow people to community-based services when they leave nursing facilities.

G. Review shifting Adult Protective Services from SRS to Aging (House Committee). The Committee recommended that Aging and SRS review shifting Adult Protective Services from SRS to Aging and report back at Omnibus.

The agency indicates that more time is necessary to review the proposed shift.

H. Review transfer of the nursing facility regulations function from the Department of Health and Environment to the Department on Aging (House Committee) (Senate Committee). The Committees noted 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 Committee requested 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 Committee suggested 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 Committee noted 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.

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

The agency indicates that a short range plan is in place with a long range plan under development to identify future goals, compositions, and review criteria of the nursing home licensure unit once it is fully integrated in to the Department on Aging.

I. Review increasing the PASARR score for the HCBS/FE waiver (House Committee). The Committee recommended Omnibus review of raising the PASARR (Pre Admission Screening and Resident Review) from 26 to 40 for FY 2004 for the frail elderly waiver and grand fathering those currently below 40 currently on services in. The estimated savings is $1.8 million State General Fund. The Committee recommends that the additional funds go back into the FE waiver to address waiting lists.

In addition, the Committee recommended that the agency report back prior to Omnibus regarding the possibility of receiving a waiver from the federal government allowing the agency to use a lower PASARR score for the HCBS/FE waiver than for Nursing Facilities.

The agency indicates that if the score is raised to 40 and current customers with scores between 26 and 39 are grand fathered, there will be no cost-savings to the state in FY 2004 due to the size of the current waiting list. As of April 11, 2003, there were 1,257 individuals on the HCBS/FE waiting list of which 298 has a score of less than 40.

Board of Nursing

A. Nurse Recruitment Initiative (House Committee). The Committee wished to review the agency's proposed nurse recruitment initiative and any potential conflicts of interest that might be present. The agency was requested to present possible remedies concerning the conflict of interest. The Committee wished to review the initiative and the associated funding.

The agency indicated that they did not believe the campaign would be a conflict of interest because the campaign is not directed to a particular program or type of program. According to the agency: "All Kansas programs no matter what level would benefit from the campaign to interest grade and high school students and displaced workers or homemakers to the profession. It is a wise strategy to protect the public. It is the purpose of the board to protect the public and how better to protect the public then by leading the efforts to get more nurses to provide care." The agency cited the following statute:

> K.S.A. 74-1106 c.) (4) states "The board SHALL promote improved means of nursing education and standards of nursing care through institutes, conferences, and other means." This statute gives the board of nursing the authority to promote nursing education and other standards of nursing care which would include promoting nursing as a profession.

B. Inactive Nurse Survey (House Committee). The Committee requested that the Board survey all inactive nurses in Kansas as to why they left the profession and wished to review the results at Omnibus.

The Board indicated that surveys were mailed to ten percent of inactive nurses who were selected at random. The Board indicated that approximately 42 percent of the surveys were returned to them due to a lack of a current address. Of the 1,694 surveys which were delivered 383 were returned with at least of portion of the questions answered. This equates to an approximately 22 percent return rate.

Question	RN Responses	LPN Responses
Reason your license is lapsed or inactive?	28- Family 20- Jobs outside nursing 152- Licensed in other state 20- Were a LPN, now RN 11- Retired 19- Health Reasons 19- Working Conditions 52- Other, Misc.	12- Family 10- Jobs outside nursing 26- Licensed in other state 28- Were a LPN, now RN 2- Retired 12- Health Reasons 8- Working Conditions 17- Other, Misc.

C. Long Range Plan and Resources (House Committee). The Committee requested that the agency look at the long range plan and resources available for a nurse shortage issue and if there will be federal funds available to address the shortage.

The Board indicated that it is currently searching for funds to continue the campaign after it is initially started. The Nurse Reinvestment Act (Federal) was signed into law in August 2002. The Act amends Title VIII of the Public Health Service Act: Nursing Workforce Development (the primary authorization of existing Federal nursing programs) and authorizes new programs to increase the number of qualified nurses and the quality of nursing services in the U.S. Funding to implement the new programs was appropriated by Congress in February 2003. There are several new grants that should be made available to states and the Board is planning to apply for grant money to continue the campaign. If the campaign is successful, there will be the need to then look at increasing school capacity and increase the associated clinical sites that may also require funding.

D. Proposal to Resolve Open Cases (Senate Committee). The Committee requested that the agency submit a proposal to resolve open cases and specify what a reasonable length of time to do this is. The Committee also requested information regarding the number of cases that are being forwarded to the Attorney General's Office.

Information provided by the agency indicates that 65.5 percent of cases are less than six months old and only 0.5 percent of cases have been open for greater than 36 months. The agency also noted that there was a Legislative Post Audit in FY 2000. The outcome of this post audit was a set of procedures and the goal that the majority of cases would be closed within six months and the remainder within nine months. The agency included a history of the investigative positions and noted that part of the backlog was due to some periods of not being fully staffed in this area for a variety of reasons. One case is currently referred to the Assistant Attorney General for review.

E. Impaired Provider Program (Senate Committee). The Committee requested information regarding the success of the program, the number of participants, the results of the program, and the number of repeat offenders. In addition, the Committee requested that the agency address the issues presented in the KNAP (Kansas Nurse Assistance Program) report.

Fiscal Year	Number of Participants	Percent that were Successful	Percent that were Unsuccessful	Total Cost
2000	201	34%	66%	$ 99,466
2001	214	48%	52%	$ 99,466
2002	235	37%	63%	$ 101,953

Behavioral Sciences Regulatory Board

A. Capital Outlay Restoration (Conference Committee). The agency requested restoration of $5,000 (special revenue fund) in FY 2004 and $7,200 (special revenue fund) in FY 2005 for capital outlay. The House deferred consideration to Omnibus while the Senate recommended the addition of the funds. The Conference Committee recommendation was to defer these items to Omnibus.

The capital outlay was requested by the agency in an ongoing effort to upgrade their computer equipment. The Governor's recommendation reduced capital outlay expenditures by $5,000 and $7,200 in FY 2004 and FY 2005 respectively. The Governor's recommendation indicated that the levels were high due to enhanced funding in prior fiscal years.

Board of Tax Appeals

A. Contract with Norton Correctional Facility for Microfilming (House and Senate Committees). The Committee wished to review the current contract that the Board of Tax Appeals has with the Norton Correctional Facility for microfilming its records.

The agency has indicated that at least since 1988, the microfilming services of Kansas Correctional Industries in Norton, Kansas have been utilized. At this time, the Regular Division files through calendar year 1996 have been microfilmed. The last billing the agency received from Kansas Correctional Industries indicated a cost for 45 boxes of $26,543.45, which calculates to $0.04 per item (page) microfilmed. In prior testimony, the agency indicated that the total cost to microfilm 1997 files would be $11,000. However, that the estimate was only for the tax exemption and tax grievance files that have already been boxed and are ready to be sent to microfilming. The estimate did not include the other types of appeals and applications handled by the Board such as equalization and payment under protest appeals, which typically have more documents to be microfilmed. Therefore, the total cost for 1997, 1998 and 1999 is estimated to be $115,100 ($35,400 + $35,400 + $44,300).

The agency has checked their records and cannot locate a contract with Correctional Industries for the microfilming service. Additionally, it could not locate any procurement contracts through the Department of Administration's Division of Purchasing for these services. Apparently, a decision was made by the Board several years ago to use the microfilming services of Correctional Industries and the Board has continued to do so. The agency has been in contact with the Kansas Department of Revenue concerning their microfilming service and will be meeting with representatives from Revenue within the next week. At this time, the agency does not have any information concerning their charges for microfilming service.

B. Impact of SB 115 and HB 2147 (House and Senate Committees and GBA No. 3, Other Issues, Page 16 – Board Members and Filing Fees). SB 115 and HB 2147 would reduce the number of Board of Tax Appeals members from five to three. The budget includes the savings associated with the reduction. The Committees wished to review the progress that the bills have made and any budget implications non-passage of the bill would have.

SB 115, currently in House Taxation, and HB 2147 also currently in House Taxation, would reduce the number of Board of Tax Appeals members from five to three. The assumption that the budget was built on is that this action would occur in January 2003. Because of this the Governor's budget reduced the agency's salaries and wages request by $100,000 in FY 2003 and $229,486 in FY 2004. The stated fiscal impact of this bill as originally proposed was $56,710 in FY 2003 and $230,130 in FY 2004.

The agency has indicated that if the legislation removing the two board members does not become effective before the end of FY 2003, the board will require an additional $70,000 (SGF). In addition, the board will need $229,486 (SGF) if it is not enacted for FY 2004.

C. Filing Fees (Senate Committee). The Committee wished to review the progress of legislation to allow the agency to assess filing fees. In addition the Committee wished to review any potential fiscal impact on the agency that would result from not passing the legislation.

SB 115 was amended by the House Appropriations Committee to allow the agency to assess filing fees as approved by the Joint Committee on Administrative Rules and Regulations. The legislation is currently in the House Taxation Committee. If the legislation does not pass, the agency would not have the authority to assess the filing fees. The revenue from the filing fees is expected to generate $300,000 in FY 2004. The agency's FY 2004 budget was built with the expectation that the agency would be able to generate this revenue.

D. Rent Increases in the Docking Building (House and Senate Committees). The Committees wanted to review the issue of rent increases at the Docking State Office Building and the fiscal impact it had on the agency.

The agency indicated that their rent cost in FY 2003 was $174,338 for 16,926 square feet and $211,140 for 18,685 square feet in FY 2004. The Department of Administration has indicated that there was a methodology change regarding how the public areas such as hallways and lobbies are accounted for in determining rental rates. As a result, the agency's square footage increased in FY 2003. Rental rates, however, were reduced from the $14.99 per square foot originally approved for FY 2003 to $10.30 per square foot. This resulted in essentially no fiscal impact for the agencies located in the building. Subsequent to the change in methodology, the Department of Administration learned that some original square footage measurements were inaccurate. The inaccurate measurements were corrected in calculating the FY 2004 rent cost. For this agency an additional 1,759 in square footage was added. In addition, there was a $1 per square foot increase in all rents in the Docking State Office Building from FY 2003 to FY 2004. As a result the agency's rent assessment increased by $36,802. Of the increase $16,926 (46.0 percent) is attributable solely to the $1 per square foot increase and the remaining $19,876 (54.0 percent) is attributable to the adjusted square footage.

Judicial Council

A. Review Additional Funding Requirements (House Committee). The Committee wished to review the agency's additional funding request. In order to accomplish this, the Committee requested that the agency submit a five-year financing plan that reviews the agency's projected Publications revenue.

In response, the agency submitted the following information. This information was developed prior to passage of SB 36. This bill would allow the agency to receive approximately $250,000 from court docket fees.

FY	Current Budget	Additional Publication Expense	Total Budget	Publication Revenue	$ from Publication Balance	$ from SGF
2004	$ 309,106	$ 0	$ 309,106	$ 103,950	$ 145,156	$ 60,000
2005	315,288	35,000	350,288	144,029	0	206,259
2006	324,746	14,000	338,746	157,150	0	181,596
2007	334,488	14,280	348,768	154,813	0	193,955
2008	341,178	51,708	392,886	198,019	0	194,867

B. Need for $60,000 in SGF (Senate Committee). The Committee noted that the agency would have a $60,000 revenue shortfall in FY 2004 and wished to review this issue at Conference or Omnibus. The Conference Committee added $60,000 (SGF) in place of $60,000 (fee fund). The Governor line item vetoed the $60,000 (SGF) that was added in SB 6 on April 21, 2003. The Governor's veto message stated: "SB 6 appropriates $60,000 from the State General Fund for FY 2004 for operating expenditures of the Council. However, SB 36, which has been signed into law, will raise $230,000 of new revenue from docket fee increases. Therefore, the State General Fund appropriation is not needed."

C. SB 36 (Law). SB 36 raises docket fees by $1 for a two-year period to help fund the operations of the Judicial Council. The moneys are to be deposited in a newly created Judicial Fund. The bill directs 1.33 percent of court docket fees to the Judicial Council. This is estimated to be $250,331 (fee funds). The bill clarifies the Judicial Council as an independent agency within the Judicial Branch of state government. Membership of the Council is altered slightly to allow the Chairperson of the House Judiciary Committee to either serve on the Council or select a designee. In addition, the bill adds new members to the Council: the Ranking Minority Member of the Senate Judiciary Committee, Chair of the House Corrections and Juvenile Justice Committee, Ranking Minority Member of House Corrections and Juvenile Justice Committee. In addition the bill allows money from the Publications Fee Fund to be used for operating expenditures. This has been done by proviso in the past.

Schools for the Blind and Deaf

A. Advantages/ Disadvantages of School Financing Formula (Senate Committee). The Committee requests that the Schools and the Department of Education discuss the advantages and disadvantages of the Schools being placed within the formula.

The Department of Education and the School for the Blind (KSSB) and the School for the Deaf (KSSD) indicated there are several reasons why these two schools would not fit well under the current school finance formula. The school finance formula was designed for public schools which consist primarily of students that are not exceptional. The costs for students at KSSD and KSSB are considerably higher than the average cost in the public schools. In addition the agencies noted the following issues with placing the Schools within the school financing formula:

- The KSSD and the KSSB are not part of a school district with taxing authority based on the assessed valuation of property. These schools, therefore, have no authority for a local option budget within the district.
- The general state aid the schools would receive would be a small percentage of the general fund appropriation that is currently made available to the KSSB and the KSSD.
- The base state aid per pupil of $3,863 is inadequate even with pupil weightings as provided in the school finance formula to meet the needs of the pupils enrolled at the two schools. If the two schools were made a part of the school finance formula, it would still require a substantial appropriation from the state general fund.
- The KSSB and the KSSD are residential schools and their costs are considerably higher than in a public school since all children attending these schools have an individual education plan (IEP).

B. Review of Funding for Schools for the Blind and Deaf (Conference Committee). The Senate Committee recommended adding $219,318 (SGF) to the School for the Blind and adding $362,735(SGF) to the School for the Deaf. The House recommended deferring the items to Omnibus. Both the Senate Committee and the House Committee noted that the manner in which the Schools for the Blind and Deaf were treated was inconsistent with how the rest of education was treated. The Conference Committee agreed to defer the item until Omnibus.

C. Additional Medicaid Funding for Schools for the Blind and Deaf (House Committee). The Committee appointed a Special Subcommittee on Medicaid Funding for the Schools for the Blind and Deaf to review if the schools were leveraging all potential Medicaid funding. The Subcommittee has met; however, there have been no recommendations made at this time.

D. KAN-ED Utilization (House Committee). The Committee requested that the Schools report back on the possibility of utilizing the KAN-ED program to maximize the effectiveness of their outreach programs.

The agency indicated that the School for the Blind is currently a member of KAN-ED and the School for the Deaf is currently in the application process. The Schools indicated that the KAN-ED program does provide opportunities for implementing distance learning as part of the School's outreach programs.

E. Difference in Cost per Pupil between the Schools for the Blind and Deaf (House Committee). The Committee requested the that Schools report back concerning the differences in the per pupil cost at the respective schools.

The Schools indicated that there were two reasons that there was a difference in the per pupil costs: the School for the Deaf serves twice as many students on campus during the regular school year and the School for the Blind delivers much of its curriculum in very small groups or one-on-one instruction using expensive, specialized technology and Braille materials.

Kansas Insurance Department

A. Review Details of Moving SHICK Program to Department of Aging (House Committee). The Committee wished to review the details of the move of the Senior Health Counseling of Kansas (SHICK) Program to the Department of Aging and any anticipated impact on the agency's budget.

The agency has indicated that effective March 1, 2003, the SHICK Program was transferred from the Insurance Department to the Department on Aging at the Governor's request. Through March, 2003, SHICK expenditures totaled $242,746.69. The Insurance Department, via an interfund transfer, gave $47,000 of unspent SHICK funds back to the Department on Aging. There was no exchange of FTE in this transaction. The Insurance Department gave up square footage in the Wichita Office Building as a result of this program transfer.

B. Review of Rate Increases and "Loan" Repayment (House Committee and Senate Committee). The Committee requested review of the amount that the insurance companies rates may have to be increased in FY 2005 if the "loans" from the Insurance Department's Special Revenue Funds are not repaid. The Senate Committee recommended that the transfers be considered a loan to be repaid in the future. The House Committee requested information regarding the amount that insurance companies rates would have to be increased in FY 2005 if the transfers were not repaid.

Based on estimated fund obligations, the Insurance Department will likely levy an assessment against insurance companies in FY 2004. This would not have been the case were it not for the transfers out of the Workers Compensation Fund into the State General Fund of $7.0 million in FY 2002, $4.0 million in FY 2003, and another $75,000 anticipated.

The agency indicated that prior to the sweep of the Workers Compensation Fund, the balances were such that the Insurance Department may not have needed to assess companies for at least 3-5 years down the road. Based on current circumstances, an assessment in FY 2004 is possible and almost certain for FY 2005 and beyond.

Insurance companies, self-insureds, and pools that write workers' compensation premiums are assessed. The amount that each must pay depends on the paid losses of that company in the previous calendar year. The Insurance Department works with the Workers Compensation Division of the Department of Human Resources to gather paid loss information. Both agencies use the same base to determine the assessment rate.

The Insurance Department was unable to provide information on the rate that would need to assessed. The agency is conducting an actuarial review of the Workers Compensation Fund to determine the fund's liabilities in subsequent fiscal years and should have that information soon.

The agency also noted that circumstances will require a larger assessment of insurance companies for the Regulation Fee Fund since the Department has been unable to keep the 1.0 percent of premium tax receipts as provided for by statute.

Secretary of State

A. GBA No. 3, Item 11, Page 5 – Help America Vote Act Matching Funds

B. SB 205 (Law). SB 205 creates the Kansas Commemorative Coin Design Concept Act. The purpose of the act is to provide a method to select the design concepts and make a recommendation for the final design of the commemorative quarter dollar of the State of Kansas. The Secretary of State in conjunction with the Department of Education are to present the five finalist designs to all students enrolled in an accredited school in the State of Kansas who will vote for the winner via an Internet ballot. The Kansas Arts Commission, the Kansas Humanities Council, and the Kansas Historical Society are required to publicize the act and provide assistance to the Council.

The Secretary of State's Office indicates that the fiscal impact to their agency in FY 2004 will be $2,000 (SGF). The other agencies have indicated they will be able to absorb the costs associated with their participation.

Governmental Ethics Commission

A. GBA No. 3, Item 2, Page 2 – Inaugural Expense Fund

All Agencies

A. GBA No. 3, Item 34, Page 15 – COLA Recalculation

ATTACHMENT A

Estimated Fiscal Impact of SB 123
FY 2004

A significant impact of SB 123's implementation is that it will delay the need for additional inmate capacity within the Kansas correctional system. KSC and KDOC estimate SB 123, as sent to the Governor, will save 194 beds in the first year of implementation (FY 2004). By FY 2013, the number of beds saved will be 517. Without SB 123, the agencies have projected KDOC will be out of bed space for male inmates by the end of FY 2004. For minimum-security bed space, renovation of existing buildings at Winfield and Osawatomie would cost between $7,585 and $9,948 per bed and constructing new units at Hutchinson, El Dorado or Lansing would cost between $16,409 and $20,144 per bed. Annual operating costs are in addition to the construction costs.

The following analysis examines the FY 2004-specific fiscal impacts of the bill, given that new construction will have been delayed. The explanation is supported by a brief table, which follows the text.

KDOC estimates it will need 3.0 FTE staff to **certify drug treatment programs** throughout the state. This figure represents the estimated cost for the 3.0 FTE staff.

KSC projects a total of 1,318 offenders will be subject to the provisions of SB 123. At the medium projected **treatment** cost per offender of approximately $4,700, the total cost would be about $6.2 million over the entire fiscal year. Because the bill's effective date is delayed until November 1, 2003, the total cost is estimated at approximately $4.7 million. KSC's estimate takes into account services already being provided.

According to KDOC, the average annual Community Corrections **supervision** cost per offender is $2,906. The total additional funding for the Community Corrections net caseload increase of 843 offenders, expected in FY 2004, is $2,449,760. Adjusted for the delayed implementation date, the additional budget impact would be $1,641,340 for the actual FY 2004 period from November 1, 2003 through June 30, 2004.

KSC is responsible for (a) modifying the sentencing data base and projection model, (b) **administering** the Substance Abuse Treatment (SAT) Fund, and (c) **evaluating** the impact and effectiveness of the policy set forth in the bill. The Commission estimates it will cost $18,500 to modify the data base and projection model, all of which can be absorbed within the agency's current SGF allocation. Administering the SAT Fund is expected to cost $46,550, of which $45,175 will need to be added to the Commission's current SGF allocation. KSC plans to utilize a Federal Statistical Analysis Grant in the amount of $50,000 to complete an 18-month evaluation of the program.

KSC and KDOC estimate SB 123, as sent to the Governor, would **save 194 beds** in the first year of implementation (FY 2004), if the bill were to be effective at the beginning of the fiscal year. By FY 2013, the number of beds saved will be 517. Taking into account (a) the fact that the 194-bed savings will add up over the course of the year and (b) the bill's implementation is delayed until November 1, 2003, KDOC estimates marginal costs totaling approximately $130,000 will be saved in FY 2004.

Based on the understanding of the agencies involved in implementing the bill, the Office of Judicial Administration will have no additional duties and thus will require no additional funding because of SB 123.

Certification of Treatment Programs	$	178,000
Treatment		4,691,000
Supervision by Community Corrections		1,641,340
Net Admin./Evaluation Costs by Kansas Sentencing Commission		45,175
Bed Capacity Savings		(130,000)
TOTAL	$	6,425,515

Veterans Game Proviso.wpd

In order to implement HB 2400, assume that half the amount of estimated profit, or $500,000, will be transferred to the SGRF on or before January 15, 2004, and the remaining amount of profit will be determined and certified by the Lottery's Executive Director on or before June 15, 2004, for transfer to the SGRF. This would allow $250,000 for expenditure in FY 2004 by the Board of Regents for scholarships and by the Veterans Affairs Commission for the homes and cemeteries. Other funds would be available in FY 2005.

Notwithstanding provisions of KSA 79-4801 and in addition to the requirements of Section 43(e) of 2003 SB 6, on or after January 15, 2004, upon certification by the Executive Director of the Lottery, the Director of Accounts and Reports shall transfer from the Lottery Operating Fund to the SGRF an amount of $500,000; provided that, the Director of Accounts and Reports shall transfer immediately thereafter from the SGRF to the SGF an amount of $500,000, which shall be credited to the Veterans Benefit Game Clearing Account of the SGF. The Director of Account and Reports next shall reallocate the moneys in the Veterans Benefit Game Clearing Account in the following manner: 50 percent to the National Guard Scholarship Assistance Subaccount and 50 percent to the Kansas Commission on Veterans Affairs Special Revenue Subaccount. On or before June 15, 2004, the Executive Director of the Lottery shall certify to the Director of Accounts and Reports the amount of total profit attributed to the special Veterans Benefits Game, taking into account the $500,000 previously transferred. The Director of Accounts and Reports shall transfer from the Lottery Operating Fund to the SGRF such amount certified. On June 25, 2004, pursuant to KSA 79-4801, of moneys transferred to the SGF, the amount so certified as attributed to the special Veterans Benefit Game shall be credited to the Veterans Benefit Game Clearing Account of the SGF. The Director of Account and Reports shall reallocate the moneys in the Veterans Benefit Game Clearing Account in the following manner: 50 percent to the National Guard Scholarship Assistance Subaccount and 50 percent to the Kansas Commission on Veterans Affairs Special Revenue Subaccount.

Senate Ways and Means
4-24-03
Attachment 14

K A N S A S

JOAN WAGNON, SECRETARY

DEPARTMENT OF REVENUE
OFFICE OF THE SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

MEMORANDUM

TO: Senator Stephen Morris, Chairman
Senate Ways & Means Committee

FROM: Joan Wagnon, Secretary

DATE: April 24, 2003

RE: Committee request for information

During this committee's review of the Department of Revenue Budget, additional information was requested on the topics discussed below.

- **Describe the impact of recent budget cuts on KDOR revenue-generating activities**

Increased shrinkage rates and reduced travel funding represent the key impacts on revenue generation through our collections and audit processes. With a budgeted shrinkage rate near 10% for FY 04, the department has been in a nearly total hiring freeze for the past year in order to achieve a level of 150 vacancies without resorting to layoffs or furloughs. As of April 18th, the department is holding 137.5 FTE vacant, including 16 positions assigned to Tax Compliance/Enforcement duties. These positions typically produce revenue at a rate of about 10:1 when compared to salary and operating costs. Assuming an average of $40,000 in salary and supporting costs per position, foregone revenue from these vacancies could be estimated at $6,400,000.

Since implementation of the hiring freeze in early 2002, the department has also been carrying 11 vacant audit positions out of an authorized staff of 63. Although no additional funding has been provided through the budget process, I have approved immediate filling of 6 auditor positions in order to begin rebuilding an effective presence in the business community. This action will require the department to hold additional customer service positions vacant in other areas to fund the estimated $280,000 in salary associated with the new auditors. FY 04 funding for audit travel is $81,000 below estimated need, also requiring a shift of resources from other areas. Required training and on the job experience tend to delay full revenue production for at least a year, but as noted in our proposed Audit Enhancement, we would expect to see nearly $200,000 in direct revenue from each new position over the next 2-3 fiscal years in addition to the less-measurable returns associated with increased presence and greater voluntary compliance.

- **Provide a report on KDOR accounts receivables including status of Enhanced Collections Initiative begun if FY 02**

Copies of the department's AR report through March are attached.

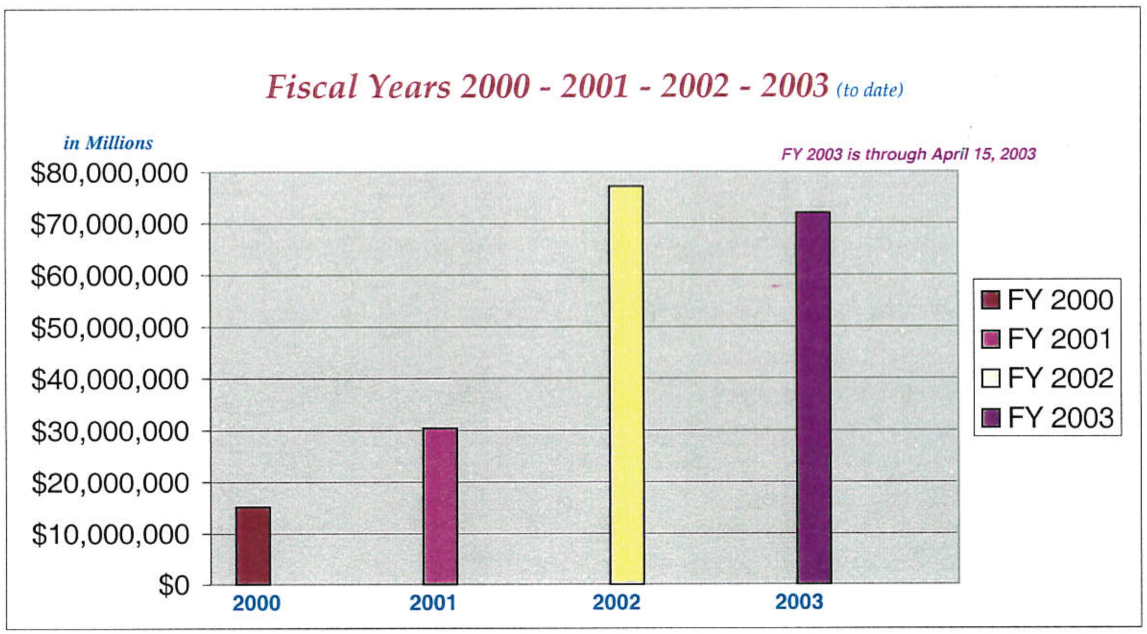
DOCKING STATE OFFICE BUILDING, 915 SW HARRISON ST., ROOM 226N, TOPEKA, KS 66612-1588
Voice 785-296-3041 Fax 785-368-8392 http://www.ksrevenue.org/

Senate Ways and Means
4-24-03
Attachment 15

Accounts Receivable Recovery

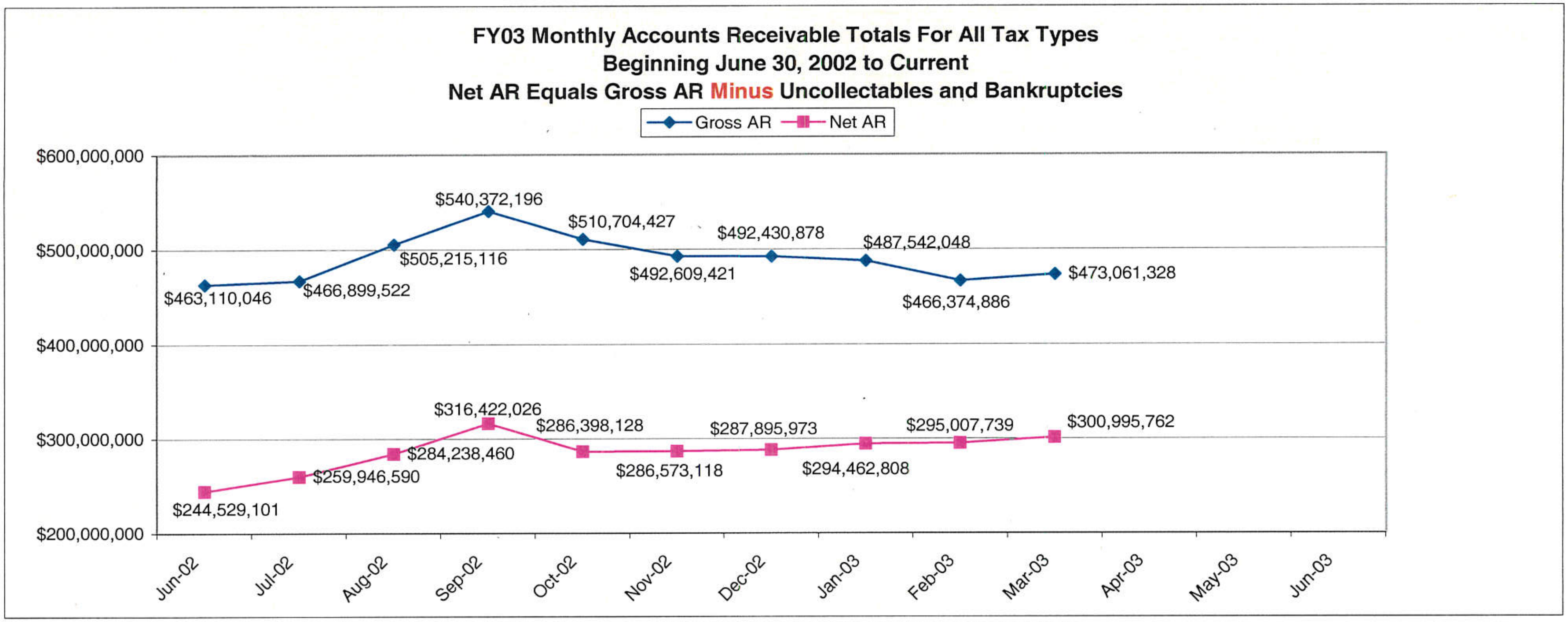
Fiscal Years 2000 through 2003 to date

	DATA SOURCES						
	ATP - ACM System	ACSS Sub-System			Legacy		
	AM074 Report	I-Tax RAR's	Corp RAR's	1099 Match	MF - IFTA	TOTALS	% over prior year
FISCAL YEAR 2000	$15,184,617	n/a	n/a	n/a	n/a	$15,184,617	
FISCAL YEAR 2001	$30,405,303	n/a	n/a	n/a	n/a	$30,405,303	
					$ increase over prior year >	$15,220,686	100.24
FISCAL YEAR 2002	$75,386,941	$1,528,409	$44,507	$199,916	$2,894	$77,162,667	
					$ increase over prior year >	$46,757,364	153.8
FISCAL YEAR 2003	$70,874,351	$328,723	$57,395	$210,882	$503,460	$71,974,811	



15-3

KANSAS DEPARTMENT OF REVENUE
ACCOUNTS RECEIVABLE



The increase in **August** AR for Motor Carrier is the result of adding $24,608,738 in 2002 tax billing.
The Corporate Tax AR increase in **September** is the result of a $22 million dollar assessment for one taxpayer.
The Corporate Tax AR decrease in **October** is related to $20 million dollar amended return.
The Withholding Tax AR decrease in **October** is due to manual cleanup effort of over $10 million dollars related to W2 bug.
For **November** and **December** decrease in overall AR balances see the charge off spreadsheet below.

The following charge offs occurred in **November** and **December**: Total charge offs for **Nov/Dec: $21,190,543**					
Individual Income	$5,576,960	Liquor Enforcement	$1,075,156	Interstate Motor Fuel	$113,652
Withholding	$4,940,670	Transient Guest	$749,359	Consumers Comp	$82,414
Retail Liquor	$4,139,312	Retail Comp.	$306,215	Fiduciary	$12,482
Retailers' Sales	$2,018,381	Water protection	$219,306	Vehicle Rental	$1,612
Corporate Inc.	$1,783,222	Motor Fuel	$171,802		

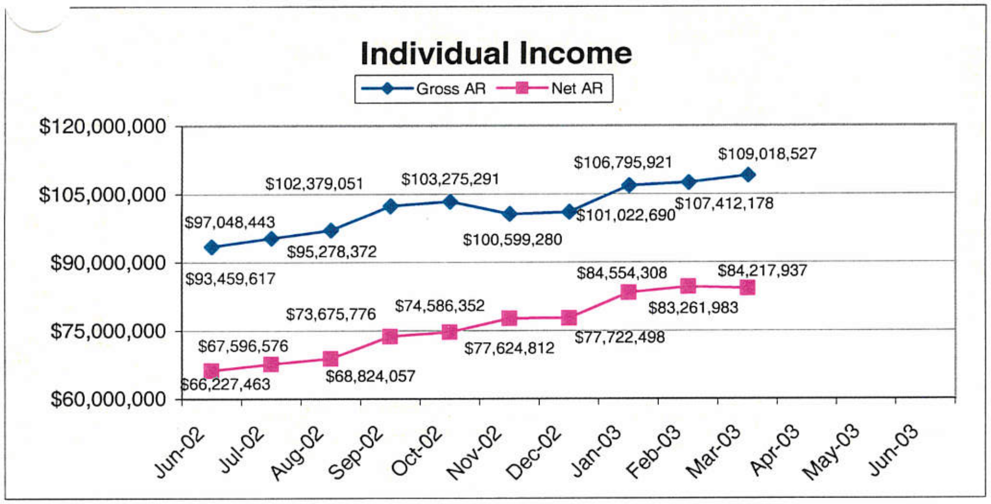
During **January** $19,475,056 was written off in Drug Tax.
During **February** $23,668,157 was written off in Drug Tax.

The following package has been signed off by the Secretary of Revenue and delivered to BOTA for charge off. Total of this charge off package is $21,050,622. BOTA approval should occur around the 1st part of **June**, 2003.					
Individual Income	$4,488,773.01	Consumers Comp	$523,240.72	Water Protection Fee	$25,193.52
Fiduciary	$67,960.29	Corporate Income	$591,431.03	Drug	$9,594,073.79
Homestead	$5,202.04	Withholding	$856,020.51	Liquor Enforcement	$175.44
Retailers' Sales	$3,841,712.81	Motor Fuel	$301,981.23	Retail Liquor	$347,558.54
Retailers' Comp	$271,226.55	IFTA	$1,310.10	Transient Guest	$134,762.37

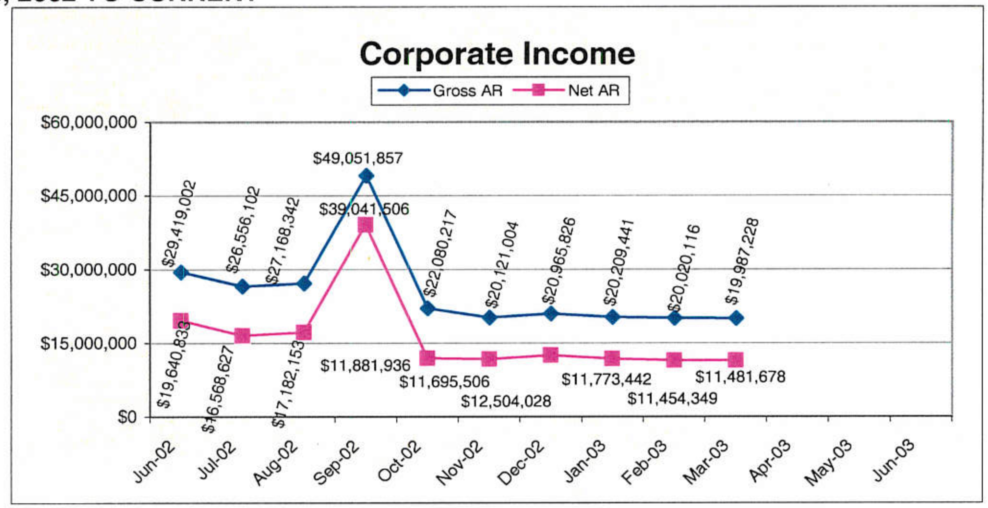
Small Balance Charge Off should occur in **June** 2003.

15-4

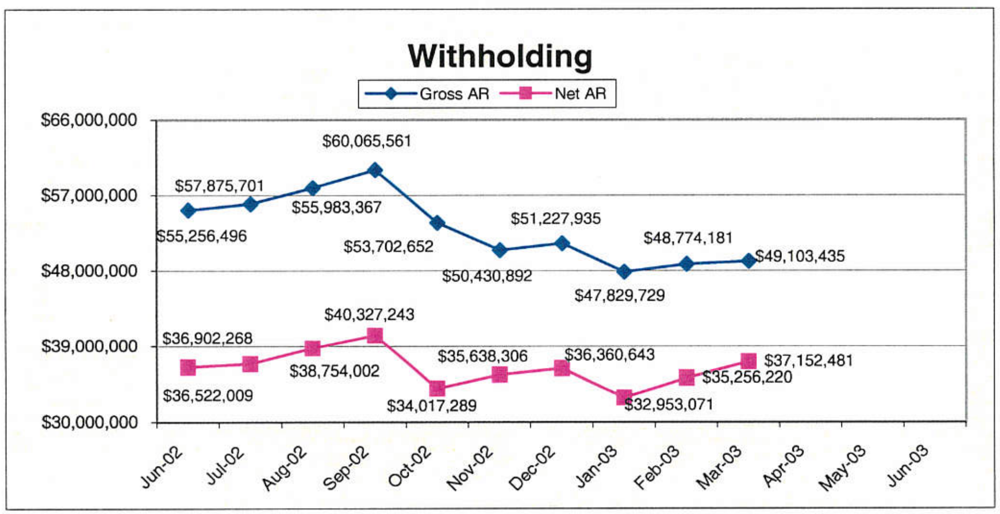
KANSAS DEPARTMENT OF REVENUE
FY03 ACCOUNTS RECEIVABLE MONTHLY BALANCE COMPARISON
BEGINNING JUNE 30, 2002 TO CURRENT



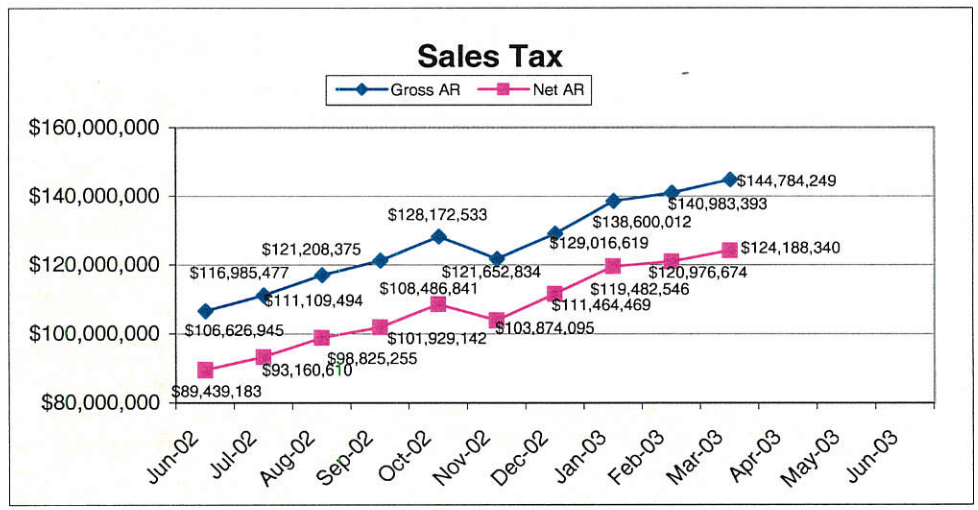
November charge off of $5,576,960.
Billed $9.3 million in January



Corporation September increase due to $22 million referral for one taxpayer.
Corporation October decrease due to amended return.
November charge off of $1,783,222



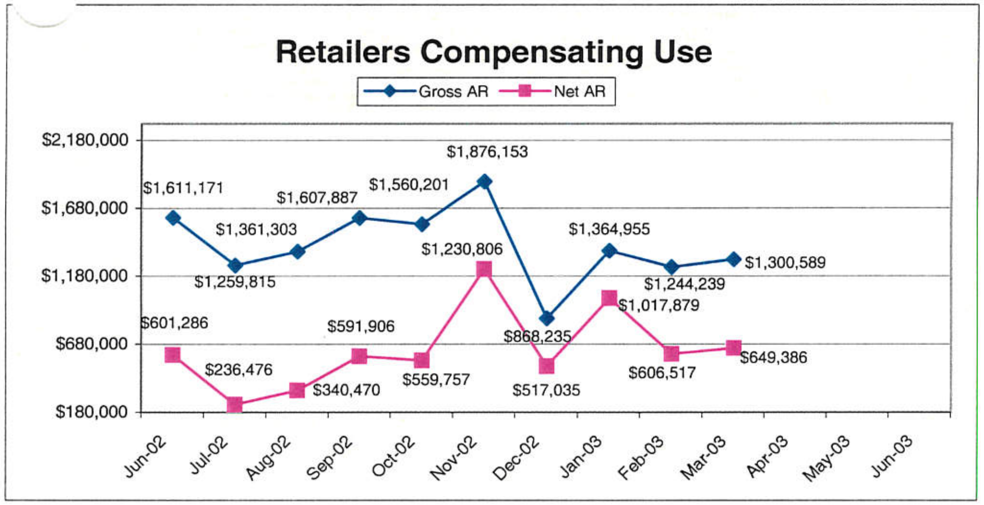
October decrease is the result of manual cleanup effort of over #10 million dollar related to W2 bug.
November charge off of $4,940,670
Normal recovery action in January



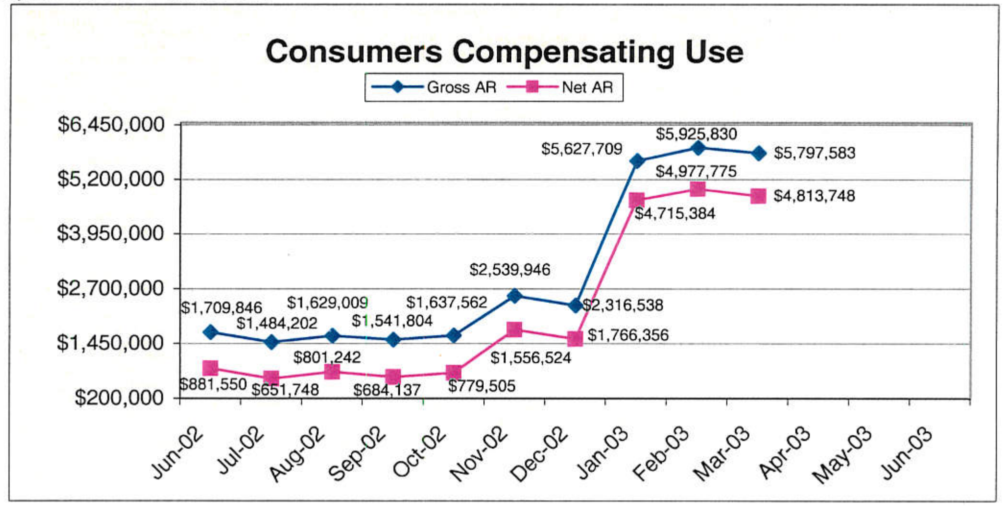
November charge off of $2,018,381
Billed $8 million in January

15-5

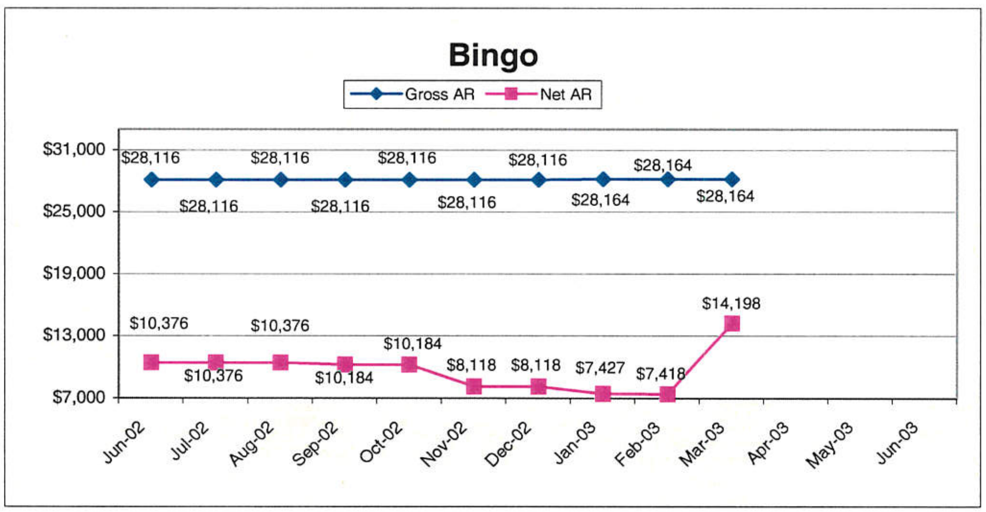
KANSAS DEPARTMENT OF REVENUE
FY03 ACCOUNTS RECEIVABLE MONTHLY BALANCE COMPARISON
BEGINNING JUNE 30, 2002 TO CURRENT

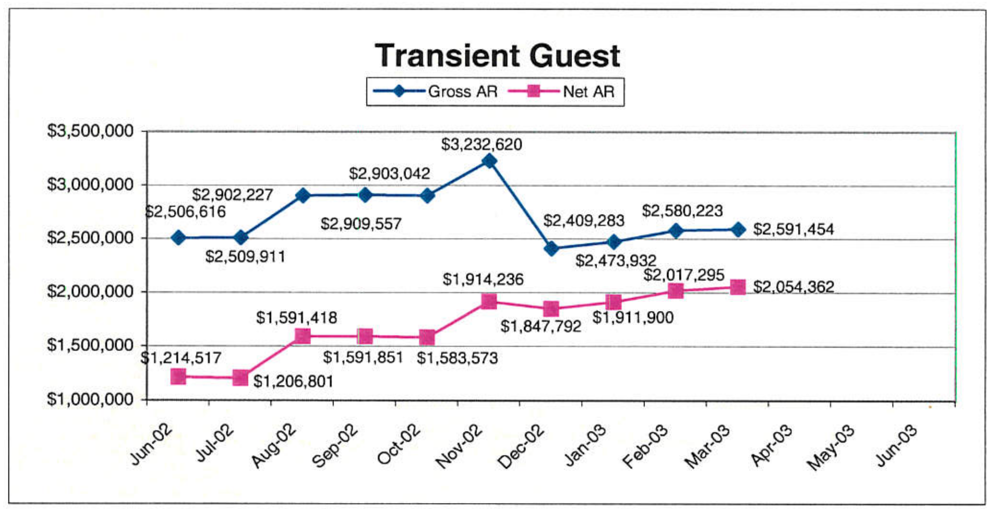


December charge off of $306,215
Billed $522K in January.



December charge off of $82,414
$3.5 Million Billed in January

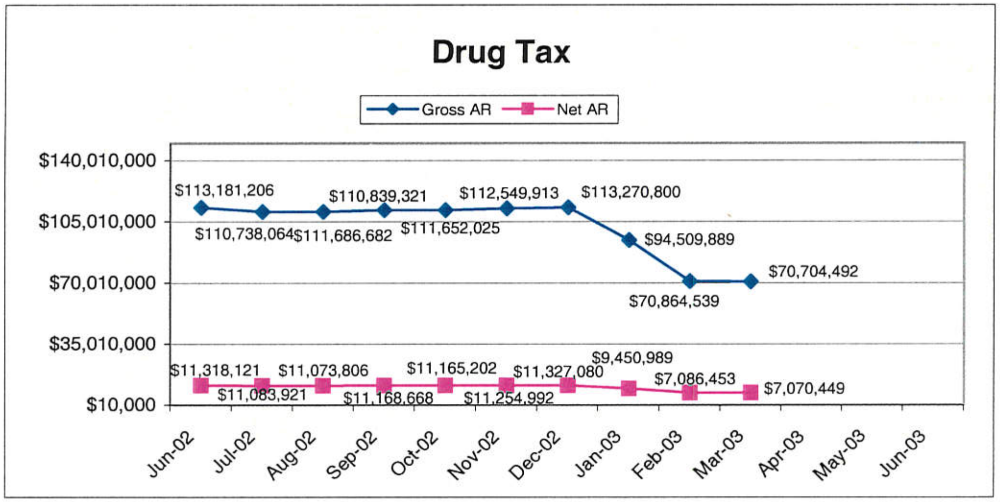




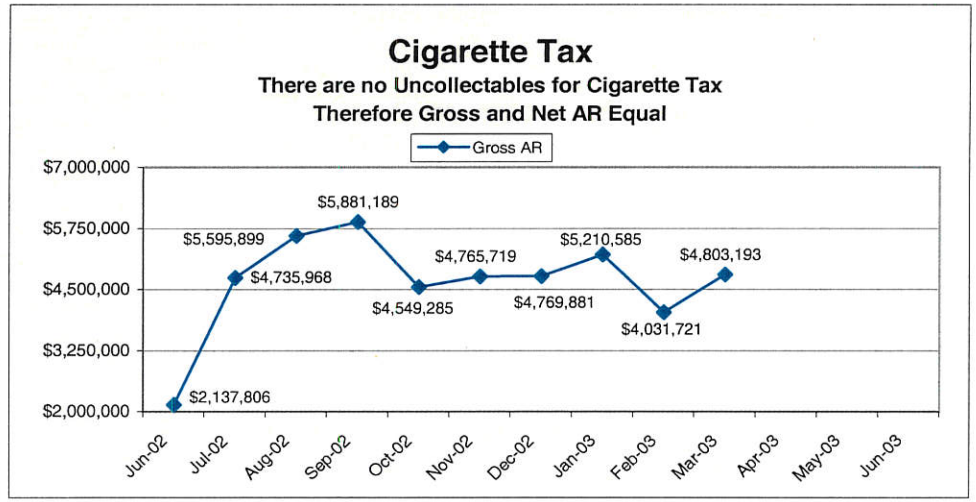
December charge off of $749,359

15-6

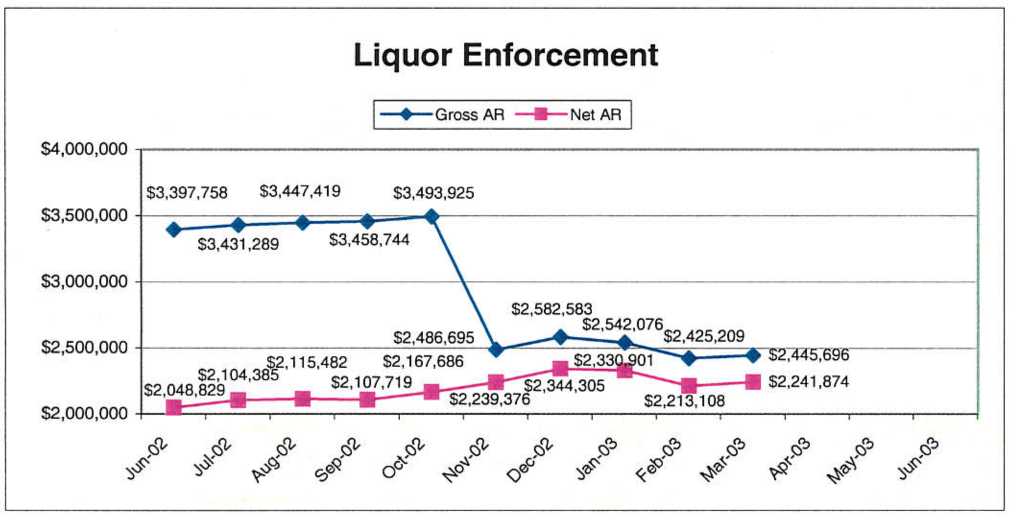
KANSAS DEPARTMENT OF REVENUE
FY03 ACCOUNTS RECEIVABLE MONTHLY BALANCE COMPARISON
BEGINNING JUNE 30, 2002 TO CURRENT



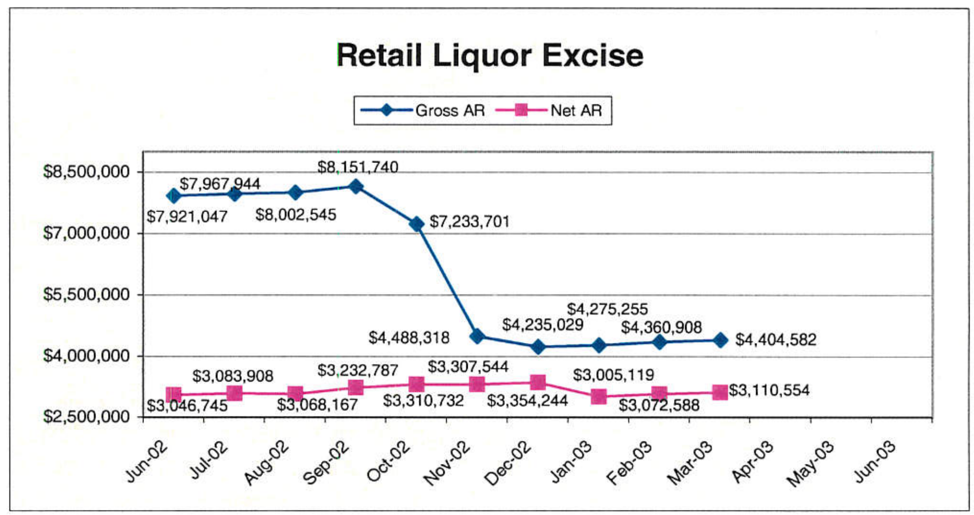
Charge off of $19,475,056 in January
Charge off of $23,668,157 in February



The July AR increase is because the price of a roll jumped from $7,009.20 to $20,811.00 and many of the distributors have raised their bonds to order on credit.



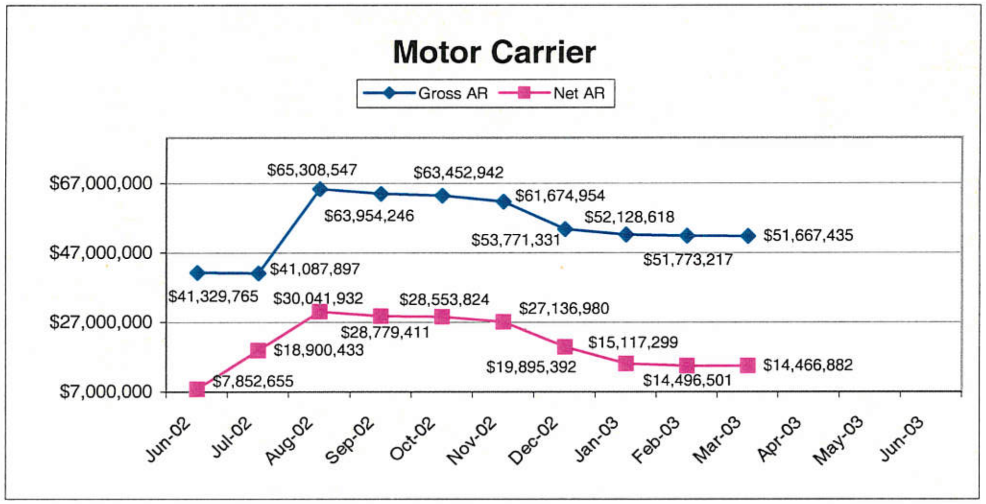
November charge offs of $1,075,156



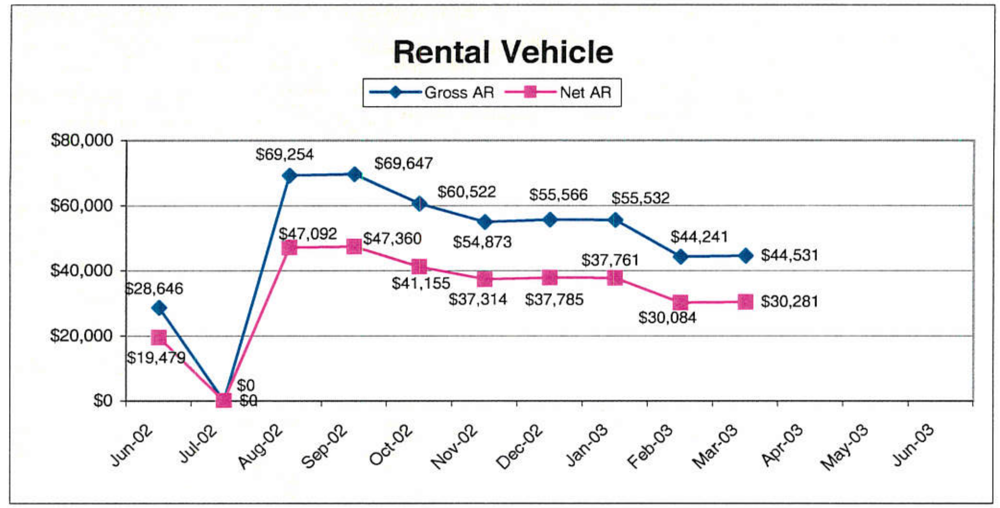
November and December charge offs of $4,139,312

15-7

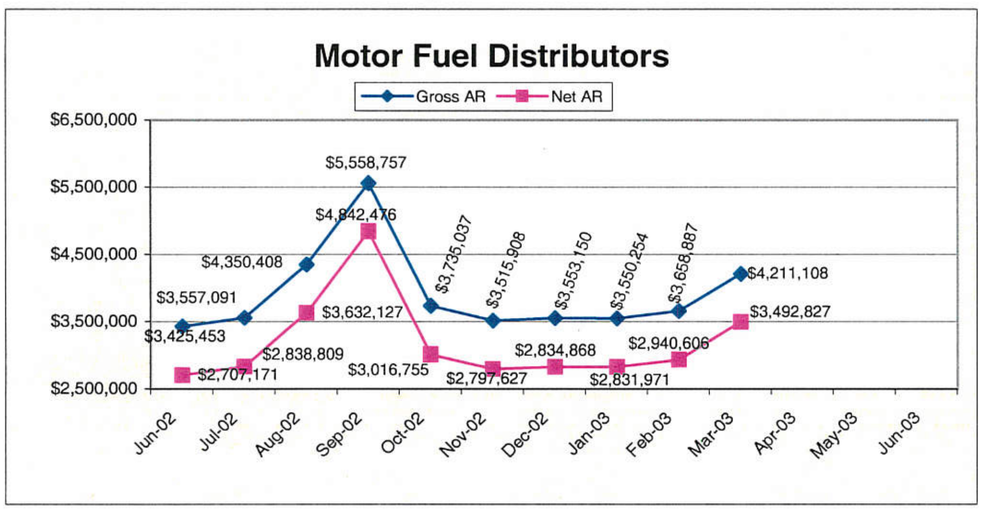
KANSAS DEPARTMENT OF REVENUE
FY03 ACCOUNTS RECEIVABLE MONTHLY BALANCE COMPARISON
BEGINNING JUNE 30, 2002 TO CURRENT



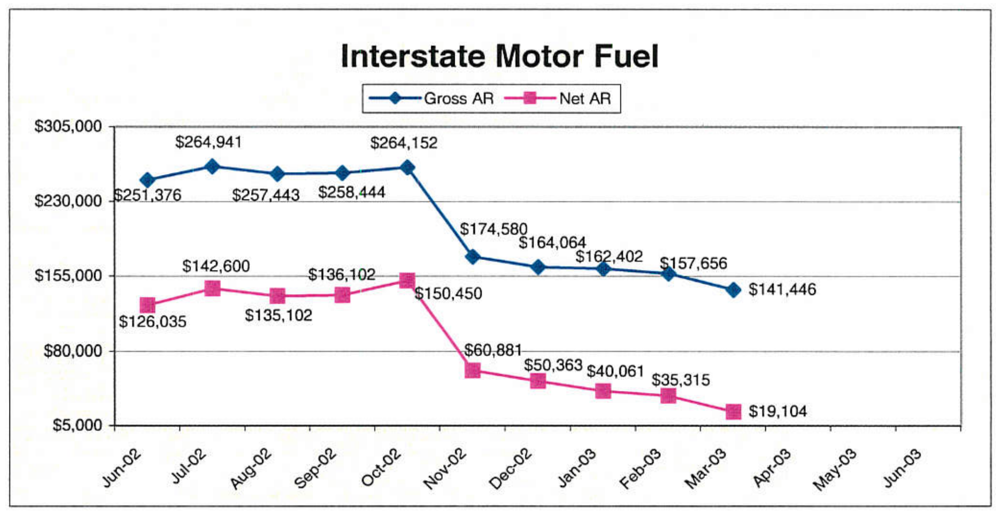
August AR increase due to $24,608,738 billing of 2002 taxes.
December AR decrease due to normal billing receipts.



November charge off of $1,612



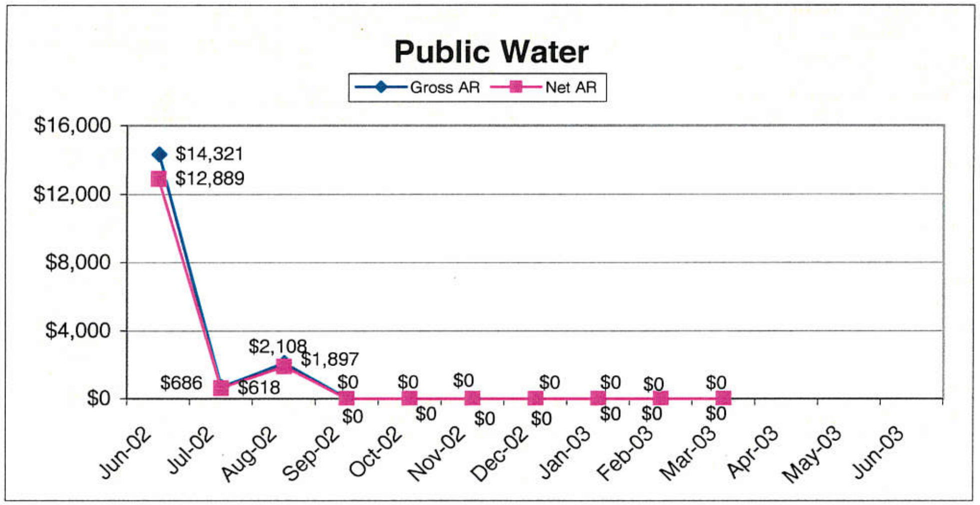
October decrease in AR is due to a $1.3 million dollar payment from one account.
'ovember charge offs of $171,802

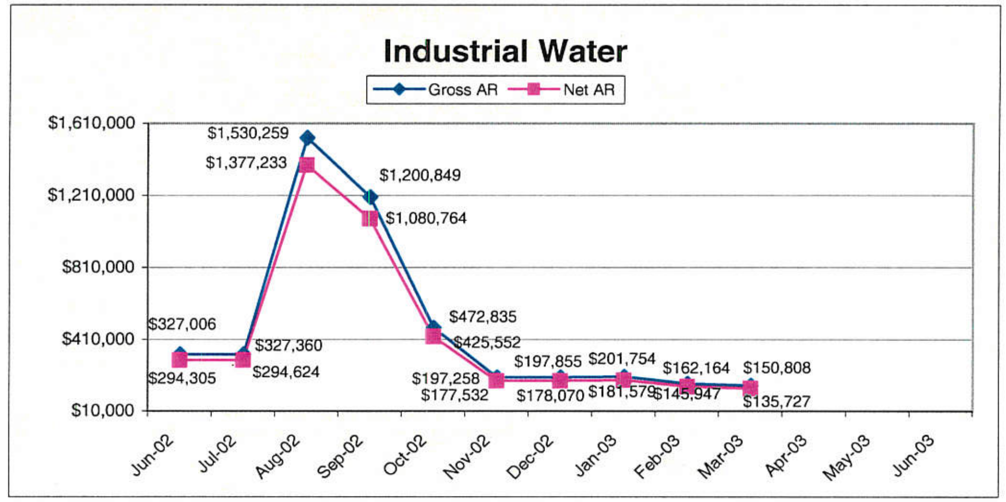


November and December charge offs of $113,652

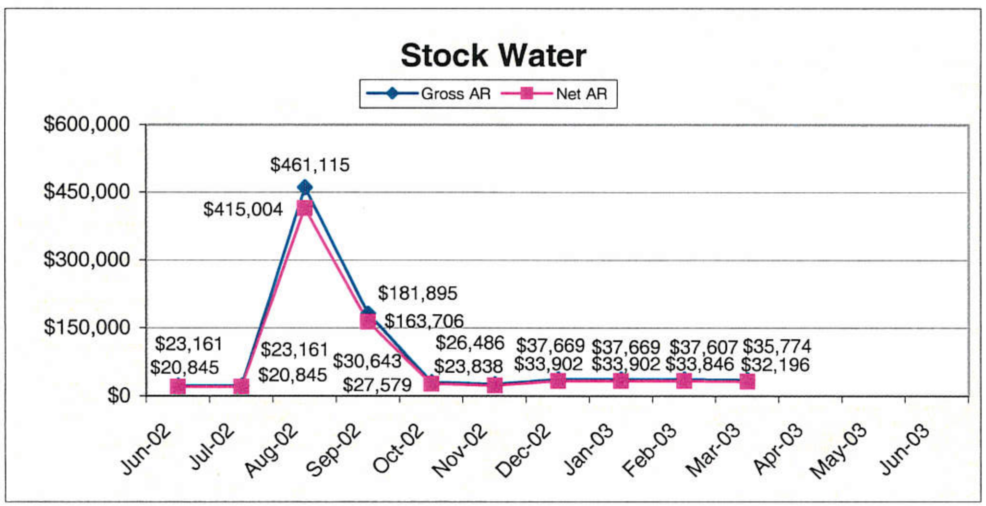
15-8

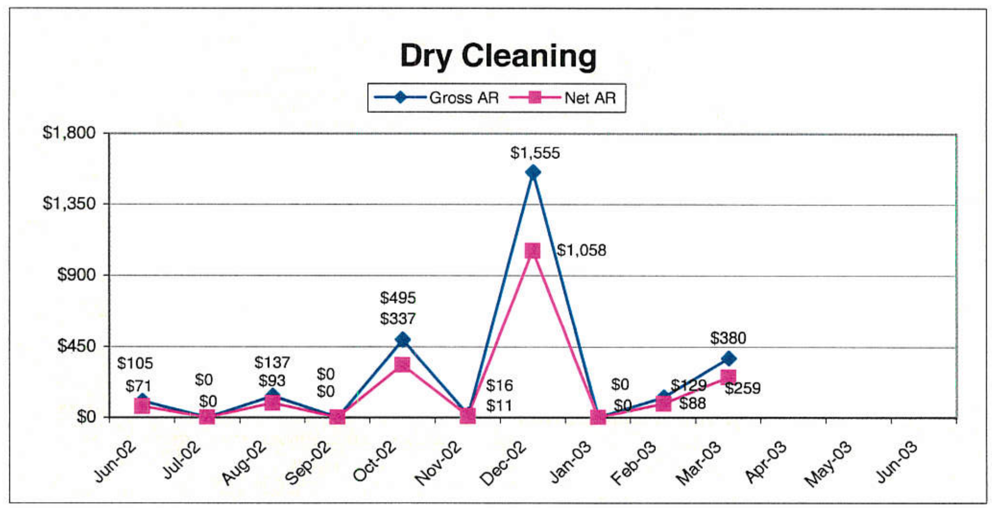
KANSAS DEPARTMENT OF REVENUE
FY03 ACCOUNTS RECEIVABLE MONTHLY BALANCE COMPARISON
BEGINNING JUNE 30, 2002 TO CURRENT





Annual liability assessments were ran in August.
November charge offs of $219,306

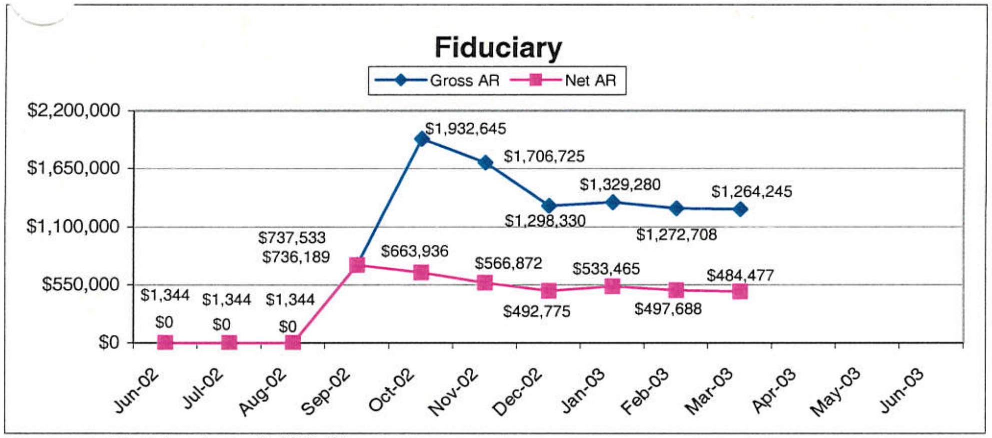


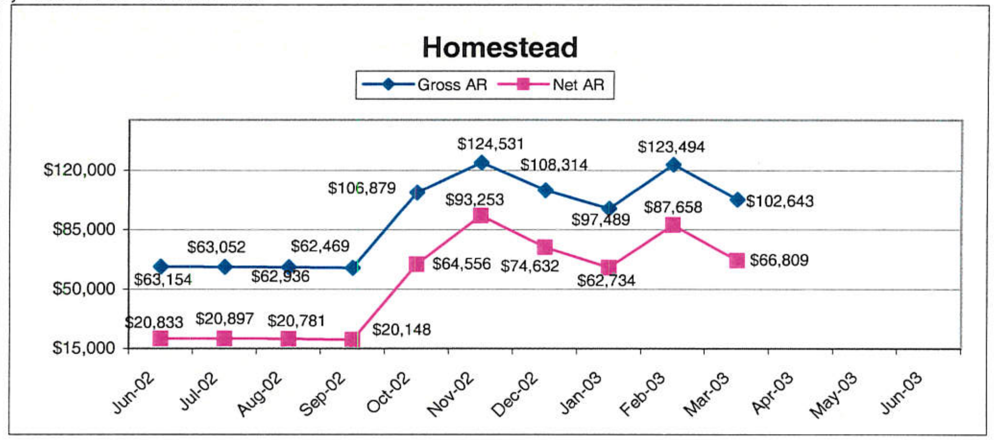


Annual liability assessments were ran in the month of August.

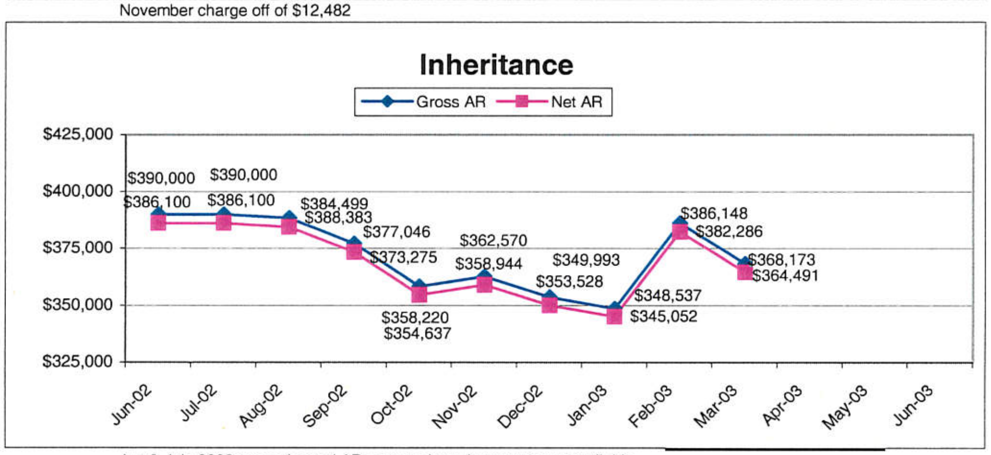
15-9

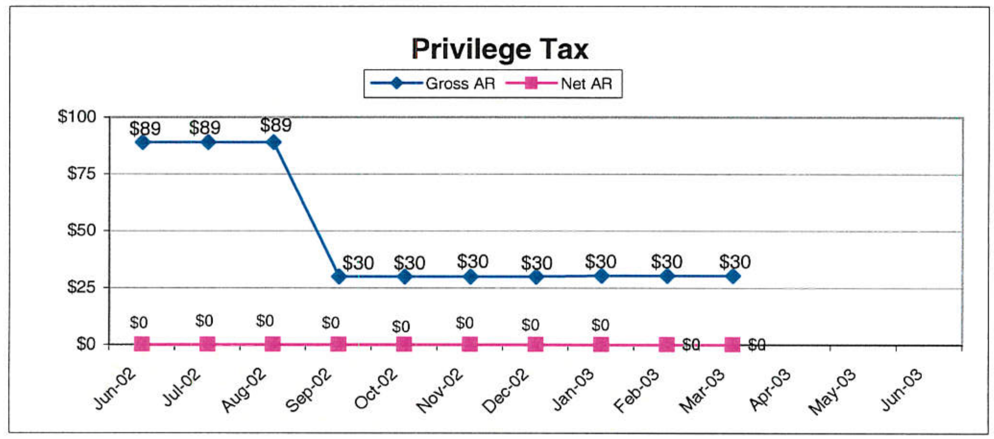
KANSAS DEPARTMENT OF REVENUE
FY03 ACCOUNTS RECEIVABLE MONTHLY BALANCE COMPARISON
BEGINNING JUNE 30, 2002 TO CURRENT



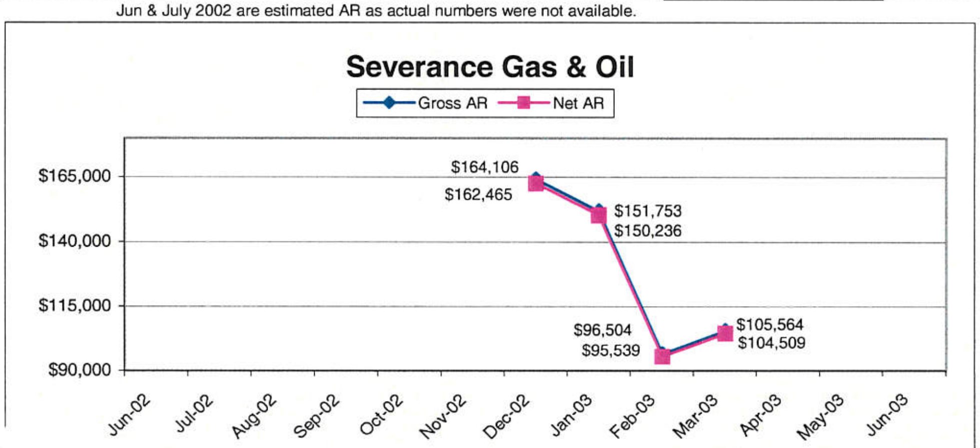


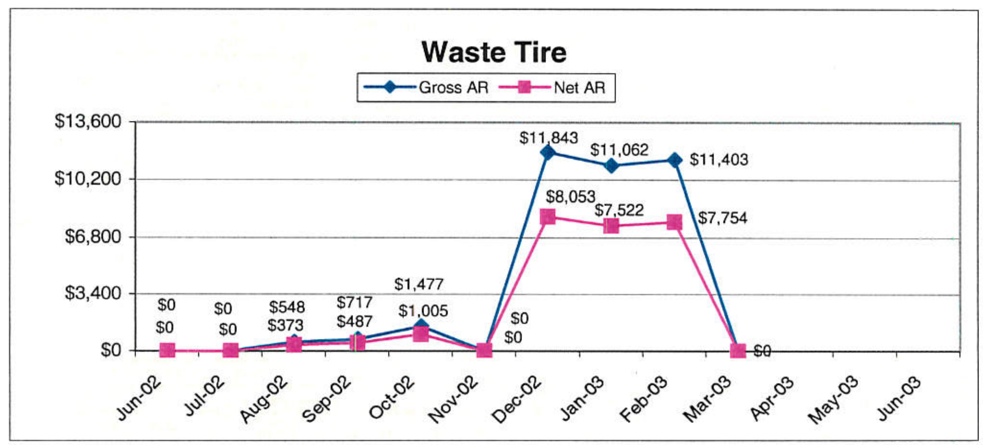
November charge off of $12,482





Jun & July 2002 are estimated AR as actual numbers were not available.



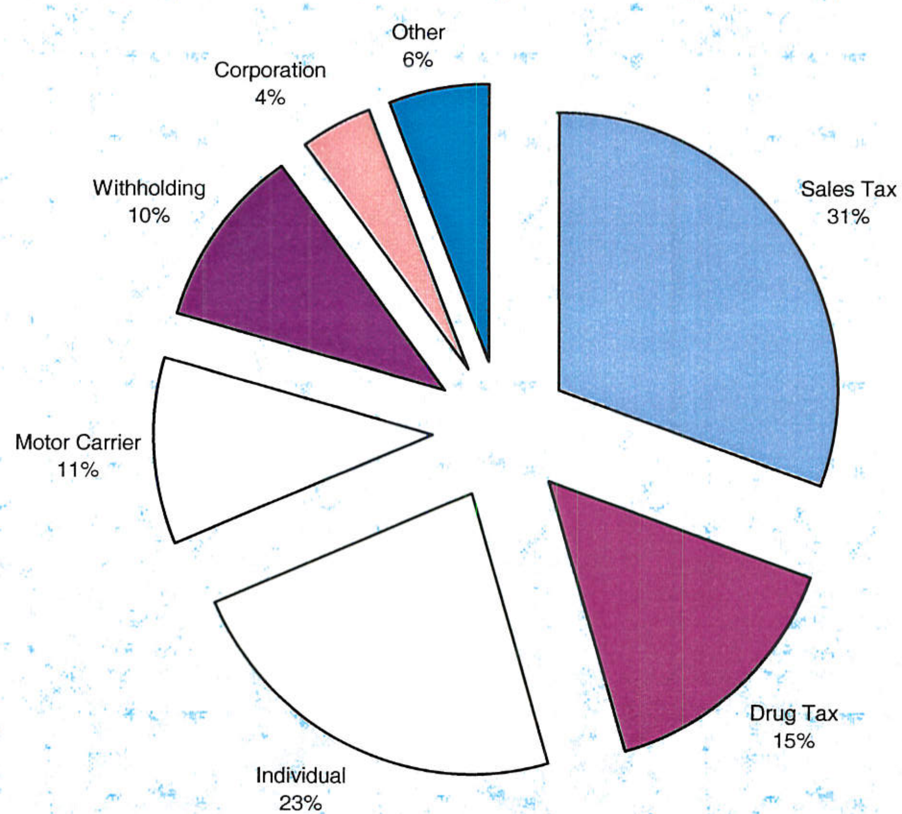


First AR report for Gas & Oil was developed in December 02. Previous months not available.

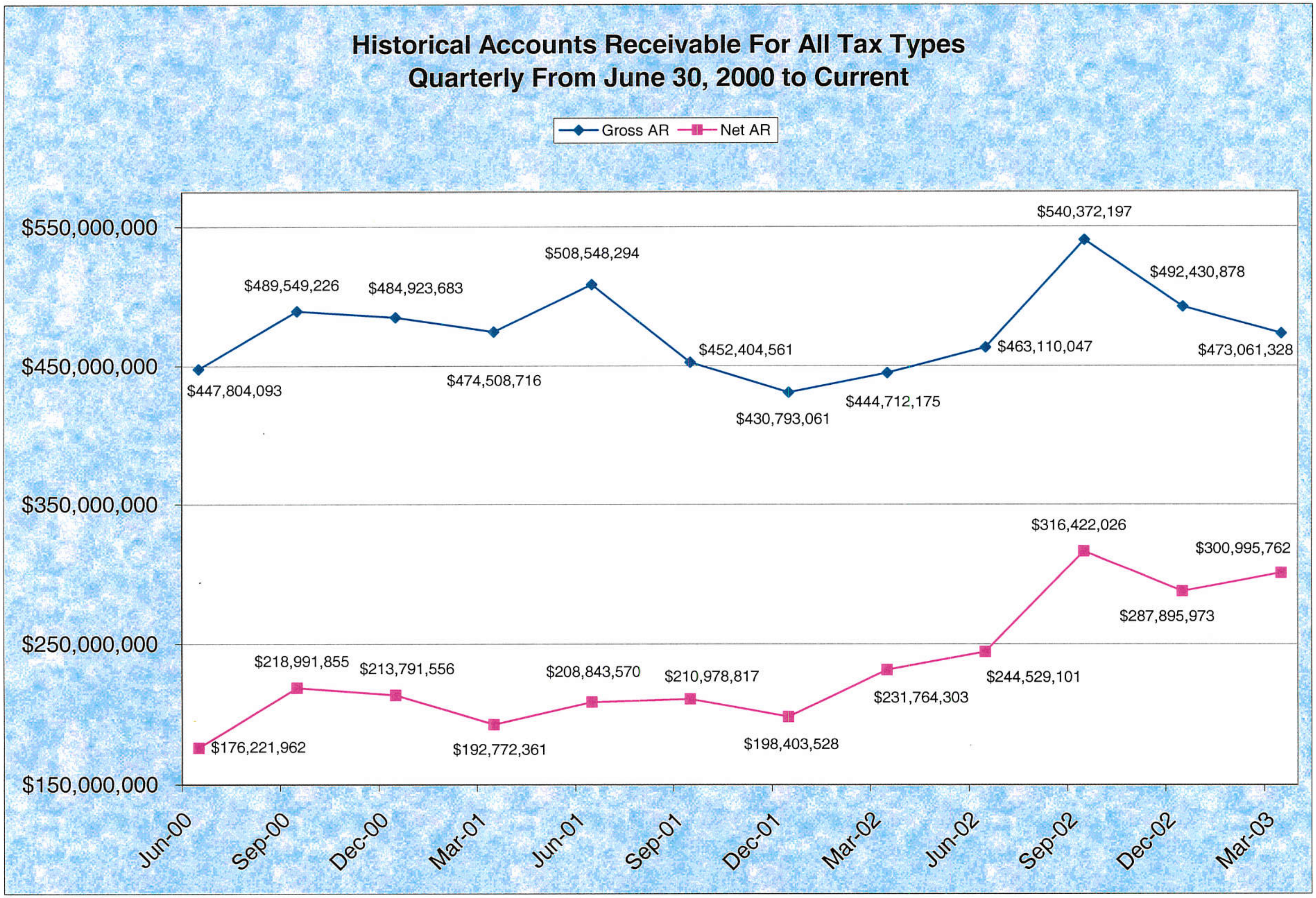
15-10

KANSAS DEPARTMENT OF REVENUE
ACCOUNTS RECEIVABLE

PERCENT COMPARISON OF MAJOR TAX TYPE ACCOUNTS RECEIVABLE TO TOTAL ACCOUNTS RECEIVABLE MARCH 2003



15-11



Historical Accounts Receivable For All Tax Types
Quarterly From June 30, 2000 to Current
Gross AR
Net AR
$550,000,000
$450,000,000
$350,000,000
$250,000,000
$150,000,000
$447,804,093
$489,549,226
$484,923,683
$474,508,716
$508,548,294
$452,404,561
$430,793,061
$444,712,175
$463,110,047
$540,372,197
$492,430,878
$473,061,328
$176,221,962
$218,991,855
$213,791,556
$192,772,361
$208,843,570
$210,978,817
$198,403,528
$231,764,303
$244,529,101
$316,422,026
$287,895,973
$300,995,762
Jun-00
Sep-00
Dec-00
Mar-01
Jun-01
Sep-01
Dec-01
Mar-02
Jun-02
Sep-02
Dec-02
Mar-03

15-12

KANSAS DEPARTMENT OF REVENUE
ACCOUNTS RECEIVABLE

AGING REPORT

FOR ACM TAXES ONLY

UNDER 90 DAYS "NEW" / OVER 90 DAYS "OLD"

March 31, 2003

Tax Types	"New" Gross AR 1 to 90 Days	"Old" Gross AR Over 90 Days	Total Gross AR	Bankruptcy	Uncollectable	Total Net AR
Individual Inc	$ 14,867,986	$ 94,150,541	$ 109,018,527	$ 9,302,466	$ 15,498,124	$ 84,217,937
Fiduciary	$ 137,527	$ 1,126,718	$ 1,264,245	$ 93	$ 779,675	$ 484,477
Homestead	$ 18,735	$ 83,908	$ 102,643	$ 691	$ 35,143	$ 66,809
Sales	$ 10,959,846	$ 133,824,403	$ 144,784,249	$ 8,972,742	$ 11,623,167	$ 124,188,340
Retailers Comp	$ 570,857	$ 729,732	$ 1,300,589	$ 271,790	$ 379,414	$ 649,386
Consumers Comp	$ 3,467,861	$ 2,329,722	$ 5,797,583	$ 282,892	$ 700,943	$ 4,813,748
Corporation Inc	$ 272,851	$ 19,714,377	$ 19,987,228	$ 760,307	$ 7,745,243	$ 11,481,678
Privilege Tax	$ -	$ 30	$ 30	$ -	$ 30	$ -
Withholding	$ 5,468,616	$ 43,634,819	$ 49,103,435	$ 4,588,549	$ 7,362,405	$ 37,152,481
Bingo	$ -	$ 28,164	$ 28,164	$ -	$ 13,966	$ 14,198
Liquor Enforce	$ 39,740	$ 2,405,956	$ 2,445,696	$ 98,330	$ 105,492	$ 2,241,874
Ret Liquor Excise	$ 78,728	$ 4,325,854	$ 4,404,582	$ 297,587	$ 996,440	$ 3,110,554
Transient Guest	$ 91,565	$ 2,499,890	$ 2,591,455	$ 336,282	$ 200,810	$ 2,054,362
Total AR	$ 35,974,312	$ 304,854,113	$ 340,828,425	$ 24,911,729	$ 45,440,853	$ 270,475,844

15-13

KANSAS DEPARTMENT OF REVENUE
ACCOUNTS RECEIVABLE

AGING REPORT FOR ACM TAXES ONLY
BY TAX YEAR
FOR MARCH 2003

Debt Type	INDIVIDUAL INCOME	FIDUCIARY	HOME-STEAD	SALES	RETAIL COMP	CONSUM COMP	CORPORATE INCOME	PRIVI-LEGE	WITHHOLD-ING	BINGO	LIQUOR ENFORCE	RETAIL LIQUOR	TRANSIENT GUEST	TOTAL
1980	136,606.23	.	.	.	.	.	.	.	.		.	.	.	136,606.23
1981	10,612.65	.	.	.	.	.	.	.	.		.	.	.	10,612.65
1982	585,957.81	.	.	1,185,744.42	31,524.59	382,428.55	.	.	509,660.59	.	.	.	.	2,695,315.96
1983	567,155.02	.	.	87,285.00	.	127,917.00	.	.	65,575.68	.	.	.	.	847,932.70
1984	1,117,289.19	.	.	82,067.30	.	35,861.53	.	.	166,354.11	663.13	.	11,219.88	.	1,413,455.14
1985	1,059,484.12	.	.	132,840.28	136.57	4,231.25	.	.	216,464.03	357.23	.	5,288.64	5,740.61	1,424,542.73
1986	1,003,873.54	.	.	286,908.89	6,080.85	17,996.67	.	.	499,230.99	2,995.52	.	18,109.12	.	1,835,195.58
1987	2,277,521.39	.	.	294,477.30	9,186.96	23,444.26	26,932.40	.	399,294.85	.	.	421.32	16,432.62	3,047,711.10
1988	4,054,673.98	273.29	.	759,790.06	3,608.67	8,741.66	110,815.57	.	477,378.43	2,777.28	.	2,844.91	36,298.01	5,457,201.86
1989	3,895,245.16	.	1,284.62	902,561.94	13,910.12	102,775.48	391,914.06	.	758,303.18	337.84	.	30,660.27	638.43	6,097,631.10
1990	4,047,985.00	.	8,012.19	1,553,815.95	9,851.07	69,872.64	525,715.51	.	1,020,272.92	209	41,548.34	85,263.10	6,910.63	7,369,456.35
1991	3,220,946.05	.	3,529.34	3,339,657.87	51,984.88	8,055.03	149,936.46	.	1,538,378.30	274.37	47,914.50	404,762.45	125,269.86	8,890,709.11
1992	4,415,570.00	.	22,384.24	3,528,714.91	90,372.16	85,705.87	1,233,569.95	.	1,037,712.83	.	32,290.08	122,754.72	46,399.29	10,615,474.05
1993	4,364,160.68	4,365.25	6,710.00	7,026,756.62	38,729.42	124,327.02	2,535,692.60	.	904,269.91	.	82,156.39	136,235.05	41,095.91	15,264,498.85
1994	5,555,818.68	873.42	1,147.00	7,159,485.82	57,198.60	690,293.57	4,477,137.20	.	1,234,295.73	162.86	67,612.71	157,199.40	58,308.03	19,459,533.02
1995	5,535,296.12	7,847.15	790.88	9,082,690.33	420,974.26	847,005.24	3,356,511.25	.	1,237,506.85	6,950.38	153,911.80	481,122.83	99,937.71	21,230,544.80
1996	6,704,972.28	64,504.71	424.11	10,078,672.65	119,342.11	1,087,014.33	2,590,671.21	.	2,757,435.01	4,048.67	103,967.00	511,138.99	187,418.15	24,209,609.22
1997	6,951,919.99	75,223.74	843.6	11,524,650.28	272,159.23	605,645.22	1,292,522.28	.	2,618,784.36	1,728.44	48,493.75	204,722.78	12,707.93	23,609,401.60
1998	8,668,294.84	631,319.23	4,359.24	13,468,177.84	225,404.64	223,163.99	589,601.40	.	6,024,737.85	370.88	488,667.14	296,956.51	122,770.61	30,743,824.17
1999	10,959,048.69	132,171.21	10,171.02	15,094,427.60	291,220.98	149,702.10	1,548,721.05	30.31	6,038,576.34	5,675.75	418,090.25	408,276.85	175,205.76	35,231,317.91
2000	14,942,951.06	259,018.69	18,304.31	23,612,971.21	354,949.41	521,328.20	529,319.10	0	7,070,136.98	1,612.27	628,340.48	737,724.51	369,083.10	49,045,739.32
2001	18,943,144.35	88,626.08	24,682.11	23,003,508.70	438,453.21	362,114.21	584,855.18	.	8,255,132.43	.	161,367.46	567,431.09	826,847.27	53,256,162.09
2002	0	22.36	.	12,532,611.52	-1,134,498.43	319,959.15	43,313.00	.	5,963,764.88	.	148,339.28	220,386.17	449,269.83	18,543,167.76
2003	.	.	.	46,432.63	.	.	.	.	310,168.56	.	22,996.90	2,062.99	11,120.67	392,781.75
TOTAL	109,018,526.83	1,264,245.13	102,642.66	144,784,249.12	1,300,589.30	5,797,582.97	19,987,228.22	30.31	49,103,434.81	28,163.62	2,445,696.08	4,404,581.58	2,591,454.42	340,828,425.05

Senate Ways and Means
4-24-03
Attachment 16

Comparison of FY 2004 Funding Proposals
Kansas, Inc.

	Senate Proposal			GBA No. 3, Item 12		
	EDIF	Other Funds	All Funds	EDIF	Other Funds	All Funds
Kansas, Inc.						
Reversal of transfer to KDOCH	$ 55,328	$ 114,022	$ 169,350	$ 55,328	$ 114,022	$ 169,350
Additional funds from KDOCH	144,672	-	144,672	124,463	-	124,463
Private Account	-	137,733	137,733	-	137,733	137,733
TOTAL	$ 200,000	$ 251,755	$ 451,755	$ 179,791	$ 251,755	$ 431,546
Department of Commerce and Housing						
Reversal of transfer from Kansas, Inc	$ (55,328)	$ (114,022)	$ (169,350)	$ (55,328)	$ (114,022)	$ (169,350)
Additional funds to Kansas, Inc	(144,672)	-	(144,672)	(124,463)	-	(124,463)
Funds to KTEC	(325,320)	-	(325,320)	-	-	-
TOTAL	$ (525,320)	$ (114,022)	$ (639,342)	$ (179,791)	$ (114,022)	$ (293,813)
Kansas Technology Enterprise Corporation						
Funds from KDOCH	$ 325,320	$ -	$ 325,320	$ -	$ -	$ -

Additional funds for Kansas, Inc. and KTEC are from the EDIF amounts budgeted for the Division of Housing. Executive Reorganization Order No. 30 transfers the Division of Housing from KDOCH to the Kansas Development Finance Authority. The Division of Housing EDIF appropriation of $469,992 will not be transferred to KDFA. The Senate proposal transfers the entire amount to other agencies. The Governor's proposal leaves approximately $345,529 of those funds with KDOCH.

INFORMATION

KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT

Senate Ways and Means
4-24-03
Attachment 17

Indigent Burial

Chapter 39, Kansas Statutes Annotated, provides the Secretary of the Department of Social and Rehabilitation Services requisite authority and responsibility for determining eligibility and providing services, including funeral and burial, for persons who are incapacitated and dependent. The Secretary of the Department of Health and Environment has neither the statutory authority, trained personnel to conduct field activities and determine eligibility, nor administrative mechanisms for issuing payments for services as envisioned in K.S.A. 39-713d. and K.A.R. 30-4-96. Consequently, when funds for indigent burial were allocated to KDHE in lieu of SRS for FY 2003, an interagency agreement was executed to enable KDHE to transfer funds to SRS for payments to applicants determined eligible by SRS field personnel. As a result, the process which is a clear programmatic and administrative function of SRS, became awkward and inefficient.

Salina Area Prevention
TOBACCO PREVENTION
Partnership

March 2003

Saline County Tobacco Use

Comprehensive Tobacco Prevention Programs Work

Significant changes in youth tobacco use have occurred in the first 18 months of the comprehensive tobacco use prevention program. These outcomes illustrate the success of Saline County's tobacco prevention efforts.

High School

Data from the 2002 Saline County Youth Tobacco Survey show significant reductions in tobacco use among students in grades 9-12:

- 19% reduction in the number of current smokers.
- 33% reduction in the number of smokeless tobacco users.
- 10% drop in the number of students who have ever smoked a cigarette.
- 24% reduction in the number of students who have ever smoked cigarettes daily.
- 25% increase in the number of students who have attempted to quit smoking.

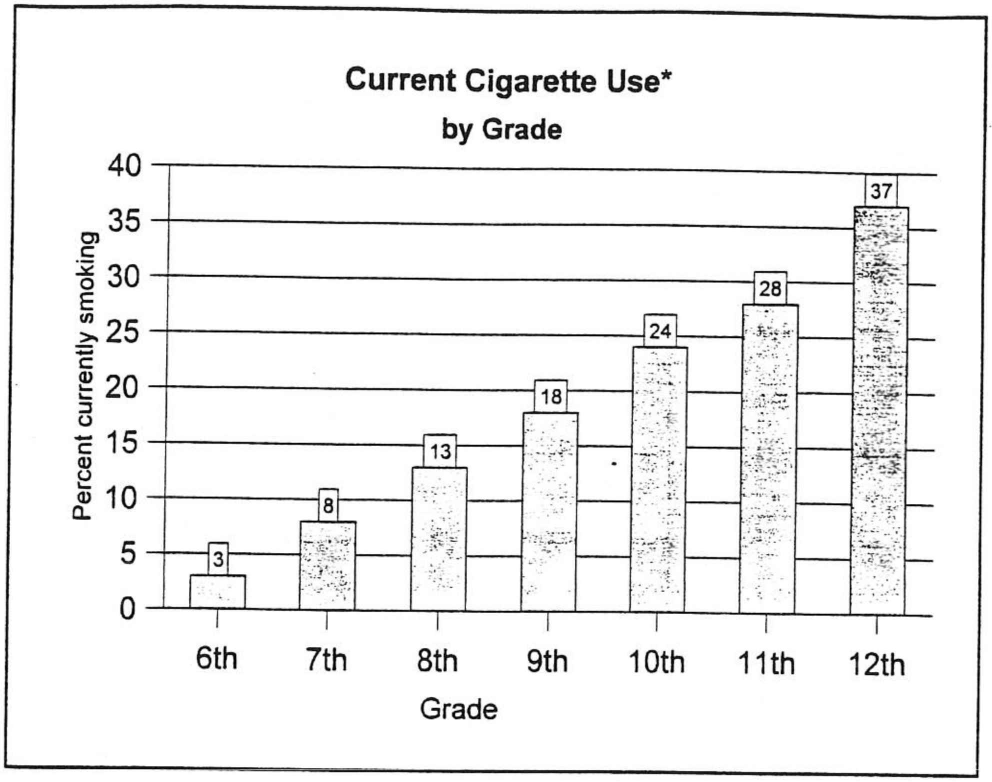
Middle School

Data from the 2002 Saline County Youth Tobacco Survey show significant reductions in tobacco use among students in grades 6-8:

- 38% reduction in the number of current smokers.
- 20% drop in the number of students who have ever smoked a cigarette.
- 33% reduction in the number of students who have ever smoked cigarettes daily.

Salina Area Tobacco Prevention Coalition
Central Kansas Foundation
1300 E. Iron
Salina, KS 67401
(785) 309-0918

Tobacco Use Among Kansas Youth 2000



Smoking will eventually kill 50,000 of today's youth

Smoking prevalence in Kansas middle schools* - 8%

Smoking prevalence in Kansas high schools* - 26%

Smoking prevalence in Kansas 12th graders* - 35%

Smokeless tobacco use prevalence in Kansas high school males* - 15%

Percent of children not asked to show proof of age when buying tobacco products* - 55%

*2000 Kansas Youth Tobacco Statewide Survey

17-5

1. Preventing the initiation of tobacco use among young people:

STATEWIDE							
Outcome:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. Average age of initiation							
B. % of kids initiating smoking							
C. % of kids 'committed' never smokers							
D. Smoking prevalence							
E. % of kids who think it is 'cool' to smoke							
F. % of kids who think smokers have more friends							

STATEWIDE							
Impact:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. % of kids who report being asked to show i.d. when attempting to purchase tobacco products							
B. % of kids who report positive exposure to tobacco in media (celebrity smoking, tobacco ads)							
C. % of kids who report negative exposure to tobacco in media (e.g. TASK spots)							
D. % of kids who report their Dr. has discussed the dangers of tobacco use							
E. % of kids who report being exposed to ETS in the past 7 days							
F. % of KS counties implementing the Kansas Youth Tobacco Survey							

17-6

STATEWIDE							
Process:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. # of TASK members							
B. # of contacts involved in TASK activities							
C. # of hits on the TASK website							
D. leadership qualities among TASK members							
E. % of TASK involved in ____% of activities							
F. # of schools implementing approved comprehensive school programs (7 components)							

STATEWIDE							
Media:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. # of runs of TV/radio/print ads							
B. % of markets airing ads							
C. % of targeted age group reached							
D. # earned media spots							

17-7

STATEWIDE							
Policy:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Date**
A. No preemption							
B. Tax increases							
C. # of ordinances aimed at reducing youth access							
D. # of citations to minors for tobacco use							
E. # of ordinances aimed at reducing minors' exposure to ETS							

17-8

I. Eliminating nonsmokers' exposure to environmental tobacco smoke

STATEWIDE							
Outcome:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. % of people exposed							
B. % of morbidity by nonsmokers due to ETS exposure							
C. % of mortality by nonsmokers due to ETS exposure							
D. cost of medical expenditures due to ETS exposure							

STATEWIDE							
Impact:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. % of smokers who don't smoke inside their home							
B. # of restaurants and bars that are smoke free							
C. # of smoke free woksites							
D. # of schools with smoke free grounds							
E. Perceived peer smoking rates reported							

17-9

STATEWIDE							
Process:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. # of coalitions adopting ETS issues							
B. # of worksites inquiring about becoming smokefree							

STATEWIDE							
Media:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. # of articles/news spots about ETS issues							
B. Coverage of ordinance progress in the media							

STATEWIDE							
Policy:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. # of ETS ordinances drafted							
B. # of ETS ordinances passed and enacted							
C. Enforcement of ETS policies							

17-10

II. Eliminate Disparities among Populations

STATEWIDE							
Outcome:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. Kansas definition of disparities established							
B. Disparate populations identified							
C. State-wide plan for disparate populations formulated							
D. # of disparate populations members participating in tobacco control activities							
E. # of disparate populations members enrolled in accredited cessation programs							

STATEWIDE							
Impact:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. Smoking prevalence by race/ethnicity/SES/etc.							
B. Mortality rates from tobacco related illness by race/ethnicity/SES/etc.							

STATEWIDE							
Media:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. # of anti tobacco ads aimed at disparate populations							
B. # of hits on TASK website from members of disparate populations							

17-11

III. Promote quitting among youth and adults

STATEWIDE							
Outcomes:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. % of smokers who want to quit							
B. % of smokers who have quit for more than one day							
C. # who participate in cessation programs							
D. # who call quit line							

STATEWIDE							
Impact:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. % of smokers who report physician counseling							
B. Per capita consumption of tobacco							
C. # of people prescribed pharmaceuticals to help in quitting smoking							

17-12

STATEWIDE							
Process:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. # of accredited cessation programs available							
B. % of communities with accredited programs							
C. # of coalition activities (e.g. GASO)							
D. Development of web resources							
E. # of school based cessation programs							
F. # of work site cessation programs							

STATEWIDE							
Media:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. # of ads run for cessation programs							
B. # of earned media spots for cessation							
C. # of negative tobacco messages (e.g. TASK spots)							

STATEWIDE							
Policy:	**BRFSS**	**ATS**	**YTS**	**Local**	**Other**	**Most Recent Data**	**Year**
A. Insurance pays for cessation services and pharmaceuticals							
B. # of smoke free work site policies							
C. # of smoke free restaurant and bar policies							
D. Tax increases							

Pregnancy Maintenance Initiative
Funding by Fiscal Year

	FY 2003	FY 2002	FY 2001	FY 2000
Gerard House	4,500	18,000	17,623	18,000
Bethlehem House	8,657	34,626	34,931	27,786
Catholic Charities	52,119	208,477	202,999	152,273
Family Life Services	9,724	38,897	38,161	33,227
Total	75,000	300,000	293,714	231,286

PROGRAM EFFECTIVENESS MEASURES
Gerard House
Pregnancy Maintenance Initiative (PMI)
SFY 2002, Service and Client Data Reports

	Quantity		Quality	
Input	***How much service was delivered?***		***How well was the service delivered?***	
	# Users receiving PMI services	29	# Users of PMI services by:	
			Race	
			White	38%
			Black	24%
			American Indian	7%
			Asian/Pacific Islander	3%
			Ethnicity	
			Hispanic	28%
			Non-Hispanic	72%
			Age	
			<15	
			+15-17	
			+18-19	
			+20-24	
			+25-29	
			+30-34	
			County of Residence	
			Sedgwick	
			Harvey	
			Reno	
			Edward	
			Montgomery	
			Highest level of education	
			< 12 years	20
			HS Diploma/GED	7
			< 4 yrs College	
			College Degree	
			Vo-Tech	
			Employment Status	
			Unemployed	
			Full Time	
			Part Time	8
			Poverty level	
			< 50%	
			51 - 100 %	
			101 - 150 %	
Output	***What effect was produced?***		***What quality of effect was produced?***	
	live births (LB)	11	% live births	100%
	fetal deaths/stillbirths	0	% fetal deaths/stillbirths	0%
	positive maternal outcomes*		% positive maternal outcomes	n/a
	live births normal weight **	11	% live births normal weight	n/a
	live births LBW***		% live births LBW	100%
	live births VLBW****		% live births VLBW	n/a

* E.g., term delivery, absence of complications, did not require extended hospitalization (> 3-5 days)
** Greater than or equal to 2500 grams (5.5 pounds)
*** Low birth weight (LBW), 1500 - 2499 grams (3.3-5.4 pounds)
**** Very low birth weight (VLBW), less than 1500 grams (less than 3.3 pounds)

17-15

PROGRAM EFFECTIVENESS MEASURES
Bethlehem House and Great Beginnings Program
Pregnancy Maintenance Initiative (PMI)
SFY 2002, Service and Client Data Reports

	Quantity		Quality	
Input	***How much service was delivered?***		***How well was the service delivered?***	
	# Users receiving PMI services	33	# Users of PMI services by:	
			Race	
			White	30
			Black	1
			American Indian	3
			Asian/Pacific Islander	0
			Ethnicity	
			Hispanic	4
			Non-Hispanic	32
			Age	
			<15	2
			+15-17	7
			+18-19	9
			+20-24	11
			+25-29	4
			+30-34	1
			County of Residence	
			Butler	36
			Greenwood	1
			Highest level of education	
			< 12 years	17
			HS Diploma/GED	17
			< 4 yrs College	1
			College Degree	1
			Vo-Tech	1
			Employment Status	
			Unemployed	26
			Full Time	9
			Part Time	2
			Poverty level	
			< 50%	26
			51 - 100 %	6
			101 - 150 %	5
Output	***What effect was produced?***		***What quality of effect was produced?***	
	live births (LB)	29	% live births	100%
	fetal deaths/stillbirths	0	% fetal deaths/stillbirths	0%
	positive maternal outcomes*	n/a	% positive maternal outcomes	n/a
	live births normal weight **	n/a	% live births normal weight	n/a
	live births LBW***	27	% live births LBW	93.10%
	live births VLBW****	2	% live births VLBW	6.90%

* E.g., term delivery, absence of complications, did not require extended hospitalization (> 3-5 days)
** Greater than or equal to 2500 grams (5.5 pounds)
*** Low birth weight (LBW), 1500 - 2499 grams (3.3-5.4 pounds)
**** Very low birth weight (VLBW), less than 1500 grams (less than 3.3 pounds)

17-16

Catholic Charities
Pregnancy Maintenance Initiative (PMI)
SFY 2002, Service and Client Data Reports

Input

Quantity	
How much service was delivered?	
# Users receiving PMI services	412

Quality		
How well was the service delivered?		
# Users of PMI services by:		
Race		
	White	45%
	Black	41%
	American Indian	2%
	Asian/Pacific Islander	3%
	Other	9%
Ethnicity		
	Hispanic	12%
	Non-Hispanic	94%
Age		
	<15	2
	+15-17	36
	+18-19	82
	+20-24	175
	+25-29	75
	+30-34	30
	+35-39	6
	+40-44	6
County of Residence		
	Sedgwick	334
	Saline	14
	Shawnee	34
	Butler	7
	Other KS counties	19
	Out of State	3
Highest level of education		
	< 12 years	134
	HS Diploma/GED	172
	< 4 yrs College	63
	College Degree	14
	Vo-Tech	19
Employment Status		
	Unemployed	219
	Full Time	137
	Part Time	57
Poverty level		
	< 50%	52
	51 - 100 %	17
	101 - 150 %	18
	151 - 185 %	10
	186 - 200 %	8
	> 200%	13
	Unknown	290

Output

What effect was produced?		***What quality of effect was produced?***	
live births (LB)	125	% live births	100%
fetal deaths/stillbirths	0	% fetal deaths/stillbirths	0%
positive maternal outcomes*	22	% positive maternal outcomes	17%
live births normal weight **	96	% live births normal weight	77%
live births LBW***	25	% live births LBW	20%
live births VLBW****	4	% live births VLBW	3%

* E.g., term delivery, absence of complications, did not require extended hospitalization (> 3-5 days)
** Greater than or equal to 2500 grams (5.5 pounds)
*** Low birth weight (LBW), 1500 - 2499 grams (3.3-5.4 pounds)
**** Very low birth weight (VLBW), less than 1500 grams (less than 3.3 pounds)

17-17

PROGRAM EFFECTIVENESS MEASURES
Family Life Services
Pregnancy Maintenance Initiative (PMI)
SFY 2002, Service and Client Data Reports

Input

Quantity		Quality	
How much service was delivered?		***How well was the service delivered?***	
# Users receiving PMI services	93	# Users of PMI services by:	
		Race	
		White	73
		Black	3
		American Indian	7
		Asian/Pacific Islander	1
		Ethnicity	
		Hispanic	5
		Non-Hispanic	81
		Age	
		<15	0
		+15-17	10
		+18-19	14
		+20-24	43
		+25-29	16
		+30-34	11
		+35-39	2
		+40-44	1
		County of Residence	
		Cowley	96
		Sumner	3
		Shawnee	1
		Sedgwick	1
		Highest level of education	
		< 12 years	42
		HS Diploma/GED	38
		< 4 yrs College	14
		College Degree	4
		Vo-Tech	0
		Employment Status	
		Unemployed	59
		Full Time	18
		Part Time	19
		Poverty level	
		< 50%	46
		51 - 100 %	20
		101 - 150 %	13
		186 - 200 %	1
		>200 %	1

Output

What effect was produced?		***What quality of effect was produced?***	
live births (LB)	49	% live births	96%
fetal deaths/stillbirths	0	% fetal deaths/stillbirths	
positive maternal outcomes*		% positive maternal outcomes	
live births normal weight **	1	% live births normal weight	2%
live births LBW***	20	% live births LBW	40.82%
live births VLBW****	3	% live births VLBW	6.12%

*	E.g., term delivery, absence of complications, did not require extended hospitalization (> 3-5 days)
**	Greater than or equal to 2500 grams (5.5 pounds)
***	Low birth weight (LBW), 1500 - 2499 grams (3.3-5.4 pounds)
****	Very low birth weight (VLBW), less than 1500 grams (less than 3.3 pounds)

17-18

Additional Funding for Increased Kansas of Bureau of Investigation Fees

Description: Pursuant to K.S.A. 39-970 and K.S.A. 65-5117, adult care homes, home health agencies, and staffing agencies must request criminal record checks on certain employees from the Kansas Department of Health and Environment. KDHE'S Health Occupations Credentialing program forwards the requests onto the Kansas Bureau of Investigation (KBI) for processing. The KBI currently charges $3.75 per criminal record check performed, and that has been the amount paid to KBI since the inception of the program in July 1998. In December 2001, the KBI proposed increasing the fee to $5.00 per record check effective July 1, 2002. Because the notification of the price increase was not received until well into the budget cycle and because of State General revenue fund difficulties, we were unable to obtain additional funds for KBI's increased fees. As a result, the KBI agreed to delay the increase until July 1, 2003. Costs are estimated at $37,500 based on 30,000 requests for criminal records checks and the fee increase of $1.25 per record check.

Relationship to Program Goals and Objectives: The allocated budget for FY 2004 includes $112,500 for KBI processing fees based on the expected 30,000 record check requests and the historical unit price of $3.75. When the price increases to $5.00 per request at the beginning of FY 2004, the allotted $112,500 provides for only 22,500 record check requests, meaning 7,500 record check requests will not be processed until new funds in FY 2005 are available. This scenario creates a perpetual backlog of requests waiting to be processed, with the backlog extrapolating each fiscal year both in size and time delay.

Adult care homes, home health agencies, and staffing agencies are extremely sensitive to the timeliness of KDHE's processing of the criminal record checks requests. This sensitivity is exemplified by statutory amendments made in 2001 mandating KDHE to forward the results of criminal record check histories within three days of their receipt from the KBI. Another example of this predisposition is a passage in the statutes indicating criminal record check searches for other states and the federal government shall not be required unless the information can be obtained within a two-week period. If the additional funds are not received, the 7,500 backlogged requests in SFY 2004 will wait approximately three months to be processed at the beginning of SFY 2005. The time delay will increase with each passing fiscal year additional funds are not received.

KANSAS

RODERICK L. BREMBY, SECRETARY

DEPARTMENT OF HEALTH AND ENVIRONMENT

KATHLEEN SEBELIUS, GOVERNOR

MEMORANDUM

DATE: April 10, 2003

TO: Jim Murphy
Legislative Liaison

FROM: Sharon Patnode
Bureau Director

RE: Federal Bioterrorism Funding for SFY 2004
Update for the Omnibus Legislative Session

There are two federal bioterrorism grants administered by KDHE. Below you will find a brief summary regarding our SFY 2004 expectations.

The first federal bioterrorism grant is designated the Public Health Preparedness and Response to Bioterrorism Cooperative Agreement. It is administered at the federal level by the Centers for Disease Control and Prevention (CDC). KDHE has received funds under this CDC program since it began in 1999. The current grant year ends on August 30, 2003. For the period 8/31/01 - 8/31/03, KDHE was granted $12,384,717 in this program. Guidance provided by CDC required that these funds be spent in seven (7) specified focus areas. Within these focus areas, states were required to assure that priority was given to achievement of 14 Critical Benchmarks, 16 Critical Capacities, and 11 Enhanced Capacities. Almost all funds from this award have already been spent or are obligated to be spent prior to the end of the grant fiscal period (08/31/2003). Secretary of Health and Human Services Tommy G. Thompson announced on March 20 that Kansas would be eligible for $10,476,095 during the federal 2003 fiscal cycle (starting 9/01/2003). KDHE has not yet received official notice of this amount and has not received federal guidance specifying the objectives which will have to be met to qualify for this funding.

The second federal bioterrorism grant administered by KDHE is designated the Bioterrorism Hospital Preparedness program. It is administered at the federal level by the Health Resources and Services Administration (HRSA). This was a new federal grant to KDHE in 2002. Federal guidance required expenditures under this

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program give precedence to needs assessment and regional planning for hospital bioterrorism preparedness. Kansas received $1,291,509 in FFY 2002 under this program. All of these funds have been spent or are obligated to be spent prior to the end of the grant fiscal period (08/31/2003). On March 20, Secretary Thompson indicated that Kansas would be eligible to receive up to $5,088,830 under this program for the federal 2003 fiscal period (beginning 9/01/2003). KDHE has not yet received official notice of this amount and has not received the federal guidance specifying the objectives which will have to be met to qualify for this funding.

Every indication inclines us to believe that the federal guidance from CDC and HRSA will continue to forbid expenditures of these grant funds in such a way as to supplant state or local expenditures. In addition, the administering agencies have indicated that program guidance and oversight will continue to be extensive and detailed to assure that funds are used to develop new preparedness capacity and are used to address the focus areas and specific objectives outlined by the federal government.

Communities Receiving Smoking Prevention Funds

Communities who have received American Legacy Foundation monies for Outreach to ethnic and minority youth grants from May 2002 to November 2002 were:

Wichita - Our Gang $5,000
Manhattan - Riley County Health Department $5,000
Goodland - Motivation + Achievement = Success organization $10,000
Salina - Kansas Advisory Committee on Hispanic Affairs $10,000
Wichita - Urban League $5,000

In addition through our contract with Kansas SmokeLess Kids Initiative Inc. youth mini grants were awarded in the Fall of 2002 ranging from $300 to $3,000 for a total of $62,273. Communities awarded are listed below:

Baldwin	Bonner Springs	Colby	Columbus	Dighton
Dodge City	Emporia	Fredonia	Garden City	
Girard	Great Bend	Gypsum	Hays	Johnson
Louisburg	Maize	Manhattan	Osage City	Oskaloosa
Pittsburgh	Riley	Salina	Stillwell	Stockton
Tribune	White Water	Wichita	Winfield	Yates Center

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	SFY 2003 Chronic Disease Risk Reduction/Enhancement Grants		
	Applicant Name	**Names of Partner Counties**	**Funds Tobacco - Centers for Disease Control Federal Grant**
1.	**Barber CHD**	none	$ 3,168
2.	**Barton CHD**	Pawnee, Rice, Rush, Russell, Stafford	$ 3,168
3.	**Butler CHD**	none	$ 35,467
4.	**Clay CHD**	none	$ 1,000
5.	**Cloud CHD**	none	$ 45,515
6.	**Coffey CHD**	none	$ 3,168
7.	**Cowley CHD**	none	$ 3,168
8.	**Crawford CHD**	Cherokee	$ 4,655
9.	**Dickinson CHD**	none	$ 4,655
10.	**Douglas CHD**	none	$ 32,726
11.	**Edwards CHD**	none	$ 3,167
12.	**Ellis CHD**	none	$ 1,000
13.	**Finney CHD**	none	$ 3,167
14.	**Geary CHD**	none	$ 3,167
15.	**Graham CHD**	none	$ 4,667
16.	**Haskell CHD**	none	$ 1,000
17.	**Jefferson CHD**	none	$ 3,167
18.	**Johnson CHD**	Miami	$ 5,705
19.	**Lane CHD**	none	$ 1,000
20.	**Logan CHD**	none	$ 4,167
21.	**Lyon CHD**	none	$ 4,167
22.	**McPherson CHD**	none	$ 4,167
23.	**Meade CHD**	none	$ 1,000
24.	**Mitchell CHD**	Lincoln	$ 4,167
25.	**Nemaha CHD**	none	$ 4,655
26.	**Osage CHD**	none	$ 4,167
27.	**Ottawa CHD**	none	$ 4,167
28.	**Phillips CHD**	Norton	$ 4,167
29.	**Pottawatomie CHD**	Marshall	$ 4,167

	SFY 2003 Chronic Disease Risk Reduction/Enhancement Grants		
	Applicant Name	**Names of Partner Counties**	**Funds Tobacco - Centers for Disease Control Federal Grant**
30.	**Reno CHD**	none	$ 29,362
31.	**Riley CHD**	none	$ 30,256
32.	**Rooks CHD**	none	$ 1,000
33.	**Saline CHD**	none	$ 5,256
34.	**Sedgwick CHD**	none	$ 6,705
35.	**Shawnee CHD**	none	$ 6,705
36.	**Stevens CHD**	none	$ 4,069
	Wabaunsee CHD	none	
37.	**Wyandotte CHD**	Atchison, Brown, Doniphan, Douglas, Franklin, Jackson, Leavenworth	$ 6,527
38.	**Johnson Co Mental Health**	none	$ 36,352
39.	**Pottawatomie Co Extension**	none	$ 32,104
	Totals		$360,057

Also, in the following data presentation, treatment programs are treated as if they have been static in modality and curriculum over the time period considered. In experience, however, this is not the case. The programs have undergone numerous changes over the course of the time frame considered.

The proxy variable developed to attribute treatment need is the co-occurrence of an initial program plan recommending the program and the recognition of a need area by RDU (Reception and Diagnostic Unit) for the offender under consideration. This is a conservative approach to estimate need.

Despite these cautions, the table below is offered as a summary of the outcome for each program and compares the experience of offenders identified as needing the program but not receiving that particular program or treatment service with those who complete that program/service.

Program Outcome Summary: FY 1992 - FY 2002

	% Recidivism 1/			
	Need - but No Program Received	**Complete Program**	**Percentage Point Difference: "Complete Program" *versus* "Need but no Program Received"**	**Percent Change in Recidivism: "Complete Program" *versus* "Need but no Program Received"**
Sex Offender Tx	49.1%	42.6%	-6.5%	-13.2%
n	*210*	*323*		
ADAPT Substance Abuse Treatment	46.5%	45.4%	-1.1%	-2.4%
n	*1,329*	*1,989*		
CDRP Substance Abuse Treatment	46.5%	45.0%	-1.5%	-3.2%
n	*1,329*	*810*		
TC Substance Abuse Treatment 2/	46.4%	38.0%	-8.4%	-18.1%
n	*1,060*	*92*		
All Substance Abuse Treatment Programs Combined	46.4%	44.8%	-1.6%	-3.4%
n	*1,330*	*2,872*		
Vocational Education	48.6%	41.2%	-7.4%	-15.2%
n	*615*	*582*		
Pre-release Reintegration 3/	51.0%	42.3%	-8.7%	-17.1%
n	*96*	*207*		
Work Release Reintegration 4/	50.0%	35.5%	-14.5%	-29.0%
n	*290*	*409*		

1/ Recidivism includes returns to KDOC during post-incarceration supervision (condition violators and returns with new sentences) as well as returns as new commitments after sentence discharge.

2/ TC Substance Abuse Treatment (Therapeutic Community) has varied start dates. The Therapeutic Community at Lansing started in FY 1997, the Therapeutic Community at Winfield started in FY 1999 and the Therapeutic Community at TCF started in FY 2000. Data reported here for program completions spans these time frames only.

3/ Pre-release data has been maintained in an automated format since FY 1995. Data reported here for the program completions spans the time frame FY 1995 - FY 2002.

4/ Work Release data has been maintained in an automated format since FY 1996. Data reported here for the program completions spans the time frame FY 1996 - FY 2002.

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KANSAS

KANSAS DEPARTMENT OF CORRECTIONS
ROGER WERHOLTZ, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

TO: Martha Dorsey
Legislative Fiscal Analyst

FROM: Roger Werholtz
Secretary of Corrections

DATE: April 16, 2003

SUBJECT: Information Requested by the House Public Safety Budget Committee

The House Public Safety Budget Committee requested that the Department of Corrections provide an estimate of the cost of not establishing a day reporting center (DRC) in the Kansas City area.

Based upon information received from the Kansas Sentencing Commission, a 60-slot day reporting center would reduce the need for additional bed capacity by an average of 150 beds annually over the fiscal year period 2004-2013. This estimate has been utilized in preparing our response to this request. The assumptions upon which the estimate is based and a bed space assessment by fiscal year is attached.

As long as the department's bed capacity is sufficient to house the inmates that otherwise would have been diverted from prison, there is not any cost associated with the absence of a DRC in the Kansas City area. This is based upon the following comparison:

- the estimated marginal cost incurred to house 150 additional inmates in KDOC facilities is $300,000 ($2,000 per inmate).

- the estimated annual cost (FY 2004) to operate a 60-slot DRC is $929,000-- $677,000 for operations and a maximum cost of $252,000 for the satellite monitoring of offenders (the monitoring cost assumes that all 60 beds are filled for the entire year). The estimated cost of $929,000, which excludes one-time start-up costs of $80,000, is based upon

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information that was available when the issue of locating a DRC in the Kansas City area was first considered.

At such time additional bed capacity is required, it can be assumed that a portion of the additional capacity would be attributable to the absence of a DRC. Accordingly, a portion of the costs to construct, staff, and operate the additional capacity also would be attributable to the absence of a DRC. The magnitude of these costs would depend upon whether the additional capacity would be accomplished through the renovation of existing space or new building construction, the facility location of the capacity expansion project, the custody level of the new beds, and the extent to which support and program services would be required. The following information provides an indication of the capacity expansion costs that could be incurred:

- Estimated construction costs:
  - Two options (250 beds at Lansing's Osawatomie Unit and 150 beds at Winfield) involve renovation of existing buildings at an estimated cost of $7,585 and $9,948 per bed. Accordingly, based upon these per bed costs, the estimated construction cost for 150 beds would range from $1,137,750 to $1,492,200.
  - Three options (256-bed projects at Hutchinson, El Dorado, and Lansing) involve construction of new minimum-security housing units at an estimated cost of $16,409 to $20,144 per bed. Accordingly, based upon these per bed costs, the estimated construction cost for 150 beds would range from $2,461,350 to $3,021,600.
  - Three options (256-bed and 512-bed projects for medium-security and maximum-security living units at El Dorado) involve the construction of new housing units at an estimated cost of $28,000 and $56,000 per bed. Accordingly, based upon these per beds costs, the estimated construction cost for 150 beds would range from $4.2 million to $8.4 million.
- Estimated annual operating costs:
  - Based upon preliminary estimates developed for the capacity expansion projects at El Dorado and Osawatomie, annual operating costs would range from $10,300 to $20,200 per bed. Accordingly, based upon these per bed costs, the estimated annual operating costs for 150 beds would range from $1.55 million to $3.0 million. These estimates exclude one-time start-up costs.
  - Based upon an estimated per diem rate of $50, the cost to lease 150 beds in a private correctional facility would be $2,737,500. This per diem rate is the basis upon which the FY 2004 amount for the lease of 125 beds was computed, although preliminary indications are that the per diem rate will be less than $50 (the per diem rate paid for leasing beds during FY 2002 was $52.63).

In summary I would make the following observations:

- If KDOC has available bed capacity, absence of a day reporting center in Kansas City does not create additional costs for the state.

- When KDOC runs out of available bed space, a DRC in Kansas City is projected by the Kansas Sentencing Commission to save 150 beds. Construction costs of $1,137,750 to $8,400,000 could be avoided.

- Annual operating costs of $621,000 to $2,071,000 could be avoided (these amounts are net after the deduction of the estimated cost of $929,000 to operate a day reporting center.

- Annual lease costs of $1,808,500 could be avoided (this cost is also net after deduction of the estimated DRC operating cost).

- **All of these estimates assume that the offenders who would have occupied the beds saved by a Kansas City DRC are different from the offenders who would have occupied beds saved by Senate Bill No. 123.**

Current experience indicates that day reporting centers are not operating at full capacity. If this trend continues, thereby leading to the conclusion that not all of the 60 slots of a Kansas City DRC could be filled, the bed savings and the cost estimates included in this memorandum would have to be revised.

RW:DW:gs

Impact of Day Reporting Center on Required Prison Beds
For
Parole/Postrelease Violators

Key Assumptions

- To establish a day report center for parole/past-release condition violators with a 60 bed capacity.
- The length of stay in the reporting center is assumed to 90 days on average.
- It is assumed that 50% of the violators might successfully complete the programs and be discharged after 90 days. The remaining 50% of condition violators will, violate in some manner the designated conditions within the 90 days and be revoked to prison to serve their designated period of incarceration under the terms of their postrealease or parole.
- It is assumed that, of the 50% of the offenders placed in the day reporting center who will eventually violate their conditions of supervision, 50% will violate their conditions within 30 days, 25% will violate their conditions within 60 days and 25% will violate their conditions within 90 days.
- The length of stay in the reporting center will be credited as part of the prison time of violators admitted to prison.

Findings

- During FY 2002, a total of 2, 451 parole/post-release violators were admitted to prison. Of that number, 621 were parolees (old law) and 1,749 were post-release supervisees (new law).
- During FY 2002, there were a total of 5,447 parolees/post-release supervisees in the stock population. The ratio of the violators to the stock population was 45%.
- The average length of stay in prison for parole violator was 15.3 months and the average length of stay for post-release violators was 3.4 months (103 days).
- If the 60-bed day reporting center is not established, by the year 2004, there would be 217 prison beds needed for this population and by the year 2013, 251 prison beds would by required for the same population.
- If the 60-bed day reporting center is created, by the year 2004, there would be 89 prison beds needed for this population and by the year 2013, 95 prison beds would by required.
- The establishment of the 60-beds day reporting center will result in a total of 128 prison beds saved by the year 2004 and 156 prison beds saved by the year 2013. The impact of the day reporting center will also reduce prison admissions of parole/post-release violators about 231 admissions each year for the ten-year forecasting period.

Bed Space Assessment

Year	No Day Reporting Center Beds Needed	With Day Reporting Center Beds Needed	Prison Beds Saved
2004	217	89	128
2005	249	94	155
2006	245	101	144
2007	249	91	158
2008	255	91	164
2009	247	95	152
2010	250	97	153
2011	249	95	154
2012	250	101	149
2013	251	95	156

Prison Admission Assessment

Year	No Day Reporting Center	With Day Reporting Center	Total Admissions Reduced
2004	462	231	231
2005	462	231	231
2006	462	231	231
2007	462	231	231
2008	462	231	231
2009	462	231	231
2010	462	231	231
2011	462	231	231
2012	462	231	231
2013	462	231	231

Possible Mechanisms to Control Inmate Healthcare Costs

Information supplied by Roger Werholtz,
Kansas Secretary of Corrections
April 2003

In its report for the FY 2003 – FY 2004 budget, the Senate Ways and Means Public Safety Subcommittee requested that the Secretary of Corrections "explore possible mechanisms to control inmate healthcare costs…" including "the possible use of Medicaid or a similar model." The committee also asked that we specifically look at the payment practices of other state agencies, specifically the Department of Social and Rehabilitation Services and the Juvenile Justice Authority.

We met with representatives of both agencies and can report that the Department of Social and Rehabilitation Services has negotiated contracts with various hospitals throughout the state to pay at or very near (within 10%) the Medicare/Medicaid rates for its clients. We also learned that the Juvenile Justice Authority does not actually pay for hospital care for children and youth housed in juvenile correctional facilities. Rather, when hospitalization is required, SRS becomes the agency responsible for covering the costs of that hospitalization, and payment is made at the rates negotiated by SRS.

Prison Health Services also provided us with a list of their negotiated rates with the 22 hospitals they routinely utilize. Of those hospitals, only three provide services at the Medicare rates. Two others provide services at the Kansas DRG rates which, in rural areas, are just slightly higher than the Medicare rates. Four hospitals charge 100% of their full rate. Six hospitals provide a discount of 15% or less. The University of Kansas Medical Center bills at 80% of their full rate. I am also advised that hospitals have different rates and that some billings and discounts are based on what are referred to as "premium rates" i.e. a higher set of rates.

Under the current structure of the contract, our medical/mental health care contractor must absorb any losses as a result of excessive charges they incur and the rates they pay. They cannot pass those losses on to the state. A reduction in the rates that our contractor pays to hospitals will not result in any immediate direct savings to the state. However, the Department plans to issue a request for proposals (RFP) in about six months in order to begin the procurement process for the next contract. The current contract ends at the end of FY 2005. As we have reported to the committee, we anticipate that the cost of the next contract will rise significantly and the state will, in order to control those cost increases, likely have to consider "risk sharing" strategies such as the cost of care for catastrophic illnesses or injuries, the increasing cost of HIV and Hepatitis C therapies as the community standard of care evolves, and the costs resulting from a shortage of health care workers, particularly nurses.

Our contractor has reported losses on the Kansas contract in excess of $1,000,000 annually. If our contractor could implement cost containment strategies in the current contract, such as capping rates at SRS levels, the potential savings based on a shift in hospital rates would be approximately $750,000 annually. However, that amount of savings to Prison Health Services would represent decreased payments to Kansas hospitals currently under contract. Prison Health Services has reported to us and directly to the committee that they intend to see the contract through to its conclusion despite the losses they are currently experiencing.

The committee requested a determination as to whether KDOC "should require its healthcare contractor to implement similar practices," i.e. cap payments for hospitalization at SRS, Medicare or similar rates. Such a decision would not result in immediate savings for the state, but would improve the profitability of the contract for Prison Health Services by decreasing hospital payments. It would also establish a cost history that would be of benefit to the state when negotiating for medical services for inmates in the next contract cycle. Containing the magnitude of estimated increases in healthcare costs for inmates is of great concern to the Department. We are unable to evaluate the impact such a decision would have on hospitals providing services to this population under the current arrangements.

Byrne Grant Funding Budgeted for FY 2004

	Total Requested	Match	Federal Funds	% Match
Kansas Bureau of Investigation				
Southeast Kansas Task Force	$412,111	$103,029	$309,082	75/25
Latents	$42,939	$10,736	$32,203	75/25
Firearms	$77,500	$19,375	$58,125	75/25
TOTAL	$532,550	$133,140	$399,410	
Attorney General				
Death Penalty Operation (for salaries and operating expenses)	$141,708	$106,281	$35,427	25/75
Juvenile Justice Authority (JJA)				
AJCF - Computers (2nd yr)	$36,200	10,860	25,340	70/30
AJCF - Radios	$81,458	20,365	61,093	75/25
BJCF - Computers (2nd yr)	$21,850	6,555	15,295	70/30
LJCF - Computers	$37,561	9,390	28,171	75/25
CO - KJCC Technology	$803,560	200,890	602,670	75/25
TOTAL	$980,629	$248,060	$732,569	
Office of Judicial Administration				
Implementation of a statewide court accounting and case management system	$1,724,620	$431,426	$1,293,194	75/25
Department of Corrections				
Information Technology Projects (TOADS/KASPERS/Document imaging)	$981,333	$245,333	$736,000	75/25
Victims Services Coordinator	$52,000	$26,000	$26,000	50/50
Medium Custody Therapeutic Community	$300,000	$75,000	$225,000	75/25
TOTAL	$1,333,333	$346,333	$987,000	
Local Requests (57.09 percent must be passed to local units of government)	$0	$0	$3,734,604	
Total Bryne Grant Funding Available	$8,722,144	$2,180,536	**$6,541,608**	
Total Requested as of date of document (application deadline April 24, 2003)	*$4,712,840*	*$1,265,240*	*$7,182,204*	
Total Bryne funding available as of date of document		**($640,596)**		
Amount of Byrne money available if OJA request is designated as local pass through		**$652,598**		

Residential Substance Abuse Treatment (RSAT) Grant

The Residential Substance Abuse Treatment Formula Grant Program (RSAT) assists states and local governments in developing and implementing substance abuse treatment programs in state and local correctional and detention facilities. According to the Sentencing Commission JJA's Larned facility receives approximately $200,000 per year and approximately $600,000 remains unexpended. The JJA-Larned Therapeutic Community is utilizing the balance of those funds beginning in FY 2005

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Funding Options

FY 2004	Total	SGF or Match	Federal Funds	% Match
Amount of Byrne money in excess of 57.09 percent local requirement if OJA request is designated as local pass through and all applications are ok'd	$870,130	$217,532	$652,598	75/25
RSAT Funding	$200,000	$0	$200,000	
Transfer from Motor Vehicle Fund to SGF	$500,000	$500,000	$0	
GBA No. 3, Item 27, Page 13	$1,300,000	$1,300,000	$0	
Amount Available	$2,870,130	$2,017,532	$852,598	
Total Needed per passage of SB 123		**$6,425,515**		
NEW TOTAL NEEDED		**$3,555,385**		
Amount of Federal and Matching money needed	$3,555,385	$888,847	$2,666,538	

FY 2005 Impact

Average amount of Byrne Funding	$5,200,000
Actual Amount of Bryne Grant Funding received in FY 2004 minus carry over balances from previous years ($1.4 million) expended in FY 2004	5,138,952
Average amount to be transferred to local units of government in FY 2005	2,968,680
Total Needed for full year funding of SB 123	**8,400,000**

	Total	Match	Federal Funds	% Match
Estimated Amount of funding needed to finance SB 123 in FY 2005	**8,400,000**	**2,100,000**	**6,300,000**	75/25
Adjustments:				
Costs collected from offenders	(1,500,000)	(1,500,000)	0	
Total Needed in FY 2005	**6,900,000**	**600,000**	**6,300,000**	

Kansas Legislative Research Department

Rm. 545N–Statehouse, 300 SW 10th Ave.
Topeka, Kansas 66612-1504
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April 28, 2003

To: Senate Committee on Ways and Means

From: Martha Dorsey, Senior Fiscal Analyst

Re: Potential Funding Source for the Ombudsman for Corrections

You requested a review of possible mechanisms with which to fund the budget for the Ombudsman for Corrections. Specifically, you asked about an earlier proposal to fund the agency through fees charged to inmates.

The Senate Public Safety Subcommittee recommended the Legislature consider passing a bill that would establish a multi-tiered fee system for inmates. Such a system could include a fee assessed of all inmates who are able to pay (*i.e.*, not deemed indigent), as well as an application fee charged to only those inmates who requested assistance from the Ombudsman's office.

The proposal, as discussed, was envisioned to contain a $2-a-month fee applied to all inmates who are not indigent. Approximately 7,000 inmates fit this description, according to information received earlier by the Kansas Department of Corrections (KDOC); therefore, a $2 monthly fee is estimated to generate $168,000.

The second tier of the fee proposal—charging an application fee to inmates requesting assistance—was recommended not only to generate revenue for the Ombudsman's budget, but also to discourage what some felt might be frivolous assistance requests. In FY 2002, the Ombudsman reviewed and acted on approximately 1,260 requests. If the second-tier fee reduced that number by 25 percent, the Ombudsman would be left with approximately 945 assistance requests. The second-tier fee amount suggested ranged from $2 to $10 per request. At $2 per request, the fee would generate approximately $1,900. At $10 per request, the fee would generate about $9,400.

Assuming implementation of the $2 fee, the two-tiered fee proposal is estimated to generate approximately $170,000. In past years, the Ombudsman has used approximately $15,000 from the Inmate Benefit Fund (IBF). Assuming that $15,000 is again available from the IBF, the Ombudsman's budget would be funded at approximately $185,000. The Governor's recommendation for the Ombudsman's FY 2003 budget was $184,745.

Please contact me if you have any further questions.

MD/aem

38190(4/28/3{9:42AM})

Senate Ways and Means
4-24-03
Attachment 22

To: Representative Schwartz, House Sub-Committee on Appropriations
From: Susan Duffy, KCC
Re: Questions regarding well plugging in Kansas
Date: April 2, 2003

Concerning the issues that were raised at the last meeting with your subcommittee, the KCC offers the following response.

What are Conservation Division procedures for the processing / sale of salvage material at State funded well plugging operations?

1) A notice of any salvage bid opportunity will be posted in the respective KCC District office on a public bulletin board for 10 business days. The notice will include the name of the staff contact for information regarding the salvage equipment and the closing date of the bid.
2) District staff will contact at least three potential bidders in the respective area to notify them of the bid opportunity and keep a record of those contacts.
3) Bidders should deliver a sealed bid to the KCC District office staff contact prior to the bid closing date.
4) The sealed bids should be opened by at least two KCC District staff after the bid closing date.
5) The award will be given to the highest bidder who will remove the salvage from the site in a timely manner.

The check and a cover letter of explanation is sent to the attention of the Conservation Division Deputy Director. A credit in the amount of the check is then made to the plugging project and the Abandoned Well Plugging Fund or the Conservation Fee Fund, as appropriate, through normal accounting procedures.

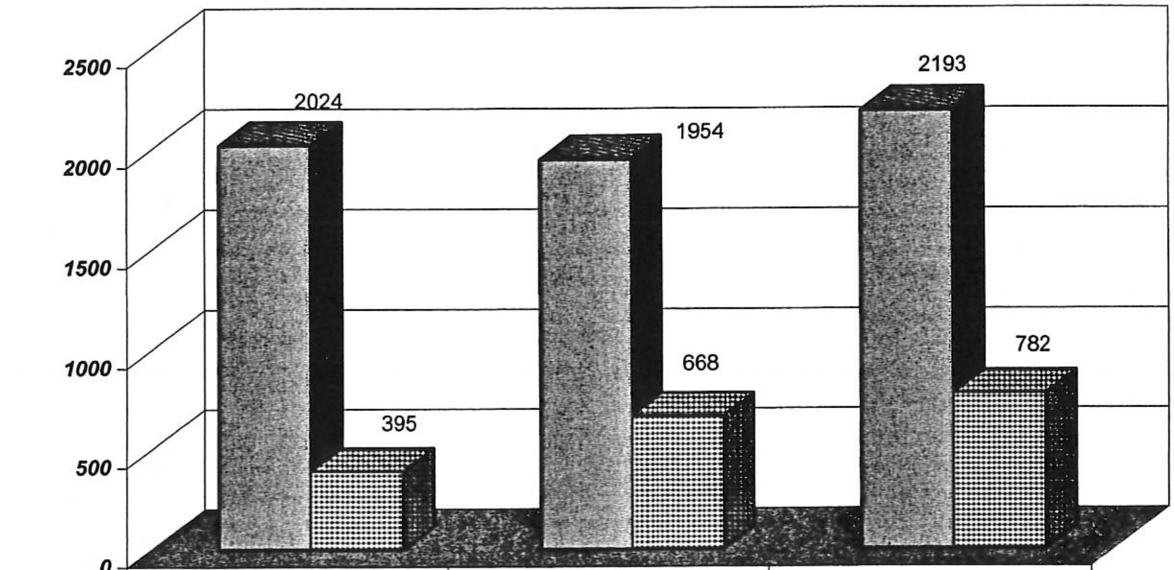
Salvageable materials from plugging operations usually involve tubular goods in varying condition. A limited amount may be suitable for reuse in oilfield applications; however most is in such condition that it is sold as construction grade material (used in the construction of fences, etc.).

How many wells are plugged by the oil and gas industry vs. the number of abandoned wells plugged with State funds?

Oil and gas operators plug wells when they are unsuccessful in establishing production, when a well becomes uneconomic to produce, or the well has no further utility as an injection or service well. The graphs listed below compare the number of plugging operations completed during FY 2000, FY 2001 and FY 2002 by industry and through plugging activities of the State.

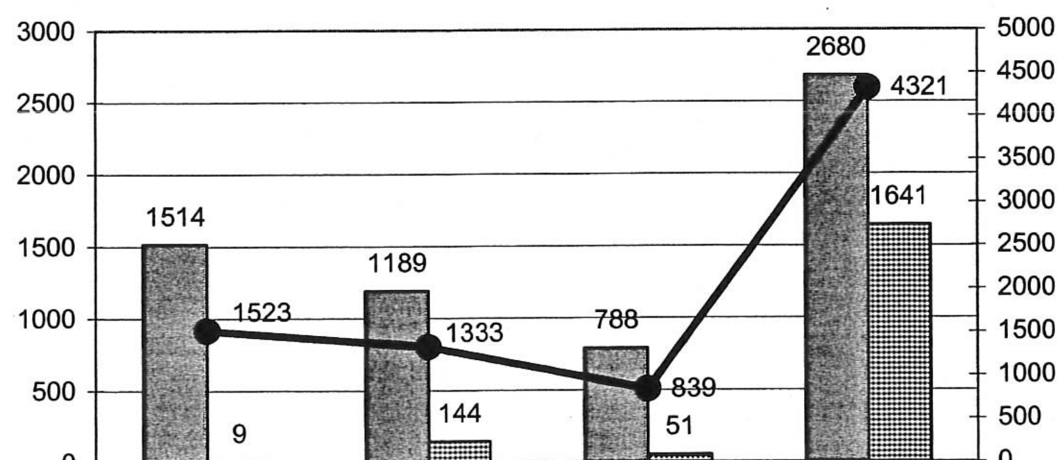
Senate Ways and Means
4-24-03
Attachment 23

Well Pluggings FY 2000 - 2002



	FY 2000	FY 2001	FY 2002
Industry	*2024*	*1954*	*2193*
State	*395*	*668*	*782*

State Well Plugging vs. Industry Well Pluggings (FY 2000 -FY2002)



	Dist. 1 (Dodge City)	Dist. 4 (Hays)	Dist. 2 (Wichita)	Dist. 3 (Chanute)
Industry (Total Wells Plugged)	1514	1189	788	2680
State Well Plugging	9	144	51	1641
Total Wells Plugged	1523	1333	839	4321

Industry (Total Wells Plugged) State Well Plugging Total Wells Plugged

Provide overall information concerning the plugging of wells.

KCC WELL PLUGGING STATUS

Year	# of Wells Plugged	Avg cost per well	Intents to drill	Well Inventory Requiring Action
1995	252	$3,415	2,133	9,257
1998	581	$2,403	1,536	9,641
2001	583	$3,379	2,052	9641
2003	775	$2,500	1,955	8291

*8,021 in District 3, Chanute

Please discuss the bid process for awarding contracts to plug wells.

COMPETITIVE BIDDING FOR PLUGGING WELLS (when no responsible party can be identified)

- over $10,000 bid process - competitive bid through the Department of Administration.
- under $10,000 bid process - negotiated bid awarded by the Department of Administration. Bid is at a set rate for 4 years; renewable every year. The process starts with the lowest available bidder who can start the project within 10 days of the initial call. All bidders who participate in this process have met qualifications concerning equipment.

Discuss the situation with the alleged "responsible part"y who continues to receive state contracts to plug wells in the Chanute area.

Concerning the discussion about the alleged "responsible party" who is pre-approved to plug wells. This company was and is the "fourth" call on the list for negotiated bids under $10,000. Because this company's cost is higher, they have never been called to plug wells under the negotiated bid process (meaning the other 3 well pluggers were available to plug the wells and did so). The company remains as the fourth caller. The KCC did retain outside counsel to "pierce the corporate veil" of the alleged responsible party. Based on counsel's findings, it was recommended that the agency negotiate a settlement as the state's case did not appear to be solid. It would have cost the state $197,000 to plug the wells but instead the state is paying $3.00 per bag or $30,000 for cement. A 5-year plan to plug 120 wells was negotiated. To date the company has plugged 38 wells in 1½ years. The company will lose their license in the state if they fail to complete any part of the settlement agreement.

KANSAS

OFFICE OF THE GOVERNOR

KATHLEEN SEBELIUS, GOVERNOR

April 24, 2003

The Honorable Melvin Neufeld, Chairperson
House Committee on Appropriations
Room 517-S, Statehouse

and

The Honorable Steve Morris, Chairperson
Senate Committee on Ways and Means
Room 120-S, Statehouse Dear Senator Morris:

Dear Representative Neufeld:

In addition to the budget amendments submitted to you yesterday, April 23, 2003, I submit the item described below as an amendment to my budget recommendations and ask you to consider it favorably for inclusion in the Omnibus Appropriations Bill.

I amend my FY 2004 budget to provide $900,000 from the State General Fund for the Alternative Teacher Certification Program. This program was developed at the three regional universities, Fort Hays State University, Emporia State University, and Pittsburg State University, to help address the teacher shortage in Kansas. The funding will be equally divided among the universities to provide six to ten hours of classroom or on-line instruction for two to three groups of candidates at each institution. Each group would consist of 20 to 35 individuals. After completing the training, individuals will be employed as teachers under the supervision of mentors. Candidates will be employed by school districts during this two-year preparatory period and paid as full-time teachers.

	FY 2003	FY 2004
State General Fund	$ --	$ 900,000
All Other Funds	--	--
All Funds	$ --	$ 900,000

Sincerely,

Kathleen Sebelius

KATHLEEN SEBELIUS
Governor

Capitol, 300 SW 10th Ave., Ste. 212S, Topeka, KS 66612-1590

Voice 785-296-3232 Fax 785-296-7973 www.ksgovernor.org governor@state.ks.us

Senate Ways and Means
4-24-03
Attachment 24

KACCT

KANSAS ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES

700 SW Jackson, Suite 401 • Topeka, KS 66603-3757 • 785-357-5156 • FAX 785-357-5157
Sheila Frahm, Executive Director • E-mail: frahmkacct@cjnetworks.com

MEMO

TO: Senator Steve Morris, Chair W & M Education Sub-committee
From: Sheila Frahm, Executive Director Sheila Frahm
Date: April 3, 2003
RE: Funding Alternatives

Senator Morris, The nineteen community colleges recognize the difficult financial situation we are all facing in our state. We further appreciate the careful consideration and review of alternatives during the recent sub-committee hearing. Thank you in advance for your interest and help! In response to the request from Senator Adkins, we offer the following "food for thought" as the Omnibus Bill is developed and you further recognize that the funding shortfall and budget reductions in combination with loss of "aid to local units of government" (specifically LAVTR for community colleges) are severely impacting the community colleges:

1. Allow Boards of Trustees to levy a local tax up to one percent (no protest), part of which would have to be returned to the taxpayers in the form of a property tax offset. Goal: property tax relief.
2. Restore $6.00 to county out-district tuition, i.e., the money paid to community colleges by the counties for their own students. This would bring the total to $18 per credit hour and affects only "users".
3. Add a weighting to the funding formula for high cost technical programs. This would recognize colleges that have higher percentages of enrolled technical students and aid workforce development at the same time. The high cost of programs necessary to address the nursing shortage is an excellent example.
4. Create a statewide 1 mill levy for community college campus improvements and upkeep – not new construction – similar to the State Building Fund for universities. Colleges could receive grants or low interest rate loans from this fund. This would allow colleges to divert more of their budgets to operating costs other than maintenance of facilities during this funding shortfall.

CC: Reggie Robinson, Senators Adkins, Jordon, Schodorf, Feleciano, & Paul West

Senate Ways and Means
4-24-03
Attachment 25

Kansas v. Colorado FY 2003 Supplemental Request

$22,609.54	Trial and Deposition Transcripts; hotel stay during trial, discovery imaging
$36,955.01	Spronk Water Engineers
$30,985.05	SS Papadopulos
$21,540.06	Montgomery & Andrews
$3,012.31	Norman K. Whittlesey
$14,859.26	Expert and legal expenses January - March, M/A fees excluded
$5,000	Estimated expert and legal expenses in current fiscal year, M/A excluded
$134,961.23	Expenses Outstanding
-$51,020.29	Available Funding
$83,940.94	**Supplemental Request FY 2003**

**Available funding will pay off Spronk Water Engineers, and the remaining balance will be applied toward trial and deposition costs to court reporters.

It is estimated that we will defer $655,000 from January 1, 2003 to July 1, 2003.

Carolyn Rampey

2004 Request is the same

Senate Ways and Means
4-24-03
Attachment 26

FY 2004 Budget Request

Kansas v. Colorado

Month	Amount	Activity
July 2003	$80,000	Briefing on exceptions
August	80,000	Briefing on exceptions
September	80,000	Briefing on exceptions
October	60,000	Prepare for oral argument
November	60,000	Prepare for oral argument
December	90,000	Oral argument
January 2004	-0-	
February	-0-	
March	40,000	Assess Supreme Court ruling
April	40,000	Implement Supreme Court ruling
May	-0-	
June	-0-	
Total	$530,000	

75,000

02/11/03

STATE OF KANSAS

KATHLEEN SEBELIUS
GOVERNOR

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KANSAS DENTAL BOARD

April 25, 2003

Honorable Larry Salmans
Sate Capitol, Room 422-S
300 SW 10th Ave.
Topeka, KS 66612

Dear Senator Salmans,

We were uninformed of the time frames of this move because of miscommunication of the former director. The explanation of our costs is as follows. Our phone system at our previous location was not compatible with our new location; therefore we had to purchase new phones to accommodate our new requirements. Cox Communications provided our internet service and the contract was signed for a one year period back in October by our previous Executive Director. The buy out was unavoidable due to a binding legal obligation. Due to the reconfiguration of office space, several other costs occurred including office furniture and file cabinets. A board table and chairs, which was previously supplied at our other location was needing to be purchased to accommodate our board's meeting needs. The filing system was unable to fit in the new office space and new file cabinets were purchased to meet the office configuration needs.

The above costs associated with the move with be a one time expense. The Kansas Dental Board is requesting a $10,372.00 expenditure limit increase to cover these moving expenses for FY 2003.

Respectfully,

Bobbi Silver

Bobbi Silver
Acting Head of Kansas Dental Board

Senate Ways and Means
4-24-03
Attachment 27

Kansas Dental Board

Annual Operating Expenses Revision

	Current	Landon
Rent	$11,292	$14,725
DISC	$1,260	$1,728
SW Bell	$2,460	$0
E-mail	$0	$234
Total	$15,012	$16,687 (11.1%)

One Time Costs Associated w/ Move

Firewall for Computer	$500
New Phones	$1200
Facilities Management	$700
Buy out Cox Cable	$871.00
Rent Lease	$941
Set up for computers	$160
File Cabinets	$4000
Office Equipment	$2000
Total	$10,372.00

KANSAS

JANET SCHALANSKY, SECRETARY

DEPARTMENT OF SOCIAL AND
REHABILITATION SERVICES

KATHLEEN SEBELIUS, GOVERNOR

April 21, 2003

Senator Stephen Morris, Chair
Senate Ways & Means Committee
Statehouse - 120S

Representative Melvin Neufeld, Chair
House Appropriations Committee
Statehouse - 517-S

Representative Brenda Landwehr
House Social Services Budget Committee, Chair
Statehouse - 115S

RE: Items For Consideration for the Omnibus Session

Attached please find information on the items the Legislature deferred to Omnibus. I would appreciate your careful review and thoughtful consideration of these items. If SRS can be of further assistance to you, please do not hesitate to ask.

Sincerely,

Janet Schalansky /CAS.

Janet Schalansky
Secretary

Attachment

cc: Committee Members
Audrey Nogle, KLRD
Melissa Calderwood, KLRD

915 SW HARRISON, 6TH FLOOR, NORTH WING, TOPEKA, KS 66612
Phone 785-296-3271 Fax 785-296-4685 http://www.srskansas.org

Senate Ways and Means
4-24-03
Attachment 28

Kansas Department of

Social and Rehabilitation Services

Janet Schalansky, Secretary

April 21, 2003

Information Requested for the Omnibus Session by the House Appropriations Committee and the Senate Ways and Means Committee

For additional information contact:
Office of Planning and Policy Coordination
Marianne Deagle, Director

Docking State Office Building
915 SW Harrison, 6th Floor North
Topeka, Kansas 66612-1570
phone: 785.296.3271
fax: 785.296.4685
www.srskansas.org

Kansas Department of Social and Rehabilitation Services
Information Requested for the Omnibus Session
April 21, 2003

TABLE OF CONTENTS

1. **The Senate Subcommittee asked whether charging agencies a $10.00 fee for access to child abuse and neglect central registry reports increases risk to children. The Subcommittee asked SRS to consider this risk and to evaluate whether alternative options are available.**

The Child Abuse/Neglect Central Registry completes an average of 1,923 requests per month for profit and non-profit agencies which are charged a $10 fee. Organizations that use the report to determine employment of an individual can exercise the option to charge the potential employee. Entities charged for the reports include: Regents Institutions, USD Schools/Private Schools, SRS Contractors, Developmental Disability Organizations, Mental Health Centers, State Agency Subcontractors, Community Correction Organizations, Juvenile Intake and Assessment Centers, Court Appointed Services Advocates. Entities not charged include the Juvenile Justice Authority, state hospitals, the Department of Education, the Department of Health and Environment, the Office of the Attorney General, Schools for the Deaf and Blind, and state correctional facilities. This nominal fee does not seem to be affecting the number of requests for registry checks, so SRS does not believe that charging a fee is placing children at risk.

2. **The House Budget Committee and the Senate Subcommittee asked SRS to review funding of the University of Kansas Graduate Medical Education Program and to seek alternatives to the reduction of funds.**

As part of the budget reductions SRS eliminated graduate medical education (GME) from its hospital reimbursements. This resulted in a projected reduction of $3.4 million all funds, $1.4 million SGF. Sedgwick County will bear the majority of the impact with an estimated $3.1 million all funds. The remaining reduction affects a number of hospitals throughout the State. These estimates are based on FY2002 expenditures and actual numbers may differ from these depending on the volume of inpatient care each hospital provides.

The GME payments to Sedgewick county are used to help fund the primary care residency program at the Wichita branch of KU Medical School. In the past, the Medical School contributed $2.6 million to the residency program. Hospitals made up the remainder, using in part their GME payment. In an attempt to replace the monies lost in the GME cut instituted in January of this year, SRS has been working with stakeholders to create an appropriate methodology to match the Medical School's SGF with federal dollars using a process known as "certified match." Certified match is allowed when a public entity can certify it has the necessary match to draw down the federal dollars. We are confident that this process will allow restoration of the GME reduction without the investment of new state dollars.

3. **The Senate Subcommittee asked SRS to review the implementation of provider taxes. (The House Budget Committee recommended bill introduction.)**

A number of states have used provider taxes as a method for raising revenues or increasing provider reimbursement rates. The Code of Federal Regulations [42 CFR 433.50] allows for states to implement a provider tax for health care-related services. According to the CFR, "a tax is considered to relate to health care items or services if at least 85 percent of the burden of such tax falls on health care providers." This regulation also defines the limits and conditions under which these revenues may be generated:

- **First, the provider tax must be broad-based; the tax must apply to providers in the same permissible class of items and services.** However, the State may exclude some or all providers owned or operated by federal, state, or local government.

- **Second, the state must uniformly impose the provider tax rate for all services and items in a class.** The tax cannot allow for any deductions, exclusions or credits that return a portion of the tax to providers. However, the "broad-based" and "uniformity" clauses may be waived (in favor of rural or sole-community providers) if the state establishes that the net revenues will be redistributed to all providers in the class regardless of the rate at which they were taxed.

- **Third, the provider tax cannot be applied to a class of items and services that receives more than 50% of its revenues from Medicaid or 80% combined from Medicaid, Medicare, and other federal programs.** For example, HCBS services cannot be taxed because Medicaid funds greater than 50% of the service costs.

- **Fourth, the provider tax must not include direct or indirect hold harmless provisions guaranteeing repayment of tax to providers in Medicaid rates or other payments.** Hold harmless is assumed to exist if (a) non-Medicaid payment is made to providers or others paying the tax, (b) all or a portion of the Medicaid payment varies solely based upon the amount of the tax, or ©) the state guarantees to hold the taxpayers harmless. In addition, indirect hold harmless is assumed to exist if the provider tax exceeds 6% of revenues and 75% or more of the taxpayers receive 75% or more of tax payments in some form of increased reimbursement.

The following example suggests one way the provider tax could operate in Kansas: The hospitals in the State could pay $50 million in taxes to the State. The State could then make $60 million in payments to the hospitals. Because the State receives federal matching funds based on the payment to the hospitals ($60 million), and because the State has a 60% matching rate, it would receive $36 million in federal funds. Because the total revenue generated by this tax for the state would be $86 ($50 million from the hospitals and $36 million from the federal government) and made $60 million in payment, it would have a net gain of $26 million. The State's actions would also have resulted in a net increase in hospital revenues of $10 million, entirely from federal dollars.

The issue of provider tax should be carefully studied, as this continues to be an area of increasing federal scrutiny. Any proposal for implementing such a tax should involve stakeholders affected by the tax and should involve a consensus among these stakeholders for the process of implementation.

4. **The House Budget Committee and the Senate Subcommittee asked SRS to review the exclusion of Children's Mercy Hospital from the pool of hospitals eligible to receive disproportionate share reimbursements.**

Children's Mercy in Kansas City, Missouri, is a hospital associated with the University of Missouri Kansas City School of Medicine that specializes in children's services. In each of the last two years Children's Mercy has been paid over $6,000,000 for Kansas Medicaid inpatient services. Children's Mercy serves not only Kansas City area residents, but also is a center for specialized children's care that is not available elsewhere in Kansas.

Prior to FY 2003, Children's Mercy was also being paid disproportionate share funds by Kansas Medicaid. In FY 2002, Children's Mercy received $1,450,000 (all funds) in Kansas Medicaid disproportionate share funds. As a result of budgetary restrictions SRS eliminated payments for disproportionate share funds to out of state hospitals. The vast majority of all disproportionate share payments to out of state hospitals were made to Children's Mercy.

Children's Mercy was affected by the various reductions in rates that were made to inpatient hospitals effective on Jan. 1 and Feb. 1, 2003, including outliers, comparison to charges, and the temporary 10% rate reduction. They were not affected by either the out of state change (this had already impacted Children's Mercy several years ago) or the Graduate Medical Education reduction (Kansas does not pay for Graduate Medical Education to any out of State hospitals). For FY 2004 SRS is developing a revised payment system for all hospitals that achieves the targeted budget reductions but reduces the impact on large tertiary hospitals. This will result in a potential increase in the annual amount of the funds restored to Children's Mercy of $318,000 (all funds), based on the previous year's claims.

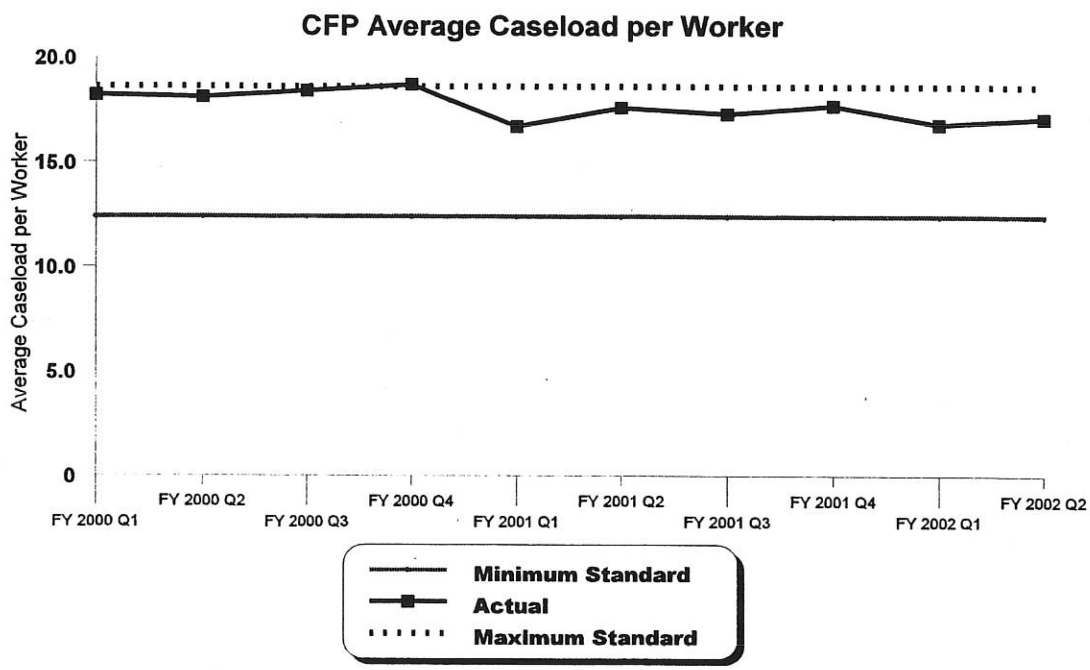
Current budget projections do not take into account a restoration of the out of state hospital disproportionate share payments. Restoring these payments would take approximately $600,000 (SGF) based on prior claims history.

5. **The Senate Subcommittee asked SRS and the Children's Cabinet to find funding sources for the Children's Cabinet administration costs and maximize federal match dollars available to the Cabinet.**

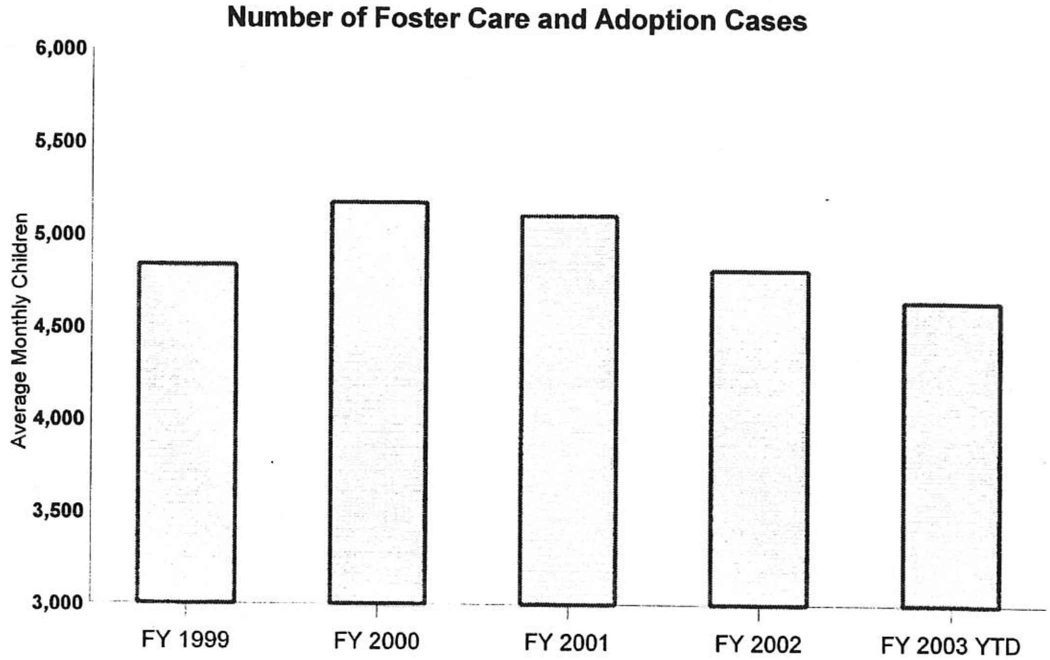
SRS and the Executive Director of the Children's Cabinet have discussed options to fund the operating costs of the Children's Cabinet. Based on analysis of the Cabinet's administrative costs and grant awards, at the present rate of expenditures, the balance of the Children's Trust Fund will be nearly exhausted by the start of FY 2005 and unavailable to be used as federal match or for administrative expenses. One option would be to use a portion of Smart Start Kansas funds allocated for family support activities to match the Community-Based Family Resource and Support (CBFRS) Grant. This would free up funds in the Children's Trust Fund for ongoing administrative costs. SRS and the Cabinet will continue to explore financing options and incorporate the choices into the revised FY 2004 budget and the FY 2005 budget submission.

6. **The Senate Subcommittee asked SRS to monitor the child protection assets and resources of the agency and community-based resources and provide the status of child protection needs and services.**

The annual average caseload for workers in Children and Family Services continues to decrease from 18.34 cases per worker in FY 2001, to 17.35 and 16.93 (7 months) in FY 2002 and 2003, respectively. The budget reductions have not affected the caseload to child worker ratio in area offices. The recommended standard caseload per worker ranges from a minimum of 12.4 cases per worker to a maximum of 18.6 cases per worker. As indicated by the graph below, the department has remained within this standard.



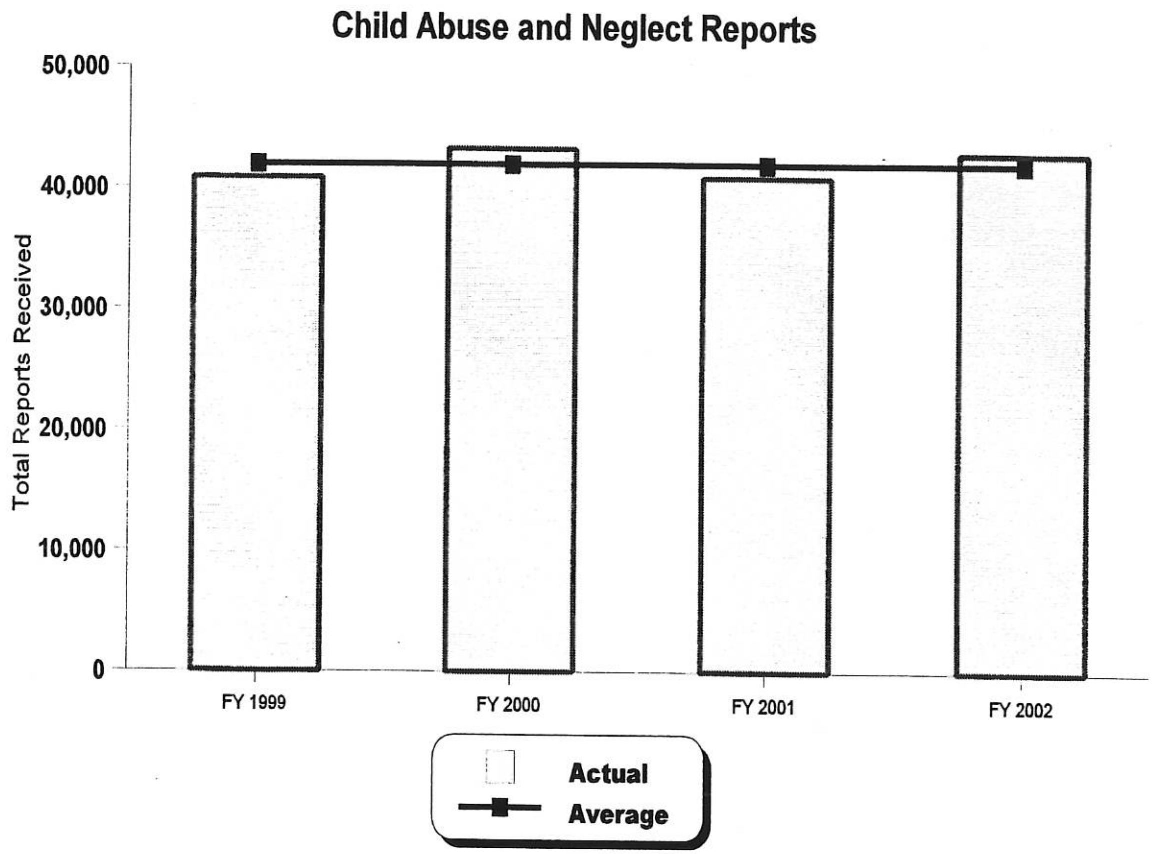
The average number of children in foster care and adoption contracts has also continued to decline over the last three years from 5,172 in FY 2000 to 4,639 for the first seven months of FY 2003. The trend does not appear to reflect a relationship between budget reductions and more children entering into the more expensive service of foster care.



Fiscal Year	Average Monthly Children	Percent Change
1999	4,834	
2000	5,172	7.0%
2001	5,103	-1.3%
2002	4,810	-5.7%
2003 YTD*	4,639	-3.6%

* July 2002 - January 2003

Reports received which allege child abuse and neglect have fluctuated minimally from year to year which could be described statistically as constant with annual variations. The average reports received over the last four years is 41,992 with 75% of these reports assigned for further investigation.



To conclude, reports of abuse and neglect have remained relatively stable over the last three years. At the same time workload for case workers has decreased and the number of children in foster care has decreased. These trends are expected to continue into FY 2004.

The CFP policy focus continues to emphasize preventative care at the earliest point of intervention. The use of local preventative services through grants and services is where CFP prefers to focus service delivery. The fact remains that foster care is a federal entitlement. If funding is cut too deeply, SRS will have no alternative but to provide the foster care services to the detriment of non-mandated services.

7. The House Budget Committee asked SRS to pursue more cost effective purchasing alternatives for durable medical equipment.

Durable Medical Equipment (DME) includes medical items like hospital beds, walkers, bandages, and diapers. Physicians must verify the medical necessity of all DME. According to federal regulations, in order for the state to receive federal match, only Medicaid DME providers can fill DME prescriptions and they must bill Medicaid directly. Although the current system provides for some control over fraud and abuse, stringent requirements for Medicaid providers limit the number of providers per geographic location, thus reducing competition. As a result, the retail price for DME is significantly higher than cost.

Pricing for DME occurs in three ways. For most DME, providers can supply the manufacturer's suggested retail pricing (MSRP) or the wholesale cost of the equipment. Medicaid reimburses at the rate of MSRP minus 15% or wholesale cost plus 35%. Some DME items, however, have a set price. In the case of diapers, for example, the set price is believed to be higher than retail. Therefore, program staff are in the process of resetting the price of diapers to an amount more comparable to retail.

8. The House Budget Committee asked SRS to provide a report on the concept of isolating adoption services with adoption providers and shifting all placement responsibility with the foster care contractors.

SRS has begun the process of preparing to re-bid the child welfare contracts. Preparation includes obtaining a better understanding of the dynamics of a public-private partnership when there is limited competition, reviewing data and processes to determine how the child welfare system within SRS has changed and what changes need to be made for the next contracts, and gathering input from stakeholders. This preparation work is scheduled to be concluded by September, 2003. Any changes will be written into the RFP.

A number of ideas have already been brought forward by interested parties. One idea is for the foster care contractor to retain all responsibility for the child unless the case plan goal becomes adoption and no relative or foster parents is available to adopt the child. Approximately 75% of children in the custody of the Secretary, with a case plan goal of adoption, are adopted by a relative or a foster parent. The remaining 25% of children with a case plan goal of adoption, would be referred to the adoption contractor to locate a resource.

This concept and others will be evaluated as SRS gathers information and analyzes data prior to re-bidding child welfare contracts.

9. The House Budget Committee asked SRS to review capping Home and Community Based Services Waivers. Specifically, the Committee requested that SRS review capping individual plans of care on waivers at the average nursing facility reimbursement rate.

The Centers for Medicare and Medicaid Services (CMS) approve states' applications for Home and Community Based Services (HCBS) waivers as long as the services provided in the community are more cost effective than services provided in the equivalent institutional setting. There are two ways for a state to prove to CMS that an HCBS waiver is cost effective: (1) in the aggregate, HCBS services cost less per person than the equivalent institutional services, or (2) services for each person on an HCBS waiver cost less than the average cost of services in the equivalent institutional setting.

Aggregate Cost Effectiveness

The Kansas HCBS waivers establish cost effectiveness by showing CMS each year that it costs less in the aggregate to serve people on the waivers than to serve people in the equivalent institutions. The services provided in most Kansas institutional settings are paid by Medicaid through flat rates. For example, a flat rate of approximately $2,300 per person per month is paid by Medicaid to nursing facilities that serve people who are Medicaid-eligible. This does not mean it costs $2,300 per person per month to serve each person, but that a rate of $2,300 per person per month covers the costs of providing services to Medicaid beneficiaries in nursing homes, some of whom may need a great deal of direct service and others of whom may need very little. The rates paid for Physical Disabilities (PD) waiver services, on the other hand, are hourly rates. About 3,800 persons are served each month through the HCBS Physical Disabilities waiver at an average cost per person of $1,300. There are about 1,200 persons on the Physical Disabilities waiver whose plans of care are higher than the $2,300 monthly rate paid to nursing facilities for each person served. By using the aggregate cost standard, Kansas is able to meet the needs of people with physical disabilities in the community, regardless of the severity of their disability, and continue to ensure the waiver is cost effective.

Waiver Payment Caps

SRS has consulted with the CMS Regional Office staff in Kansas City to determine how the cost of PD waiver payments could be capped. CMS staff confirmed that the waiver payments could be capped. The State would have to advise CMS which method of assuring cost effectiveness the state will use. In order to prove waiver cost effectiveness by capping the PD waiver payments, SRS would need to indicate to CMS in the PD waiver application where the state acquired the waiver and nursing facility cost history. However, the capped waiver payments could not be indexed to the nursing facility rate. Doing so would be in violation of the spirit of the U.S. Supreme Court's *Olmstead* decision, in that anyone who has a waiver plan of care that is more expensive than the average rate paid to the equivalent institutional setting would have to go to the institutional setting. The principle of the *Olmstead* case is that people with disabilities should receive services in the least restrictive setting appropriate to their needs.

SRS does not support capping the PD waiver payments. Even if the cap was not set at the average nursing facility rate, the effect of the cap would still be that the only option for many young people with disabilities would be to go to a nursing facility. The nursing facilities would, then, serve more people with higher costs. It is also important to note that the fact that a person's costs on the waiver exceed the average nursing facility rate does not mean the costs to serve that person in a nursing facility would equal the nursing facility rate, in fact it may cost more in the nursing facility to serve that person. Another natural outcome of capping the waiver payments would be that the average waiver payments would decrease, while the average nursing facility rates would increase. As the nursing facility rates are cost-based, this kind of policy change would ultimately lead to increases in the nursing facility rates.

10. The House Budget Committee asked SRS to review increasing the PASARR/Level of Care score on the Home and Community Based Services Physical Disabilities waiver from 26 to 32.

Eligibility for the PD Waiver

Functional eligibility for the Home and Community Based Services Physical Disabilities (PD) waiver is currently determined by assessing a person's level of care need in the areas of Activities of Daily Living, Instrumental Activities of Daily Living and Risk Factors utilizing the Uniform Assessment Instrument.

Effective February 1, 2003, a person is eligible for waiver services if he or she has a score of 30 or more, as measured by the Uniform Assessment Instrument. Persons on the waiver with a score of between 26 and 29 were grandfathered and continue to receive services. The Governor's Budget Recommendation for FY 2004 lowered the score back to 26 effective July 1, 2003. Because of the Governor's budget, people on the waiting list on February 1st with a score between 26 and 29 remained on the waiting list.

Potential Savings if the PASARR/Level of Care Score is Raised

As of March 7, 2003, 3884 people were on the PD waiver, and 836 people were on the PD waiver waiting list.

PASARR/Level of Care Score	Number of People on the PD Waiver	Percent of People on the PD Waiver	Number of People on the Waiting List	Percent of People on the Waiting List
31 or less	636	16%	165	20%

If the PASARR/Level of Care score were raised to 32, 165 people on the waiting list would no longer be eligible for services, and their names would be removed from the waiting list. An additional 636 people on the waiver would no longer be eligible for services. However if they were grandfathered, they could remain in service.

SRS estimates a maximum of $1,162,080 all funds ($457,278 SGF) would be saved by raising the score to 32 and grandfathering people already in service. Access to the PD waiver has been almost entirely frozen in FY 2003, therefore, savings from raising the level of care score would only be achieved as people leave the waiver. The projection of saving $1.2 million includes a number of assumptions, including:

- People will leave the waiver at the same rate as in FY 2003. There was a significant reduction in the rate at which people left the waiver in FY 2003 compared to FY 2002. If a similar reduction occurs from FY 2003 to FY 2004, the projected savings would not be achieved.
- The people who have been grandfathered leave the waiver at the same rate as all other people leave the waiver. Typically more people with higher level of care scores leave services than do people with lower scores.

Crisis Placement on the PD Waiver

There have been 134 people added to the PD waiver during FY 2003, based on SRS' crisis exception criteria (see list below). The average level of care score for the people who were added to service this year was 50, thirteen of whom had a level of care score of less than 32. Most of the people who request a crisis exception to the waiting list do so based on the first criterion, significant, imminent risk of serious harm because the primary caregiver is no longer able to provide the level of support necessary. SRS also receives a fair number of requests based on the fourth criterion, end stages of a terminal illness.

The criteria SRS uses to consider granting a crisis exception to the waiting list and immediate placement on the PD waiver are as follows:

1. Significant, imminent risk of serious harm because the primary caregiver(s)is/are no longer able to provide the level of support necessary to meet the person's basic needs due to the primary caregiver(s) own disabilities, return to full time employment, hospitalization or placement in an institution, moving out of the area in which the person lives, or death;
2. Require protection from SRS Adult Protective Services-confirmed abuse, neglect, or exploitation;
3. Risk of family unit dissolution (break-up), involving minor dependent child or dependent spouse; or
4. End stages of a terminal illness, and life expectancy is documented by a physician to be less than six (6) months.

SRS does not support raising the level of care score. The level of care score only establishes an eligibility threshold, but is not an indicator of the immediacy of the person's service needs. A number of factors, of which the person's score is only one, are important in prioritizing access to limited funds. As the above criteria indicate, SRS has already been prioritizing access based on these key factors.

Different Level of Care Scores for Nursing Facilities and for the PD Waiver

Medicaid Home and Community-Based Services waivers are designed to offer people with disabilities community-based services in lieu of institutional-based services, which are an entitlement for Medicaid beneficiaries. As such, people waive the right to institutional services and choose Home and Community-Based Services. In order to access waiver services, people must be eligible for an institutional level of care. Each state sets its own eligibility criteria and scoring system for its institutional settings and waiver programs.

SRS has consulted with staff in the Kansas City Regional Office of the Centers for Medicare and Medicaid Services (CMS) to determine if the level of care scores in nursing homes and on the PD waiver are required to be the same. The Regional Office has informed SRS that the eligibility score for the waiver must be equal to the nursing facility eligibility score. SRS staff have requested a letter from the CMS Central office in Baltimore confirming the information relayed by the Regional Office. When SRS receives the letter, we will share it with the Legislature.

11. The House Budget Committee asked SRS to review the policy of separating spousal income for waiver eligibility assessment.

Under current agency rules, persons accessing home and community based services (HCBS) are treated for income and resource purposes as though they were entering a nursing facility. This usually means that only the consumer's own income and resources are counted in determining eligibility. When the consumer is married and the spouse is not also accessing HCBS, division of assets rules are applied. For resource purposes, the couple is allowed to protect up to half of their total resources (up to a maximum of $90,660) for use by the non-HCBS spouse to prevent him or her from becoming impoverished and thus dependent on Medicaid as well. These protected resources are not counted in determining HCBS eligibility. In addition to these protected resources, the spouse is also able to retain the home and a car as these assets are already exempted. The other half of the resources which are not protected are counted towards HCBS eligibility.

For income purposes, two rules are applicable. First, since we apply nursing facility income rules in HCBS, only the consumer's income is counted even if he or she is still living with a spouse. None of that spouse's income is counted. This rule is applied based on the federal Medicaid category the state chose to provide HCBS coverage. Second, the division of assets law also allows the HCBS consumer to provide a portion of his or her income to the spouse up to a maximum level and by doing so, that portion is also not counted in determining eligibility. This income is viewed as also protected for the spouse.

The State chose these methodologies and the Medicaid category they are based on for several reasons. First, they provide the person needing long-term care the incentive to choose less expensive community care over institutional care, which saves the state money. Second, they prevent impoverishment of the spouse by allowing a portion of the couple's income and resources to be protected. Third, if the state did not use this Medicaid category, eligibility for HCBS would only be provided to persons on SSI or to persons who meet a regular spend down. Spend down rules would require that the couple's full resources and income be counted which would likely result in ineligibility. Faced with this result, the consumer needing long-term care would likely choose nursing facility placement for which he or she would be eligible, based on division of asset rules. This would result in the state paying for more expensive care. A recent statewide review of HCBS cases revealed spouses are not affluent. The data indicate that 15 cases or .2% involve spouses with incomes greater than $50,000 a year. Of these cases, only one spouse had income in the $100,000 range.

12. The House Budget Committee asked SRS and the Department on Aging to review combining all of the Home and Community-Based Services waivers into one waiver.

The basic premise of the Home and Community-Based Services (HCBS) waivers is to offer people home and community-based services as an alternative to institutional placement. The Centers for Medicare and Medicaid Services (CMS) have the responsibility and authority to review and approve states' applications for HCBS waivers, and they provide an application form for states to use in applying for the waivers. The second question on the HCBS waiver application reads, "This waiver is requested in order to provide home and community-based services to individuals who, but for the provision of such services, would require the following level of care, the cost of which could be reimbursed under the approved Medicaid State plan." The state is responsible for filling in the type of institutional care for which each disability type is eligible. Not all disability types are appropriately or effectively served with the level of care offered in one institutional setting, and the waivers are designed to meet the disability-specific needs of people, just as the various types of institutional settings are designed.

The Kansas Waivers

In Kansas there are six Medicaid Home and Community-Based 1915c waivers, which provide services for a wide range of individuals with disabilities, including children and elders, and there are several different institutional equivalents for the waivers. The Frail Elderly and Physical Disability waivers both utilize the nursing facility as the alternative. The MR/DD waiver uses ICF/MR as the alternative, and the Head Injury Waiver utilizes the Head Injury Rehabilitation hospital as the alternative. The institutional alternative for the Severe Emotional Disturbances waiver is a psychiatric hospital, and the alternative for the Technology Assisted Children's waiver is an inpatient hospital. The disability-specific needs of these disparate populations are met in different ways, then, in both the community and in the institutional equivalents.

Other States' Experiences with One Waiver

Four states have explored the idea of consolidating all HCBS services into one waiver, but they have experienced significant challenges in overcoming the need to have different institutional equivalents for each disability population type.

- **The State of Texas** has a three-year pilot program to determine if a single program can serve individuals who are eligible for one of their five separate Medicaid HCBS waiver programs. The pilot is in only one Texas county, Bexar County. A report is to be made to the Texas Legislature in January 2004 on the feasibility of just one waiver.

  The pilot is limited to 200 people, with priority given to children in nursing facilities. The pilot will serve 50 adults and 50 children who qualify for nursing facility placement, as well as 50 adults and 50 children who qualify for services in an intermediate care facility for people who have mental retardation.

- **The State of New Jersey** combined three of their waiver programs. The persons being served by the three small waivers required the level of care provided in a nursing facility, or in some cases hospital placement. One of these waivers provided private duty nursing as its main service.

  New Jersey continues to administer several other waivers for people who are elderly or have physical disabilities, people with developmental disabilities, people with traumatic brain injury, and people with HIV. The state has researched ways to combine these programs, but due to the different institutional equivalent required for each waiver, they have not been able to make additional combinations.

- **The State of Colorado** combined two of their children's waivers that used nursing facilities and hospitals as the institutional equivalents. But the state continues to have separate waivers for the elderly and disabled populations, brain injury, MR/DD and AIDS.

- **The State of Florida** has contracted with Health Management Associates to research whether one waiver could be achieved in their state. The final report has not been completed. SRS staff have conferred with Florida staff and learned that Florida is facing the same issues as Colorado, New Jersey, and Texas in establishing a common institutional equivalent. Each of these states has approached CMS with this issue, and CMS has consistently replied that they do not allow more than one institutional equivalent on a waiver.

The Challenges of One Waiver in Kansas
To transition all six of the Kansas waiver programs into one waiver, Kansas would face many of the same challenges other states have faced, the main one being that of establishing a common institutional equivalent. Another key challenge in Kansas is that current state regulations do not allow persons under the age of sixteen to be admitted to a nursing facility. Therefore, nursing facility placement could not be used as the institutional equivalent for the three Kansas waivers that serve children.

Another critical challenge Kansas would face in transitioning to one waiver involves case management and needs assessments, which are vital components of waiver programs. Trained persons in specialized areas of disability would still need to be in place to provide case management and conduct needs assessments. For example, a person who is trained or who has specialized in developmental disabilities services would not have the technical expertise to also do assessments and case management for children on the Technology Assisted Children's waiver.

Finally, there would be administrative challenges in moving to a single Medicaid waiver. SRS, as the Medicaid state agency, is responsible for sending reports to the federal government regarding the revenue and expenditures on the waivers. In order to continue to have CMS approval of the waivers, these reports must show that in the aggregate, it is more cost effective to serve people in Home and Community-Based settings than in institutional settings. To draw these conclusion, we must be able to compare data regarding like services in community and institutional settings. Data regarding like services is not available for services provided in different types of institutional settings, such as a Head Injury Rehabilitation Hospital and a state mental health hospital, therefore, it would be extremely difficult to administratively show waiver cost effectiveness in a waiver with more than one type of institutional equivalent.

Kansas, like New Jersey, Colorado, Texas and Florida, has explored the idea of moving to one waiver in the past, but has not come to the conclusion that it is a feasible move. Not only would Kansas need to overcome the major issues of institutional equivalent and specialized staff training, the state would also lose a great deal of flexibility in tailoring waiver services to the specific needs of disability populations, which has allowed the state to exercise a significant amount of cost containment in the waivers.

13. **The House Budget Committee's report on the Department on Aging asked SRS and the Department on Aging to review case management.**

Case Management Services

A case manager or independent living counselor is a person who assists an individual and his or her family to identify, select, obtain, coordinate, and utilize both paid services and natural supports. Case managers and independent living counselors have varying levels of contact with each individual based on the individual's needs. Basic case management services include:

1. Assessment of the person's needs, preferred lifestyle and resources.
2. Working with the person's support network to develop a plan to meet his or her needs.
3. Assisting the person in locating and accessing community services and natural supports.
4. Advocating for the needs of the person.
5. Monitoring to ensure the person's needs are being met.

Other, more specific case management services are designed as needed to meet the needs of the various disability populations.

HCBS Waivers

SRS administers five of the state's Home and Community Based Services (HCBS) waivers. The waivers provide services for persons with Mental Retardation or Developmental Disabilities, Physically Disabilities, Head Injuries, and children with Serious Emotional Disturbances and children who are Technology Assisted. These five programs rely on case management services as the first line of quality assurance for individuals with disabilities.

HCBS waivers are approved by the Centers for Medicare and Medicaid Services (CMS). In each waiver application that is submitted by the state, an assurance is made that, "necessary safeguards have been taken to protect the health and welfare of persons receiving services under this waiver." CMS allows states to determine how to assure the health and welfare of the persons they serve. In federal reviews of Kansas waivers, the CMS reviewers have routinely focused on case management as the beginning point of assessing health and welfare.

HCBS Waiver Quality Assurance

Quality assurance is designed differently for each HCBS waiver, because the quality assurance approaches are tailored to the unique needs of each waiver population. As each process was developed, the focus was on the individuals being served and how best to assure their needs were being met.

One quality assurance method used in most waivers is home visits. These visits are designed to assure that the individual is receiving the services as outlined in the plan of care and that those services are meeting his or her needs. Consumer satisfaction in the waivers is addressed by the Grievance Unit, which is staffed by the Medicaid fiscal agent, EDS. This unit receives calls from consumers as well as providers when they have any concerns. EDS staff follow up on all calls and track them to determine if there are any trends in different areas of the state.

Peer Review

Quality assurance committees at each CDDO are a part of the local service system for persons with developmental disabilities. Some discussion between stakeholders and SRS staff has occurred concerning using these committees to conduct the home visits, rather than SRS staff conducting the visits. If this peer review process were implemented, SRS staff would then conduct random visits to assure that the local Committee is effectively completing the visits. This peer review process could also include consumers and family members making home visits. In order to build the capacity of consumers and families to conduct quality assurance home visits, they would need to be trained, and it is likely that at least some portion of the reviews would be done by CDDO staff. Regardless of whether the local reviews were done by CDDO staff, consumers or family members, the information collected from the visits would be forwarded to the SRS central office to track trends and determine if there is a need for any corrective actions plans.

Similarly, SRS has been working with Community Mental Health Centers (CMHCs) over the past several months to institute a peer review process. We envision this process as a way for CMHCs to remain accountable and informed about best practices. In light of a provision that has been included in the FY 2004 SRS budget appropriation regarding instituting a peer review system for the CMHCs, SRS will work with stakeholders to continue development of the peer review process. SRS will be prepared to report back to the Legislature on the development of the process, as well as its implementation and efficacy.

While SRS will pursue development of peer review processes for the community developmental disabilities and mental health service systems, peer review would not replace the state's first line responsibility of assuring the health and safety of Kansans with disabilities and mental health issues while ensuring their civil rights are honored. Consistency in applying the rules and best practices across the state is critical to the success of peer review processes in both service systems. SRS will work with our community partners to ensure providers and consumers in every corner of the state can expect the same level of oversight.

On-going Case Management/Quality Review

SRS is currently reviewing all case management services that are reimbursed by Medicaid; some of these services are accessed through the waivers, and others are accessed through the Medicaid State Plan. SRS staff are looking for any duplication and are reviewing the reimbursement for all case management services. The goal is to ensure the Medicaid-funded case management system contains consistent service definitions, case planning, and outcomes for persons served.

SRS continues to discuss within the agency and with stakeholders, how to improve the current system and to review new ideas regarding how to best assure the health and welfare of Kansans with disabilities.

14. **The House Budget Committee asked the Department on Aging and SRS to work together to review the issue of funds following a person from a nursing facility to Home and Community Based Services settings.**

Statement of Issue

In Kansas, when people live and receive services in nursing homes but choose to live and receive services in the community, the only way for them to access community-based services is to place their names on the waiting list for the Physical Disabilities or Frail Elderly Home and Community-Based Service (HCBS) Waivers and wait for their names to come to the top of the list. Payment for HCBS waiver services can be obtained only when waiting list funds are appropriated by the Legislature or when a rolling waiting list is in place which allows a person to go onto the waiver when another person leaves. Currently the waiting lists for the Physical Disabilities and Frail Elderly waivers are frozen. The only waiver movement at this time occurs when people who need Physical Disabilities waiver services are in a crisis situation. Thus, it is nearly impossible in the current economic environment for a Medicaid resident in a nursing home to choose to live in the community and receive the services they need.

Texas Rider 37

The Texas Legislature included a rider in the state's 2001 appropriations bill to accomplish the goal of serving people in the community when that is their choice. Through Rider 37, every three to six months an estimate of the total dollars needed to serve residents who have moved from a nursing facility to the community is calculated, and that amount is transferred to the HCBS budget. This does not reduce the number of beds available in nursing facilities in the state, but it offers a way for people to live in the most integrated setting. The average length of stay for people in Texas nursing homes after they have requested HCBS is about two months.

Kansas Approach

In consultation with stakeholders from the Independent Living Centers, SRS and KDOA are currently studying ways in which a budget transfer could work to ensure seniors and younger adults with disabilities can move from nursing homes to less restrictive living environments if that is their choice. In the first year, SRS and KDOA would plan to transfer up to 75 people to the community by effecting budget transfers. A decision can be made then, based on the results of the first year, whether this program should continue in future years. Following are the issues, as identified by SRS and KDOA staff, related to the program:

1. Budget Transfer:
   a. Twice a year, the total number of people who have moved from nursing homes to the Physical Disabilities waiver or the Frail Elderly waiver would be multiplied by the nursing facility rate of $2,377 per month per person. This amount would be transferred from the nursing home budget to the Physical Disabilities and the Frail Elderly waivers.
   b. The funds transferred to the waivers would become a part of the base waiver budgets for the next fiscal year and beyond. This would increase the waiver budgets, but would be

fiscally neutral in the first year. It is possible that more people would move into nursing homes to take the places of the people who have moved out, however the experience in Texas has been that few people move into nursing homes when people move out. In Kansas, the number of nursing homes and beds is market driven so there is no guarantee of a reduction in the number of facilities or beds.

2. Transition Funds
   Several costs are inherent when people move from institutional-based to community-based settings, such as first month's rent, security deposits, utility deposits, furniture, linens, and other household necessities. These transition costs are not addressed here, but SRS and KDOA are more than willing to work with the Centers for Independent Living and Area Agencies on Aging to ensure transition costs are not a barrier to people moving to the community.

3. Selection Criteria
   Given the limited scope of the funding following the person policy in the first year, it will be necessary to have a methodology in place to determine who will transition from nursing homes to the community. No decision has been made yet about how this selection process would work. Care needs to be taken in approaching this decision in order to preserve each individual's civil rights. KDOA and SRS plan to continue meeting to discuss this issue.

4. Federal Grants to Helps States Transition People from Nursing Homes
   As a part of his FY 2004 budget recommendations, President Bush has proposed grant funds be made available to the states to pay the costs of transitioning people out of institutional settings and into the community. These funds would also pay for the first year of community services for people who have transitioned. If this proposal is adopted by Congress, Kansas will aggressively pursue bringing grant funds into the state to assist people in moving out of nursing homes. However, since these grant funds would be one-time service dollars SRS and KDOA do not recommend relying solely upon these funds. Rather, if Kansas were to receive these federal funds, SRS and KDOA would recommend the dollars be used to pay for the transition costs for people who are moving out of the nursing homes into an independent setting.

Next Steps
SRS and the Department on Aging have requested a Governor's Budget Amendment for an appropriations bill proviso which will move money from the nursing facility budgets to the Home and Community Based Services waiver budgets. Both agencies stand ready to work with stakeholders to finalize the necessary details to ensure that funds follow people to community-based services when they leave nursing facilities.

15. The House Budget Committee asked the Department on Aging and SRS to review increasing the pool for healthcare.

1. Increasing the number eligible for the medical card by allowing people to buy Medicaid coverage: through the Working Healthy project, SRS allows people with disabilities to buy their Medicaid coverage. This program, which began on July 1, 2002, provides a way for more people to enter the Kansas workforce and maintain their health care coverage. The Medicaid premiums are based on each person's income. Most, but not all Working Healthy enrollees pay premiums. As of the end of February 2003, 552 people have enrolled in Working Healthy, 306 of whom pay Medicaid premiums.

   SRS is willing to work with KDOA to provide any feedback or analysis of any other specific ideas about expanding Medicaid coverage in Kansas, including the potential fiscal impact.

2. Review allowing consumers of state services and other providers to become part of the state health care system: the state health care system is jointly developed and overseen by the Governor's office, the Department of Administration and the Kansas State Health Care Commission. SRS believes expanding the current state health care system is a policy decision that should be made by the three governmental units described above, as well as the Legislature and members of the public.

16. The House Budget Committee asked SRS to explore options for assessing fees on a sliding fee scale based on the income of both spouses for Home and Community Based Services.

Imposing a sliding fee scale based on the income of both the applicant and spouse as a condition of Medicaid eligibility, or as a form of cost sharing for HCBS waivers, is prohibited under Medicaid rules. While a waiver of these rules may be possible, the modest success of the family fee program implemented last year does not support developing a new fee program. Although 63% of fees billed have been collected, the amount collected through January 15, 2003 is $96,000. Collection of fees requires considerable added effort on the part of SRS staff. This has necessitated a rearrangement of work priorities, especially in SRS central office where information sheets, billings, and applications for fee reductions and waivers are processed. This has created challenges in completing other work, especially given the number of staff vacancies SRS must maintain to help address the state's current revenue shortfall.

17. The House Budget Committee asked SRS to review child care funding methodologies to maximize federal TANF match opportunities.

To access federal child care funds, Kansas must spend state funds. The following table reflects the child care funding streams that support SRS' $75 million in child care activities in FY 2003.

Fund Source	Amount	Explanation
Federal Child Care and Development Funds		
CCDF Mandatory	$9,811,721	Must be spent before spending CCDF Matching Funds.
CCDF Discretionary	$35,415,680	No state expenditure requirement. Includes TANF transfer.
CCDF Matching	$13,446,078	Requires a 40% state match.
State Funds Required to Access Federal Child Care Funds		
State Maintenance of Effort	$6,673,024	Must be spent before spending CCDF Matching Funds.
State Matching Funds	$8,889,600	State match funds for CCDF Matching Funds
Other Federal Funds		
Social Service Block Grant	$493,912	Required to satisfy the Child and Adult Food Program requirement
Food Stamp Funds	$6,385	Federal portion of mandated Food Stamp Employment and Training Program
Total	$74,736,400	

Kansas must spend the federal mandatory funds and the state maintenance of effort before using matching funds. Thus, the federal matching funds, which require a 40 percent state fund match, represent the marginal dollars spent for child care.

Congress has not finalized the FY 2003 appropriations for the mandatory and matching funds. The mandatory funds are anticipated to remain constant, while the CCDF matching funds are projected to range from $14,387,106 to $15,727,625. To access the available CCDF matching funds, Kansas would be required to spend approximately $622,000 to $1,508,000 more in state funds.

SRS has searched for additional state matching funds. Although SRS pursued the possibility of using unmatched state funds spent for child care in the foster care contracts (i.e. child care expenditures for non-Title IV-E eligible children), this proved fruitless because TANF funds, rather than state funds, are used almost exclusively to finance non-IV-E eligible child care. SRS also considered using donated funds as state match. SRS found that the restrictive federal regulations remove all control by the donor to the extent that a potential donor would be quickly dissuaded from donating to child care.

In her role on the American Public Human Services Association (APHSA) Executive Board, Secretary Schalansky chairs the Outcome & Performance & Work, Child Care & Transition Assistance Committee. In this role, she has not been made aware of any federal matching opportunities the State has not already pursued. However, she is in a position to advocate for additional child care funding and will continue to do so as those opportunities arise.

18. The House Budget Committee recommended a review of the eligibility criteria for the HCBS/DD Waiver.

In order to be eligible for Home and Community Based Developmental Disability (HCBS DD) waiver services, people must meet both functional and financial eligibility criteria. The Developmental Disabilities Reform Act sets forth the basic eligibility criteria for determining if a person has a developmental disability. Community Developmental Disabilities Organizations (CDDOs) are responsible for determining if people meet the DD Reform Act eligibility criteria. If a person meets these criteria, he or she would be eligible for state general funded services, but he or she may also be eligible for the HCBS DD waiver. The CDDOs are also responsible for determining waiver functional eligibility.

DD Waiver Functional Eligibility

The Developmental Disabilities Profile (DDP) is a tool developed by the state of New York and used by the state of Kansas to determine eligibility for the HCBS DD waiver. (Detailed information about the DDP tool follows the discussions of waiver eligibility here.) The DDP is a part of the Kansas assessment tool that is called BASIS. The DDP tool itself is used by CDDOs to assess initial and/or continued eligibility for the HCBS DD waiver. To satisfy federal waiver requirements, the BASIS assessment is completed annually for each person, during his or her birth month.

Once an assessment has been completed, it is electronically submitted to SRS, and, based on the answers provided, a converted score is generated. The state of Kansas has determined that a converted score of 35 is required to be eligible for the HCBS DD waiver. Eligibility for the DD waiver, then, means that a person's disability is severe enough to require an equivalent institutional level of care. In Kansas the institutional equivalent for the DD waiver is the Intermediate Care Facility for persons with Mental Retardation (ICF/MR). Therefore, if a person's DDP score is 35 or above, he or she is eligible for both the HCBS DD waiver and ICF/MR services. There are two public ICFs/MR in Kansas, Parsons State Hospital and Kansas Neurological Institute, and numerous private ICFs/MR.

In order to determine the exact deficits a person has, and thereby determine the level of funding for which he or she is eligible, the DDP generates scores in three domains: adaptive, maladaptive and health. It is these scores that determine the tier rate that will be assigned for the person. The tiers range from 1 to 5; tier 1 represents people with the most severe disabilities, and tier 5 includes people with the least severe disabilities. The tier rate is assigned based on the highest tier score generated within the three domains. For example, if a person scored tier 2 in the health domain, tier 4 in the maladaptive domain and tier 1 in the adaptive domain, the person's assigned tier level would be tier 1. Kansas uses tiered daily payment rates to determine the amount of reimbursement that will be paid to a provider of services for a person. These tier rates are also used as a part of the allocation methodology which determines the amount of funds that will be allocated to each CDDO on an annual basis.

DD Waiver Financial Eligibility

Financial eligibility for the HCBS DD waiver is determined by reviewing the person's income and assets. SRS staff in the area offices are responsible for determining financial waiver eligibility. For children (who must be at least 5 years of age to be eligible for the waiver), the income and resources of the parents and other family members are not considered when determining financial eligibility. Resources that the child may own, such as small savings accounts and trust funds cannot exceed $2000 in value. For unmarried adults, the rules are similar, in that income and resources of other family members are not considered for eligibility. Because resources of a spouse must be considered, special rules are used for married adults that provide individualized income and resource limits. For example, the asset limitations for married persons is greater than the $2000 limit for individuals.

Although the resources of parents of minor children are not used in determining eligibility for the DD waiver, the 2002 Kansas Legislature did authorize the collection of fees from the parents of minor children on the waiver. Many of the children's programs administered by SRS require parents to contribute to the cost of the services to the extent they are financially able to do so. The parental fees for the DD waiver, then, follows that same spirit of parental financial participation. A sliding parental fee schedule for the DD waiver has been developed by SRS and stakeholders. The parental fee system, which applies to people with incomes over 200% of the federal poverty level, has been in place since September 1, 2002.

Developmental Disabilities Profile (DDP)

The Developmental Disabilities Profile was designed to accommodate the information-gathering requirements for describing, planning, and managing a large-scale system of developmental services in New York state. It is a simple, brief instrument designed to provide an accurate and thorough description of the characteristics of people with developmental disabilities that are related to their service needs. Questions are phrased in everyday language and geared toward easily observed behavior.

The DDP emphasizes the following criteria:

- Simplicity: To enhance the accuracy of the information, items are to be self-explanatory, phrased in simple language and directed toward behavior likely to be observed in daily life.

- Economy: To ensure data quality, a goal of a verified average completion time of less than fifteen minutes per client was set for the DDP.

- Sufficiency: A broad range of characteristics for a diverse set of consumers had to be achieved.

- Sensitivity to Service Needs: Items were selected to indicate service needs.

- Continuity: Wherever possible, the DDP was designed to adapt successful items and approaches from the State's information system.

- Openness: The design of the DDP was to be from the "ground up" reflecting the input of a wide variety of users, include direct care workers, clinicians, and agency executives, as well as experts in the field of instrumentation.

Development of the DDP, Design and Refinement and Statewide Testing

The DDP went through several steps of development including design and refinement and statewide testing. As a part of statewide testing, reliability (which has to do with the consistency or repeatability of measurement) was tested from several aspects including internal consistency reliability, test-retest reliability and inter-rater agreement with the following results:

- From virtually any point of view, the reliability of the DDP is outstanding. Using the classic reliability criteria of internal consistency, test-retest stability and inter-rater agreement, the DDP compares very well to both general standards and other instruments.

- It is apparent that the reliability of the DDP is outstanding. Since reliability is a function of both the clarity of and training in the use of a form, the DDP reliability data are especially impressive in light of the brevity of the training process. This strongly supports the conclusion that the DDP is simple, clear and easy to use.

The DDP was also tested for validity or, the ability of an item or index to measure what it is intended to measure. A summary of validity results follows:

> By each standard – content validity, construct validity and criterion validity – the DDP has performed very well. In many respects, content validity was designed into the DDP by the very process of its development. Very few instruments have had the intimate connection that the DDP has had with its intended audience of users. The ability of the DDP to clearly differentiate clients along a continuum which has a substantial degree of overlap is a persuasive demonstration of criterion validity. Finally, the criterion validity of the DDP – evaluated against two instruments – is extremely good. The DDP showed a strong ability to predict general adaptive behavior, the scores of low functioning consumers, work skills and behavior problems. The economy of the DDP cannot be said to have been purchased at the cost of predictive power.

The information above is from the following report: The Developmental Disabilities Profile, Final Report. The Design, Development and Testing of the Core Instrument Brown, Ph.D, M. Craig, et. al., New York State Office Of Mental Retardation and Developmental Disabilities, 1986.

19. **The House Budget Committee asked SRS to review models of charging interest on back child support payments and evaluate the effect these models have on motivating prompt support payments.**

Title IV-D regulations allow States to impose two surcharges on non-custodial parents: late payment fees and judgment interest. In all IV-D cases, the appropriate share of collections must be paid to the federal government.

Late Fees

States are authorized by federal regulation to impose late payment fees of 3% to 6% on child support debtors. Late payment fees must accrue and be maintained on the CSE automated system as debts, and may only be collected from the non-custodial parent after all child support is paid in full. The federal regulation language suggests states are not permitted to forgive late payment fees as an inducement for partial payment of the arrearage balance. Late payment fees are considered "program income." Under federal law, 66% of program income must be remitted to the federal government, whether the State retains the fee collection or passes it on to the custodial parent.

To impose late payment fees, Kansas would need to enact enabling legislation. There is no authority under current law for the Secretary of SRS to establish late payment fees by rule and regulation. The legislation would need to identify who (SRS or the custodial parent) would receive late payment fees, among other issues. To the extent that any fees were payable to the IV-D custodial parent, state dollars to fund the federal share of such collections would be needed.

Federal limitations on the amount, requirements for accruing and maintaining fee debts, and restrictions on waiving or forgiving fee debts make such fees cumbersome and expensive to administer. Additionally, the CSE automated system would need to be modified to accommodate accrual and maintenance of the debts, ensure only appropriate administrative remedies could be applied to collect the fee debts, and include appropriate data in federal and financial reports.

Currently, no state has elected to impose a late payment fee pursuant to 45 CFR 302.75.

Judgement Interest

Judgement interest is interest that is authorized by law for use by a creditor on a money judgement. The federal government has permitted states to apply state law concerning judgment interest to past due child support debts administered under Title IV-D, although judgement interest is not directly addressed in regulation. The federal Office of Child Support Enforcement has treated judgment interest as a mechanism to restore purchasing power to creditors (the state or custodial parents). A secondary benefit is that it promotes timely payment. For this reason, the restrictions on late payment fees that are identified above, have not been applied to states that charge judgment interest. Because this federal distinction is not set forth in regulation, there is some risk in relying on past practices to predict future interpretations.

Interest on a Kansas money judgment is authorized by K.S.A. 2002 Supp. 16-204. Kansas appeals court decisions contain the rules for applying judgment interest to installments of unpaid support, prohibiting compound interest, and for applying payments to accrued installments. Interest accrues automatically and separately on each individual installment, starting on the date each payment is due and unpaid.

Although services related to judgment interest are not mandated, costs are allowable as IV-D expenses. States are divided in their practices: some calculate, litigate, and enforce judgment interest on all support debts; some apply interest only upon lump-sum debts or after the court has ordered interest; some only enforce judgment interest if it has been calculated by someone outside the IV-D program; and other states do nothing with respect to judgment interest.

Kansas is currently clarifying how judgment interest services will be provided in Title IV-D cases. K.A.R. 30-44-5 was published March 13, 2003, and a public hearing will be held May 23, 2003. SRS has proposed emulating the Missouri IV-D program, offering services for judgment interest only to enforce orders in which the judge or hearing officer has determined the amount of interest accrued by the debtor. This eliminates the tasks that are most labor intensive and prone to the greatest legal risk yet maintains enforcement services for interest debts calculated by a reliable source, services for which the CSE automated system is already programmed.

Income Withholding by Employers

The emphasis on income withholding in recent years means the majority of child support collections are now remitted by employers and payroll services, not by individual debtors. It should be noted that judgment interest and the late payment fees authorized by Title IV-D apply only to individual debtors. The following approaches are available to encourage faster remittance by employers and other third-party payers: (1) shortening time frames for remitting payroll deductions; (2) sanctions or late fees for tardy remittance, and (3) requiring remittance by EFT (electronic funds transfer).

During the 2001 Session, the judiciary conference committee considered reducing the number of days employers are allowed to remit payroll deductions under the Income Withholding Act. Once a deduction has been made, K.S.A. 2002 Supp. 23-4,108 (c) gives the employer up to seven business days to remit the payment. Some employers continue to use the seven business day time frame as a cash management tool, rather than remit the support as quickly as possible for the benefit of families.

Title IV-D permits states to adopt sanctions against employers who fail to comply with the State's Income Withholding Act. Kansas has adopted such sanctions in K.S.A. 2002 Supp. 23-4,108(i). There is, however, no provision for an automatic late fee, as is commonly applied to utility bills. The costs of filing legal action to establish and enforce the existing sanctions are often prohibitive, even when they are cost effective. A carefully structured employer late fee, however, could promote faster remittance without the burdensome procedures of the existing sanctions. As with late fees against the non-custodial parent, a portion of any employer late fee may have to be paid to the federal government, depending on who receives the fees.

A few states have strongly promoted the use of EFT (electronic funds transfer) by employers to speed up remittance, posting, and disbursement of child support collections. At least one state has enacted legislation requiring all employers above a certain size to remit child support by EFT. States report that meaningful increases in employer EFT result from investments in projects such as: conducting intensive employer outreach to promote the benefits of EFT for both employers and families, developing user-friendly tools and software to assist employers, and creating educational materials for employers about the mechanics of EFT. Prompt, accurate remittance of payroll deductions for support is key to prompt disbursements to families.
State Information derived from the Interstate Referral Guide (Section F), as of April 4, 2003.

Are services related to judgment interest provided in Title IV-D cases?	No.	Yes.	Comments.
Alabama		X	
Alaska		X	
Arizona		X	
Arkansas		X	
California		X	
Colorado		X	
Connecticut	X		
Delaware	X		
Florida		X	
Georgia		X	
Hawaii	X		
Idaho	X		
Illinois		X	Only applies to recent installments
Indiana		X	Only if interest has been ordered by the tribunal, and only upon request of the custodial parent

Are services related to judgment interest provided in Title IV-D cases?	No.	Yes.	Comments.
Iowa	X		
Kentucky		X	Only on lump sum orders
Louisiana	X		
Maine		X	
Maryland		X	Only on lump sums and only if included in the court's order
Massachusetts		X	A number of exceptions are available to the debtor
Michigan	X		
Minnesota		X	
Mississippi		X	
Missouri		X	Custodial parent must calculate the amount and furnish the calculations to the court clerk
Montana	X		
Nebraska		X	
Nevada	X		
New Mexico		X	
New Jersey		X	Assessed upon satisfaction of judgment
New York		X	Only on lump sums
New Hampshire	X		
North Dakota		X	Only calculated after July 2002
North Carolina	X		
Ohio		X	Only applies to lump sums
Oklahoma		X	

Are services related to judgment interest provided in Title IV-D cases?	No.	Yes.	Comments.
Oregon		X	Custodial parent must provide and update calculations
Pennsylvania	X		
Rhode Island		X	
South Dakota		X	SD does not calculate or enforce
South Carolina	X		
Tennessee	X		
Texas		X	
Utah		X	
Virginia		X	
Vermont		X	Only in Non-TANF cases with lump sum judgments
Washington State		X	Only after installments are reduced to a lump sum judgment
West Virginia		X	
Wisconsin		X	
Wyoming		X	
Totals	14	35	14 states have restrictions on judgment interest services.

20. The House Budget Committee asked SRS to consider legislation to allow the agency to place a lien on a Medicaid recipient's home after the recipient has been in a nursing facility for one year or begins receiving HCBS waiver services. The committee also requested that the agency explore the possibility of requiring reverse mortgages on property for persons in nursing facilities to assist in paying for their care.

The agency developed a lien provision which was included in SB 272 which was introduced on March 25. SRS provided testimony.

Reverse mortgages are basically loans provided based on the value of a person's home. The money can be used for any purpose and does not have to be repaid while the person is living provided he or she continues to live there. When the person dies, sells the home, or permanently moves away, the loan must be repaid. The loan can be provided either as a lump sum, paid in monthly installments, or accessed as a line of credit.

Federal law precludes the state from requiring a Medicaid client to take out a reverse mortgage as a condition of eligibility. In general, this would be imposing more restrictive, conditional criteria on an individual by forcing a conversion of resources.

For individuals who have taken out a reverse mortgage and receive monthly or periodic payments, the Medicaid program prohibits treating these payments as income in the eligibility computation. This is because Medicaid's financial eligibility rules for elderly and disabled persons are based on the federal Supplemental Security Income (SSI) program. The SSI program does not consider as income the proceeds from a loan payment, including periodic payments from a reverse annuity mortgage. Thus, there would be no impact on the client's monthly payment obligation for long term care when a reverse mortgage exists. There may be a negative impact on estate recovery when a reverse mortgage exists, because the debt against the home may reduce or eliminate the amount of the estate available for recovery purposes and ultimately the amount of recovery. The state would not be permitted to dictate how the loan is used and as such, the money could be used for purposes other than medical care.

In some states, special single-purpose reverse annuity mortgage programs have been established through state housing assistance programs which are specifically devoted to payment of long term care expenses.

21. The House Budget Committee requested that the agency review implementing legislation to prevent the hiding of assets to achieve Medicaid spend-down as follows:

- **a. Waiver to increase the number of years of "look-back" from 3 to 5**
- **b. Amending the definition of estate to include jointly owned property**
- **c. Limiting property agreements that specify a percentage of ownership**
- **d. Preventing discretionary trusts that do not pay necessary medical expenses.**
- **e. Limits on prepaid agreements between family members to provide basic services.**

Senate Bill 272 addresses the definition of estate, limiting of property agreements, preventing discretionary trusts, and limiting prepaid agreements. SRS provided testimony to the Senate Federal and State Affairs Committee on March 28. Legislation is not required to seek a federal waiver to increase the look-back period for transfer from three to five years. The agency plans to submit a waiver to the Centers for Medicare and Medicaid Services (CMS) to increase the look-back period.

22. The House Budget Committee's report on state hospitals asked SRS to review the federal funding for the state hospitals, including disproportionate share and Title XIX.

Status of Title XIX Funds in the Hospitals

The following chart shows a summary of the actual and budgeted sources and uses of federal Medicaid funds for FY 2002, FY 2003 and FY 2004. As SRS reported in its testimony to the Legislature, the amount of federal funds available for state hospitals is declining. The primary reasons for this are:

- Declining Disproportionate Share Funding, and
- Adverse Medicaid Findings by the Centers for Medicare and Medicaid Services (CMS)

Title XIX Medicaid	FY 2002	FY 2003 GBR	FY 2004 GBR
Balance Forward from Previous Year	23,242,552	11,129,376	3,430,149
Collections from Medicaid Fee for Service	25,845,761	34,337,023	26,375,413
Collections from Disproportionate Share	18,429,320	15,300,265	14,948,104
Collections/(Pay Back) from Audit Settlements	6,597,633	(6,268,032)	0
Expenditures for Hospital Services and Operations, Physician Malpractice, and Consultants	(62,985,890)	(51,068,483)	(44,360,825)
Balance	11,129,376	3,430,149	392,841

Over the next two budget years, Title XIX revenue is projected to meet budgeted expectations. The following are two concerns that may have a negative effect on these projections.

Disproportionate Share

Disproportionate Share for Hospitals (DSH) is a program that qualifies medical hospitals, including state mental health hospitals, to collect additional federal Medicaid funding if the hospital serves a much higher than usual percent of indigent persons for whom they receive no other reimbursement. (The state developmental disability hospitals do not qualify to receive DSH payments.) In 2000, Congress passed a law limiting the amount of each state's DSH allotment that is allowed to be transferred to state mental health hospitals. In 2003 Congress passed another law allowing increased access to DSH, but they kept the limitation on the amount of the state's DSH allotment that can be transferred to state mental health hospitals. SRS has studied the federal rules and sought the advice of independent consultants to maximize the amount of DSH that can be transferred to the state mental health hospitals. Not only can no additional DSH funds be accessed, but the amount of DSH funds is likely to decline even further in FY 2005 as we experience the full effect of the new federal rules.

Adverse CMS Findings

As SRS noted in its testimony to the Committees, CMS has deferred a $11.2 million Medicaid claim for state mental health hospitals. The claim was made as a result of adjustments in state hospital cost reports covering several past years. SRS has responded to the deferral with the necessary information to validate the claim. If CMS persists in their position and denies the claim, SRS plans to appeal their denial. Federal rules allow the state to keep federal funds while the appeal is being processed. If SRS' appeal is unsuccessful there will be a significant shortfall in Title XIX funds in FY 2004, and SRS may be required to pay interest to CMS. SRS will keep the Legislature informed of the progress in this area.

23. The House Subcommittee's report on the state hospitals includes a request to review how education services are provided for children and adolescents served in state hospitals.

Two state laws govern how Kansas children in state hospitals are provided education services:

- K.S.A. 72-970 requires every state institution to provide special education and related services for "exceptional" children in state institutions. These education services must meet the standards and criteria set by the State Board of Education. State institutions may contract with local school districts or other appropriate agencies to provide these services. These requirements apply to nearly all children under 22 years of age served by the three state mental health and two state developmental disability hospitals.

- K.S.A. 72-8223 further requires SRS to pay the local school district for children in state hospitals whose education is provided by a school district. The tuition charged SRS is based on the particular district's operating costs minus any state categorical aid the districts receive from the Board of Education

This means that the state hospitals contract with local or inter-local school districts to provide education services to the children they serve. The school districts apply for and receive state categorical aid for education they provide to these children. The negotiated cost minus what the districts receive in state categorical aid is paid for out of the state hospitals' appropriations.

Kansas Department of

Social and Rehabilitation Services

Janet Schalansky, Secretary

Senate Ways and Means Committee
February 12, 2003

Policy Options Discussion Guide

Janet Schalansky, Secretary
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Senate Ways and Means
4-24-03
Attachment 29

Kansas Department of Social and Rehabilitation Services
Janet Schalansky, Secretary

Senate Ways and Means Committee
February 12, 2003

Policy Options Discussion Guide

Senate Ways and Means Committee members have requested the department identify savings in major discretionary expenditures. This document is intended to facilitate a discussion on these options. The information represents neither the priorities nor opinions of the Governor and the department. Although an extensive list of savings is submitted, there are undoubtably additional policy options that could be added to this document.

Use of Policy Option Savings. The use of the savings estimates must be accompanied with an awareness that several options overlap or may have interrelated impacts. Consequently, the savings are not necessarily additive and the selection of any set of options will require a refinement in the savings estimate. Also, the estimated savings are based on a year's savings to illustrate the full impact of the option. The first year of savings for a chosen option would hinge on the actual implementation date.

Organization of Policy Options. The savings options are categorized by "Services" and "Populations." Each of these categories has been further defined by groupings such as "Regular Medical Services to Adults", "Regular Medical Services to Children", "Populations Covered by Medicaid", etc. Each option contains a description of the population or the service, an estimate of savings below the Governor's budget recommendation, the changes required to implement the option, the number of persons affected by the reduction, and the potential implications. Options impacting programs included in the consensus caseload estimating process are noted by an asterisk.

Factors to Consider when Discussing Options. The following considerations should be made when reviewing the savings options:

- The population groups served by the Department are among Kansas' most needy whose resources must already have been spent before qualifying for any of these programs. The majority of the adult clients are working, or are unable to work due to disability. Many of the services provided to children help keep parents in the workforce.

- Kansas ranks 29th in the nation in the amount of TAF cash benefits and 4th in our six-state region. Colorado, Iowa, and Nebraska provide higher benefits while Missouri and Oklahoma provide lower benefits.

- Increases in the Medicaid program are reflective of increases in health care costs across the country.

- Elimination of certain programs may cause exceptional hardship to some long term clients who will have no means to develop a way to compensate for the lost benefit. Some consideration may need to be given to "grandfathering" in these clients.

- Selection of an option may shift costs to other categories or programs. Costs may also be shifted to communities.

- Some services have been based on long term strategic investments. Eliminating HCBS waiver services, for example, may cause a greater number of people to enter institutions at a greater expense.

- Decisions could adversely affect the service delivery infrastructure and make it difficult to reintroduce those services if it proves to be affordable in the future.

- All estimates are for a full year based on data as of February 2003. If a specific implementation date is chosen, savings would be recalculated based on the new date.

The appendix to this document contains attachments which elaborate on the department's services and which provide a comparison of the department's services across our six-state region. The attachments are listed in the following table:

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Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
OPTIONAL REGULAR MEDICAL SERVICES FOR CHILDREN - **Dollar amounts and numbers of persons duplicate those in Optional Populations Section**					
Incontinence Supplies* This benefits covers incontinence supplies for children over the age of five who, due to a variety of disabilities or medical conditions, do not use the bathroom. Option reflects total elimination of the service. Coverage for diapers was eliminated in the FY03 allotment and reinstated in the FY04 GBR.	($0.24)	($0.60)	Amend State Medicaid Plan	513	Parents would be required to purchase incontinence supplies for their children.
Attendant Care for Independent Living (ACIL)* This benefit covers health related services for children who are medically fragile and medicaid eligible. Skilled nursing includes such things as tube feeding, suctioning and delivery of medications by I.V. The medicaid HCBS waiver for children requiring technology assistance (TA) qualifies children to access these services. All direct services for children on the TA waiver are accessed through ACIL.	($5.76)	($14.19)	Amend State Medicaid Plan	300	Children who are medically fragile would no longer receive this service.

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
OPTIONAL REGULAR MEDICAL SERVICES FOR ADULTS - **Dollar amounts and numbers of persons duplicate those in Optional Populations Section**					
Pharmacy for Adults* This benefit covers prescription drugs for adults. At the direction of the 2002 legislature, reductions were implemented involving reimbursement rates for pharmaceuticals, dispensing fees, co-pay and the development of a preferred formulary. This additional option reflects total elimination of the service. The GBR makes targeted reductions to pharmacy through a variety of policy changes. **Reductions in GBR:** SGF / AF Reduce Pharmacy from AWP-11% to AWP-13% ($1.2) ($3.1) Limit the # of branded prescriptions ($5.3) ($13.5) Limit prescription supply to 31 days ($.2) ($.5) PA Access to Cox 2 Drugs ($.6) ($1.5) **TOTAL** **($7.3)** **($18.6)**	($76.97)	($180.71)	Amend State Medicaid Plan	75,600	Eliminating access to pharmaceuticals will likely increase use of inpatient care and physician visits.
Vision Services for Adults* This benefit covers eye exams and eye glasses for adults once every four years. Option reflects total elimination of the service. Vision services were eliminated by the FY03 allotment and reinstated in the FY04 GBR.	($0.37)	($0.91)	Amend State Medicaid Plan	10,600	Persons needing glasses would have to obtain them using other means.

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
OPTIONAL REGULAR MEDICAL SERVICES FOR ADULTS - **Dollar amounts and number of persons duplicate those in Optional Populations Section** (continued)					
Dental Services for Adults* This benefit covers only emergency dental care that affects the overall health of the person. The service is limited to teeth extraction. Option reflects total elimination of the service.	($0.22)	($0.53)	Amend State Medicaid Plan	2,300	Untreated persons are likely to need more intensive emergency care as the infected teeth affect overall health.
Audiology Services for Adults* This benefit covers audiology testing and hearing aids for adults every four years and very limited hearing aid repairs and maintenance. Option reflects total elimination of the service. Audiology services were eliminated by the FY03 allotment and reinstated in the FY04 GBR.	($0.14)	($0.33)	Amend State Medicaid Plan	1,300	Persons needing hearing aids would have to obtain them through other means.
Therapy Services for Adults* This benefit covers physical therapy, occupational therapy, and services for speech, hearing, and language disorders. Therapy provided is only rehabilitative in nature on a limited, short term basis. The FY03 appropriation reflects the estimated savings that will result from improving edits and processing of therapy claims for assessments so provider billing errors are greatly reduced. This additional option reflects total elimination of the service.	($0.06)	($0.13)	Amend State Medicaid Plan	360	Eliminating therapy could limit people returning to work and decrease self-sufficiency. Could increase the demand for VR services.

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
OPTIONAL REGULAR MEDICAL SERVICES FOR ADULTS - **Dollar amounts and number of persons duplicate those in Optional Populations Section** (continued)					
Durable Medical Equipment for Adults* This benefit covers durable medical equipment and supplies such as oxygen equipment, wheelchairs, diapers, and ostomy supplies. Option reflects total elimination of the service. The FY03 allotment eliminated coverage for diapers, but the FY04 GBR reinstates this coverage.	($2.56)	($6.13)	Amend State Medicaid Plan	10,000	Would likely result in increased nursing home and hospital treatment. Could increase the demand for VR services.
Transplants for Adults* This benefit covers kidney, cornea, liver and bone marrow transplants. Medicare frequently covers most of the costs of these Medicaid allowable transplants. Medicaid is the last payer. Option reflects total elimination of the service.	($0.33)	($0.82)	Repeal Regulations Amend State Medicaid Plan	27	Life span of people needing critical transplants will be shortened. Discontinuing non-critical transplants will greatly diminish quality of life.
Alcohol and Drug Abuse Services for Adults* This benefit covers drug and alcohol treatment for adults such as acute detox, intermediate inpatient care, and day treatment. Option reflects total elimination of Medicaid services. It does not include grant funding for this service.	($1.33)	($3.34)	Amend State Medicaid Plan	2,060	Could possibly increase the demand on state only funded services.

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
OPTIONAL REGULAR MEDICAL **SERVICES** FOR ADULTS - **Dollar amounts and number of persons duplicate those in Optional Populations Section** (continued)					
Hospice for Adults* This benefit covers skilled nursing services for persons who have been determined to have less than six months to live. The FY03 appropriation budget eliminated hospice for persons on PD waiver. This additional option reflects total elimination of the service.	($2.99)	($7.44)	Amend State Medicaid Plan	1,350	Would likely result in increased inpatient hospitalization and nursing home placements.
Federally Qualified Health Clinics for Adults* This benefit provides federal funding for Federally Qualified Health Clinics. (Note: Rural Health Clinics are a mandated service). Option reflects total elimination of the service.	($0.29)	($0.58)	Amend State Medicaid Plan	4,000	Persons would likely seek services from other Medicaid providers. These clinics would no longer be eligible for Medicaid reimbursement. Decreased availability of medical services especially where access to physicians is limited.

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
OPTIONAL REGULAR MEDICAL SERVICES FOR ADULTS - **Dollar amounts and number of persons duplicate those in Optional Populations Section** (continued)					
Local Health Department Services for Adults* This benefit covers services provided by county health departments. Option reflects total elimination of the service.	($0.05)	($0.15)	Repeal Regulations Amend State Medicaid Plan	2,700	County Health Department funding would be decreased. Decreased availability of medical services especially where access to physicians is limited.
Nursing (ARNP) Services for Adults* This benefit covers the services provided by an advanced registered nurse practitioner such as pain management and obstetrics. Option reflects total elimination of the service.	($0.04)	($0.10)	Repeal Regulations Amend State Medicaid Plan	1,200	Decreased availability of medical services, especially where access to physicians is limited.

29-10

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
OPTIONAL POPULATIONS COVERED BY MEDICAID - **Dollar amounts and persons listed duplicate those under Optional Services Sections**					
MediKan Program* The persons covered by this program are adults who are applying for federal disability benefits. Medikan is a more limited services package than Medicaid. SRS receives retroactive federal funding for persons ultimately found eligible for Medicaid. This additional option reflects total elimination of services to this population. The GBR limits this program to 24 months with the first month counting toward the limiting as January 2002, resulting in estimated savings of $2.2 million. The GBR also lowers Medikan $1.4 million by reducing reimbursement rates to Community Mental Health Centers. **Reduction in FY2004 GBR: SGF AF** GA MediKan ($2.2) ($2.2) CMHC MediKan ($1.4) ($1.4) **TOTAL ($3.6) ($3.6)**	($14.80)	($14.80)	Repeal Regulations	3,410	Significant increase in indigent care especially at hospitals that can not turn away patients in need of emergency care.Additional uncompensated care at CMHC's for mentally ill consumers.

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
Expanded Breast and Cervical Cancer Coverage* Persons covered by this program are women with cervical or breast cancer who qualify for the Kansas Breast and Cervical Cancer program. These women have income less than 250% of the federal poverty level. Federal funds are provided at an enhanced match rate of 72%. Option reflects total elimination of services to this population.	($0.28)	($1.00)	Amend State Medicaid Plan	45	Women in this group would go untreated or secure treatment through other means.
OPTIONAL <u>POPULATIONS</u> COVERED BY MEDICAID - **Dollar amounts and persons listed duplicate those under Optional Services Sections** (continued)					
Working Healthy* Persons covered by this program are disabled with incomes up to 300% of the federal poverty level, and who are working. Certain income levels are assessed premiums. This additional option reflects total elimination of services to this population.	($1.38)	($3.45)	Amend State Medicaid Plan	495	Persons would purchase their own health insurance if it was available and affordable. Elimination of this program could discourage people from seeking employment and cause them to remain on waivers.

29-12

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
Medically Needy Aged, Blind, and Disabled* Persons covered by this program are elderly, or disabled who may have income above the SSI level of $516/month. These persons must spend down their income to become eligible for Medicaid coverage much the same as paying an insurance deductible. Calculations exclude reductions in HCBS and LTC and includes Working Healthy with the disabled population. Option reflects total elimination of services to this population.	($80.80)	($216.1)	Amend State Medicaid Plan	27,940	Loss of health insurance coverage which could result in an increase in indigent care. Eliminates Medicaid coverage of prescriptions for persons on Medicare.
Aged	($34.2)	($86.7)		16,370	
Disabled/Blind	($46.6)	($129.4)		11,570	
OPTIONAL POPULATIONS COVERED BY MEDICAID - **Dollar amounts and persons listed duplicate those under Optional Services Sections** (continued)					
Medically Needy Pregnant Women and Children* Families covered by this program must have income above the established income levels, have catastrophic medical expenses, and also spend down their income to become eligible. This program can not be eliminated until the medically needy aged/blind and disabled program is eliminated. Option reflects total elimination of services to this population.	($1.24)	($3.32)	Repeal Regulations Amend State Medicaid Plan	1,160	These persons would lose health insurance coverage thereby increasing indigent care.
STATE CHILDREN'S HEALTH INSURANCE PROGRAM					

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
HealthWave (SCHIP) Premiums This program covers health care costs for uninsured children whose families' income is less than 200% of the federal poverty level (FPL). These families originally paid monthly premiums of either $10 or $15 per month. This option would triple the amount of premiums the average family must pay. The FY 03 allotment set premiums at $30 and $45 per month, triple the original premium amount effective 2/1/03. The FY 04 GBR lowered the premiums to $20 and $30 per month, double the original amount.. SGF AF **Reduction in FY2004 GBR:** ($.4) ($1.3)	($0.3)	($1.2)	Change Regulations Amend Title XXI State Plan	6,208 families 11,111 children	Some families may choose to leave the program leaving their children without medical coverage.
Eligibility for HealthWave (SCHIP) from 200% to 150% of Federal Poverty Level This program covers health care costs for uninsured children whose family income is less than 200% of FPL. This option reduces that income eligibility to 150% of FPL. The eligibility change would occur at the child's next review date. **Option SGF All Funds Children** Lower 185% ($.30) ($1.01) 1,160 Lower 150% ($2.69) ($9.75) 11,111	($2.7)	($9.8)	Change Regulations Amend Title XXI State Plan	11,111 children	The number of uninsured children could rise significantly. Could jeopardize the viability of the managed care program. Reduce the number of people served. Cost per person would likely increase as population served decreased.
FACILITY-BASED SERVICES					

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
Nursing Facilities for Mental Health* Nursing Facilities for Mental Health (NF/MH) provide residential care and treatment for persons who are primarily severely and persistently mentally ill (SPMI). This option reflects total elimination of this service to this population. SGF AF **Reduction in FY2004 GBR:** ($0.81) ($1.19) The GBR includes a reduction in the caseload estimate based on SRS's projection that fewer people will be served in NF/MH's as a result of the decision to only serve persons who are SPMI and the implementation of pre-admission screening for new applicants to ensure they need this level of care.	($8.9)	($13.1)	Repeal Regulations Amend State Medicaid Plan	604 beds	Services to people displaced by this option would be assumed by state hospitals, community based settings or nursing homes.

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
Intermediate Care Facilities for the Mentally Retarded This optional Medicaid service provides private institutional services to persons who are severely developmentally disabled (DD). This option reflects total elimination of this service to this population. Note: The cost of this optional service has declined significantly as a result of the closure of several large private facilities. The savings from these closures was shifted to the DD waiver to pay the costs of services for persons moved from these facilities. SGF AF Reduction in FY2004 GBR: (0.78) (1.99)	($6.67)	($16.95)	Repeal Regulations & State Medicaid Plan	300	Federal funds for private ICFsMR would be lost. Demand for DD waiver services could expand greatly. If savings were not transferred to community DD programs, those leaving ICFs/MR would be left without services.

29-16

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
HOME AND COMMUNITY BASED SERVICES (HCBS WAIVERS)					
Home and Community Based Services Waivers HCBS waivers fund home and community based services for persons who are eligible for ICF/MR placement. All HCBS waivers are optional services. This option reflects total elimination of this service to these populations. **State Funds** **AF** Developmental Disability Waiver ($72.63) ($201.07) Physical Disability Waiver ($19.62) ($58.19) Head Injury Waiver ($2.35) ($5.96) Technology Assistance Waiver ($0.06) ($0.21) Serious Emotional Disturbance Waiver ($6.08) ($15.28) The FY03 allotment reduced the waivers by lowering the protected income level, reducing reimbursement rates, and raising the level of care score for the PD waiver to 30. The FY04 GBR reinstates these reductions. **Reduction in FY2004 GBR:** ($3.15) ($8.01) The GBR includes reductions of PD waiver by removing from service those people who were "grandfathered" in when the level of care score (LOC) was raised from 16 to 25. The GBR also reduces the DD waiver for in-home family supports.	($100.7)	($280.7)	Withdraw Federal Waivers	10,982 5,792 3,900 150 40 1,100	All persons served by the HCBS waivers will lose long term supports. There may result in a substantial increase in the demand for institutional services.

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
Protected Income Level (PIL) Eligibility Persons whose services are funded by the HCBS waivers have protected income levels (PIL) higher than other persons served by Medicaid. This higher protected income is used to pay for these persons rent, utilities, food, transportation, and other living expenses. Their PIL is $716 per month compared with the minimum PIL of $475 per month. This option reduces PIL to $525 per month. The PIL was reduced to $645 as part of the November allotment in FY 03, but was restored to $716 in FY04. Option / SGF / All Funds / People Lower to $645 ($0.74) ($1.88) 2,434 Lower to $585 ($1.54) ($3.87) 3,111 Lower to $525 ($2.51) ($6.31) 3,574	($2.5)	($6.3)	Amend Regulations & Federal Waiver	3,574 persons	People in the "spend down group" would need to pay significantly higher amounts for the cost of their care and would have fewer dollars available for non medical expenses.

Description of Service or Population	Estimated Reduction Below FY 2004 GBR (in millions) State Funds	AF	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
Accessing the Medicaid Waiver for Persons with Physical Disabilities Eligibility to the PD waiver requires a level of care score (LOC) of at least 26 on a standardized assessment instrument that measures the persons' ability to care for themselves. This option raises the minimum LOC score needed to access services from 26 to 34. This option assumes that persons currently being served by the PD waiver would be removed from services: **Options** **SGF** **AF** **People** 30 or lower ($5.88) ($14.95) 933 34 or lower ($8.26) ($21.39) 1,335 **SGF** **AF** GBR Reduction: (1.48) (3.77)	($8.3)	($21.39)	Change in the nursing home admission criteria through KDOA and a change in policy and procedures.	1,335 people	This assumes that existing persons receiving services are removed from services. If these persons receiving services were "grandfathered" in, there would be no first year savings, but the service access management (waiting) list would be reduced. Of the 779 people on the waiting list as of January 1, 2003 15% of the persons on the waiting list, or 116 people, have a score of 30 or less; an additional 19% or 147, have a score between 31 and 34. Raising the score would mean that 263 people currently waiting for services would no longer be eligible. If these services are not available, additional persons may choose to enter nursing homes or may enter nursing homes sooner

Description of Service or Population	Estimated Reduction Below GBR (in millions) SGF	All Funds	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
DIRECT FINANCIAL ASSISTANCE					
General Assistance* General Assistance provides a small cash benefit to very low-income, physically and mentally disabled adults who are applying for federal disability benefits. This option would eliminate 1) cash assistance for this state-funded program, 2) disability advocacy funding which is used to represent claimants, and 3) enhanced funding for intensive services to clients who are at risk of meeting the 24-month time limit. A related consequence of the program elimination is the loss of SRS fee funds received from the Social Security Administration for the reimbursement of SRS assistance during the disability determination period. The following details the savings: (see savings table below) **Reduction in FY2004 GBR:** SGF ($.49) All Funds ($.49) The reduction reflects savings from the 24-month, time-limited General Assistance program. Clients will begin to lose eligibility on January 2004.	($6.2)	($6.7)	Amend Regulations. Cancel KLS contract	3,904 monthly persons	General Assistance recipients would need to rely on other means of financial support and seek federal disability on their own. FY 2003. The disability advocacy contract was reduced by $200,000 in FY 2003. This reduction was restored in FY 2004.

	SGF	All Funds
GA cash assistance	$7,305,261	$7,305,261
Disability advocacy contract	236,992	640,000
Intensive services	334,400	500,000
Total expenditures	$7,876,653	$8,445,261
SRS Fee Fund Revenue	(1,717,676)	(1,717,676)
Net Savings	$6,158,977	$6,727,585

Description of Service or Population	Estimated Reduction Below GBR (in millions) SGF	All Funds	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
TAF Benefits* TAF provides financial assistance to very low-income families to meet essential needs. The average monthly benefit for families in Fiscal Year 2003 is $307. This reduction would reduce the monthly cash benefit to families receiving cash assistance. Benefit reduction options follow:	($0.0)	($9.5)	Amend regulations. Amend state plan.	15,908 monthly families 41,650 monthly persons	May compromise the ability of some families in paying rent, utility bills, or generally meeting basic living needs. Demands on local helping agencies may increase. Note: A state maintenance of effort (MOE) is required in the TANF program. Any deficit in the MOE must be made up dollar for dollar in the subsequent year. Consequently, no state fund savings are considered.

Monthly Reduction in Family Cash Benefit	% Reduction From Current Monthly Benefit	Savings SGF	Savings All Funds
$10	3.2%	$0.0	$1,908,760
25	8.0%	0.0	4,772,400
50	16.0%	0.0	9,554,800

<table>
<tr><th>Description of Service or Population</th><th colspan="2">Estimated Reduction Below GBR (in millions)
SGF | All Funds</th><th>Type of Change Required to Implement</th><th>Estimated Number of People Affected</th><th>Consequences or Implications</th></tr>
<tr><td colspan="6">CHILD CARE SERVICES</td></tr>
<tr><td>Child Care Subsidies
Subsidies for child care are provided to families below 185% of the poverty level using a sliding fee scale.

Selected income limit reduction options follow:

<table>
<tr><th>Income Limit (FPL%)</th><th>Families Losing Child Care</th><th>Children Losing Child Care</th><th>Savings SGF</th><th>Savings All Funds</th></tr>
<tr><td>150</td><td>1,219</td><td>1,980</td><td>$2,418,616</td><td>$6,069,300</td></tr>
<tr><td>130</td><td>2,352</td><td>3,888</td><td>4,941,145</td><td>12,399,360</td></tr>
<tr><td>110</td><td>3,524</td><td>5,973</td><td>7,836,134</td><td>19,664,076</td></tr>
</table>

FY 2003. The income limit for Child Care subsidies was reduced from 185 percent of the federal poverty level to 150 percent of the federal poverty level for the period February - June 2003. The income limit was restored to 185 percent of the federal poverty level in FY 2004.</td><td>($7.8)</td><td>($19.7)</td><td>Amend state plan</td><td>3,524 monthly families

5,973 monthly children</td><td>Child care is a basic support for employment, thus, this reduction may create an increase in cash assistance.</td></tr>
</table>

29-22

Description of Service or Population	Estimated Reduction Below GBR (in millions) SGF	All Funds	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
Kansas Early Head Start Program The Kansas Early Head Start program provides enhanced supports to children and families to encourage appropriate development and success in school for low income children ages 0 to 4 years old. Most children who receive these services would qualify for subsidized child care. This option reflects total elimination of services to this population. It is assumed that the families presently served by the Early Head Start program would apply for child care subsidies. Savings: SGF / All Funds Kansas Early Head Start: $3,144,013 / $7,889,618 Less funding for child care: (1,121,876) / (2,815,248) Net Savings: $2,022,137 / $5,074,370 FY 2003. The Early Head Start program was reduced by $300,000 in FY 2003. The reduction was restored in FY 2004.	($2.0)	($5.1)	Grants would not be issued	825 monthly families 825 monthly children	These at-risk families would not have these supportive services available.

Description of Service or Population	Estimated Reduction Below GBR (in millions) SGF	All Funds	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
CHILD WELFARE SERVICES					
Foster Care Statutory Changes Children aged 16 and older would no longer be considered children in need of care except in circumstances of abuse, neglect or abandonment. This would mainly impact children who currently come into the custody of the Secretary due to their own behaviors. This option reflects the total elimination of services to non-abuse and neglect clients age 16 and older who are not in custody on their 16th birthday. **Reduction in FY2004 GBR:** **SGF** ($3.27) **All Funds** ($4.76) The GBR includes a 5 percent reduction in foster care contract rates.	($1.6)	($4.3)	Statutory changes	264 youth	Responsibility for dealing with troubled youth aged 16 and older would remain with the family and/or local community.
Adoption Subsidy Program This program provides cash and medical subsidies to families who adopted a special needs child from SRS. 90% to 95% of all children placed for adoption by SRS qualify for an adoption subsidy. This option provides for no growth in the program. Savings: SGF / All Funds Cash Subsidy: $0.70 / $1.49 Medical Subsidy: 0.16 / 0.68 Total: $0.86 / $2.17	($0.9)	($2.2)	No new subsidy agreements would be originated	430 children	Adoption contracts may grow significantly as the number of children being adopted could be significantly reduced.

Description of Service or Population	Estimated Reduction Below GBR (in millions) SGF	All Funds	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
Family Preservation Services This is a contracted service which provides intensive, short-term intervention for families whose children are at imminent risk of removal from the family home and placement in foster care. This option reflects total elimination of these services. SGF All Funds **Reduction in FY2004 GBR:** ($3.00) ($3.02) A number of adjustments affected this budget: 1. The base budget was reduced by $1.0 million relative to the FY 2003 approved as a result of the first allotment. 2. An additional reduction of $1.75 million resulted from the second allotment and reflected in the GBR. 3. A 2.5 percent contract rate reductions saving $255,489. FY 2003. Family Preservation reductions in FY 2003 were similar to the FY 2004 reductions as follows: 1. The base budget was reduced by $1.0 million relative to the FY 2003 approved as a result of the first allotment. 2. An additional reduction of $1.75 million resulted from the second allotment and reflected in the GBR. 3. A 2.5 percent contract rate reduction effective February 2003, saving $106,454.	($0.3)	($10.0)	Contracts for family preservation services would be cancelled.	2,574 families	More children may be removed from their homes and placed in foster care.

29-25

Description of Service or Population	Estimated Reduction Below GBR (in millions) SGF	All Funds	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
Community Support and Family Services These programs fund services to families whose children are at risk of being removed from the home and placed in foster care. These services support families in maintaining their children in the family homes. This option reflects total elimination of services. Families Served / Savings SGF / All Funds Community Support: 8,859 / $0.0 / $2.6 Family Services: 403 / 1.3 / 3.4 Total: 9,262 / $1.3 / $6.0 FY 2003. In FY 2003, Community Support and Family Services were reduced by $663,993. This reduction was restored in FY 2004.	($1.3)	($6.0)	Grants and allocations would not be issued	9,262 families	More children could be removed from their homes and placed in foster care.

	Families Served	Savings SGF	Savings All Funds
Community Support	8,859	$0.0	$2.6
Family Services	403	1.3	3.4
Total	9,262	$1.3	$6.0

Description of Service or Population	Estimated Reduction Below GBR (in millions) SGF	All Funds	Type of Change Required to Implement	Estimated Number of People Affected	Consequences or Implications
CHILD SUPPORT ENFORCEMENT SERVICES					
Child Support Enforcement Fees - Those not Receiving SRS Aid Currently a fee is charged for every child support payment handled by SRS for a family not receiving TAF, Food Stamps, Medicaid, or a Child Care subsidy from SRS. SRS keeps 34% of this revenue, the remaining two-thirds goes to the federal government. At the present time this fee is 4% of the payment. It could be raised, however, families will withdraw as the fee increases. Raising this monthly fee to the following levels would produce the following revenue but would create competition with Court Trustees who charge 5% or less: 5% - $42,500 6% - $65,000 Note: Above 6% it is estimated enough cases will close so as to actually decrease revenues.	$0.07	($0.0)	Amend regulations. Amend state plan.	3,000 families	Less money is available to the parent to meet household expenses. The state retains 1/3rd of this loss of family revenue, while the federal government receives 2/3rds of it.

Targeted Rate Reductions

An option to target provider groups for rate reductions is available. There are implications to consider before making this decision. Generally, when rates are reduced, the number of providers willing to participate in programs decreases which impacts access to services and continuity of care. Reductions to contracts may have legal implications, but minimally may require services to be prioritized and reduced which will instill a greater responsibility to more efficiently provide services. The ability of community partners and providers to maintain their fiscal integrity must also be considered. Communities may be affected by reduced revenues flowing to the community and greater burdens being shifted to local social service providers.

The FY 04 GBR includes rate reductions for the Foster Care, Family Preservation, and Adoption contracts, the Physical Disability (PD), Head Injured (HI), and Developmental Disability (DD) waivers, inpatient acute care hospital reimbursements, medical transportation reimbursements, MediKan reimbursements to Community Mental Health Centers (CMHCs), and the Pharmacy Average Wholesale Price (AWP). These rate reductions total $5.0 million SGF, $9.1 million all funds for FY 03 and $13.0 million SGF, $26.1 million all funds in FY 04.

Federal Policy Issues

Over one billion dollars, or 60.2% of SRS funding comes from federal sources. Federal funding is integral in meeting the needs of our customers. Increased flexibility in federal funding would improve the Department's ability to more effectively serve customers. The ability to affect change in many programs is impacted by federal regulations. A longer term strategy might include working toward changing federal policies.

Federal funding is often used to meet state priorities. Elimination or reduction of a service or population may result in a state general fund savings, but the corresponding loss of federal funds is disproportionately high and must be considered.

Targeted Federal Policies:

- SOBRA regulations re provision of emergency medical services to illegal aliens.
- Spousal Impoverishment - federal law allows the surviving spouse assets of up to $87,000 to be protected.
- DSH -limited access for use in state psychiatric hospitals.

Some Medicaid expenditures are the result of deliberate efforts to maximize federal resources for services that would otherwise been paid for entirely with state funds. The table below identifies some of these expenditures.

Optional Medicaid Services Used to Draw Down Federal Medicaid to Fund State Priorities		
	SGF	AF
Local Education Agencies This benefit provides federal funding to schools for services provided that are medically related. This service provides significant federal Medicaid funds to defray the cost of special education services.	$0.00	$27.68
Early Childhood Intervention This benefit covers health and developmental services for children with developmental delays and disabilities. Nearly all of these funds are federal Medicaid funds that supplement the early child intervention program administered by Health and Environment.	$0.35	$1.16
Community Mental Health Services for Adults This benefit covers mental health services and supports primarily for persons with severe and persistent mental illnesses. These federal funds provide increased federal funding for community mental health services.	$5.62	$35.41
Behavior Management This benefit covers behavioral health services primarily for children in the custody of the Secretary of SRS and JJA.. This optional service allows Kansas to draw down federal Medicaid funds to pay for required services to children in the custody of the state.	$6.84	$19.14

Appendix A

Poverty Guidelines
Annual Income Guidelines for 1-5 Member Households (HH)

Selected SRS Services	% of 2002 FPL*	HH-1	HH-2	HH-3	HH-4	HH-5
TAF and GA- Cash & Medical	32%	$2,853	$3,844	$4,836	$5,828	$6,819
Elderly/Disabled Persons on SSI-Medical	72%	6,372	8,587	10,802	13,017	15,232
Children 6-18 Medicaid and Medicaid Waivers**	100%	8,860	11,940	15,020	18,100	21,180
Food Assistance and Energy Assistance	130%	11,518	15,522	19,526	23,530	27,534
Children Age 1-5 - Medicaid	133%	11,784	15,880	19,977	24,073	28,169
Pregnant Women & Infants - Medicaid	150%	13,290	17,910	22,530	27,150	31,770
Child Care Subsidy***	185%	16,391	22,089	27,787	33,485	39,183
Children's Health Insurance Program	200%	17,720	23,880	30,040	36,200	42,360

*FPL is the Federal Poverty Level.
**For the remaining months of FY 2003, the % of 2002 FPL for Medicaid Waiver is 87.4%.
*** For the remaining months of FY 2003, the % of 2002 FPL for the Child Care Subsidy is 150%

Appendix B

Current Comparison of Economic Benefits by State

BENEFITS	KANSAS	MISSOURI	OKLAHOMA	IOWA	NEBRASKA	COLORADO
TANF-Cash (average benefit)	$288 (32% FPL)	$245 (23% FPL)	$202 (23% FPL)	$319 (35% FPL)	$332 (29% FPL)	359 (28% FPL).
Food Stamps (maximum benefit for 3)	$366	$366	$366	$366	$366	$366
Medical Limits • TANF Family	34% FPL ($4,836)	77% FPL ($11,565)	25% FPL ($3,755)	35% FPL ($5,257)	50%FPL ($7,510)	31% FPL ($4,656)
• Pregnant Women	150% FPL ($22,530)	185%FPL ($27,787)	185% FPL ($27,787)	200% FPL ($30,040)	185% FPL ($27,787)	133% FPL ($19,976)
• Children Under 1	150% FPL ($22,530)	185% FPL ($27,787)	185% FPL ($27,787)	200% FPL ($30,040)	185% FPL ($27,787)	133% FPL ($19,976)
• Child 1- 5	133% FPL ($19,976)	133% FPL ($19,976)	185% FPL ($27,787)	133% FPL ($19,976)	185% FPL ($27,787)	133% FPL ($19,976)
• Child 6 - 18	100% FPL ($15,020)	100% FPL ($15,020)	185% FPL ($27,787)	133% FPL ($19,976)	185% FPL ($27,787)	100% FPL ($15,020)
• Children's Health Insurance Program	200% FPL ($30,0400)	300% FPL ($45,060)	185% FPL ($27,787)	200% FPL ($30,040)	185% FPL ($27,787)	185% FPL ($27,787)
Child Care Income Limit	150% FPL ($22,536) Reduced from 185% FPL February to June 2003	118% FPL ($17,784)	190% FPL ($28,524)	140% FPL ($20,484)	120% FPL ($17,556) Reduced from 185% FPL eff. 7/02	County Adm. Min 130% FPL ($19,536) Max 225% FPL ($33,804)
• Monthly Fee For TANF Family	0	$1/year	0	0	0	$36
• Monthly Fee at 100% of Poverty	$58	$43	$44	$22	$18	$96

Appendix C

BENEFITS FOR NON-CITIZENS

COVERED NON-CITIZEN GROUP	BENEFITS AVAILABLE			
I. Legal - Entered U.S. on or Before 8-22-96	CASH	MEDICAL	FOOD STAMPS	CHILD CARE
• Refugees	Yes	Yes	Yes	Yes
• Asylees	Yes	Yes	Yes	Yes
• Deportation has been Withheld	Yes	Yes	Yes	Yes
• Cuban/Haitian Entrants	Yes	Yes	Yes	Yes
• Amerasians	Yes	Yes	Yes	Yes
• Granted Parole or Conditional Entry Status	Yes	Yes	No	Yes
• Lawful Permanent Residents	Yes	Yes	Yes, effective 4/1/03, once the person has resided legally in U.S. for 5 years.	Yes
• Certain Battered Spouses/ Children	Yes	Yes	Yes	Yes
• Veterans or Active Duty Status (includes spouses and dependent children)	Yes	Yes	Yes	Yes
• Non-citizens who are: - receiving blindness/ disability benefits - 65 years of age or older - under age 18	No	No	Yes	No

II. Legal - Entered U.S. after 8-22-96	CASH	MEDICAL	FOOD STAMPS	CHILD CARE
• Refugees	Yes	Yes, 8 months	Yes	Yes
• Asylees	Yes	Yes	Yes	Yes
• Cuban/Haitian Entrants	Yes	Yes	Yes	Yes
• Amerasians	Yes	Yes	Yes	Yes
• Deportation has been Withheld	Yes	Yes	Yes	Yes
• Granted Parole or Conditional Entry Status	No, until in the U.S. for 5 years	No, until in the U.S. for 5 years*	No, until in the U.S. for 5 years	No, until in the U.S. for 5 years
• Lawful Permanent Residents	No, until in the U.S. for 5 years	No, until in the U.S. for 5 years*	No, until in the U.S. for 5 years	No, until in the U.S. for 5 years
• Certain Battered Spouses/ Children	No, until in the U.S. for 5 years	No, until in the U.S. for 5 years*	No, until in the U.S. for 5 years	No, until in the U.S. for 5 years
• Veterans or Active Duty Status (includes spouses and dependent children)	Yes	Yes	Yes	Yes
• Victims of Human Trafficking	No, until in the U.S. for 5 years	Yes, 8 months	Yes	Yes
• American Indians Born in Canada	No, until in the U.S. for 5 years	Yes	Yes	No
• Certain Members of Hmong and Laotian Tribes	No, until in the U.S. for 5 years	No	Yes	No

	CASH	MEDICAL	FOOD STAMPS	CHILD CARE
III. Other Legal Non-citizens (regardless of how long in U.S.)	No	*Yes, for emergency medical coverage only (SOBRA)	No	No
IV. Illegal or Undocumented Non-citizens	No	*Yes, for emergency medical coverage only (SOBRA)	No	No

* The individual must meet Medicaid eligibility criteria except for their non-citizen status. Emergency services are defined as services required because of a medical condition manifesting itself by acute symptoms of sufficient severity such that absence of immediate medical attention could result in:

- Placing the patient's health in serious jeopardy
- Serious impairment to bodily functions, or
- Serious dysfunction of any bodily organ or part.

Labor and delivery are defined as emergency services. Coverage is only for care sufficient to take care of the emergency.
Persons ineligible due to the 5 year bar may also receive coverage for emergency services.

Appendix D

Medicaid Mandatory and Optional Coverage Groups

In addition to defining the population within the group, Medicaid rules also specify a level of eligibility for coverage. This specific level of coverage is usually selected by the State from an allow able range of incomes. The minima l level of coverage must be provided or Medicaid funding may be sacrificed. If an optional group is selected the conditions of the coverage group often depend upon a minimal level of coverage as well. These required levels are also included below:

MANDATORY COVERAGE GROUPS	OPTIONAL COVERAGE GROUPS
Temporary Assistance for Families (TAF) - Must cover families below 32% FPL ▸ Low-income families with children, eligible at TAF income levels ▸ Families moving from TAF to work ▸ Families moving from TAF to child support	**HCBS waivers** - The protected income level cannot be lower than the medically needy standard: ▸ Expanded coverage through higher protected income level of $716.00 per month ▸ Required disregard of parental income and resources

Poverty Level Eligibles - PLE - Must cover pregnant women and children of specific ages at 1989 levels
▸ Pregnant Women up to 150%
▸ Children at the following levels
  ▸ birth to one year up to 150%
  ▸ one to five years up to 133%
  ▸ six to eighteen up to 100% FPL
	Medically Needy - Minimal protected income level is $475/month; through a spenddown, persons contribute to the cost of care:
	▸ Pregnant women and children
	▸ Elderly, disabled and blind persons

Foster Care/Adoption Support - Must cover children in custody under IV-E: ▸ foster care ▸ adoption ▸ juvenile justice	**Women with Breast or Cervical Cancer** - Must cover at level of the FREE to Know program ▸ Uninsured persons up to age 65 ▸ Income level is currently 250% FPL
Supplemental Security Income Recipients - Must cover all SSI recipients ▸ Persons who are disabled or blind ▸ Persons who are elderly	**Working Healthy** - Must cover persons with disabilities with incomes up to 300% of FPL
Medicare Savings Plans (QMB/LMB) - required to cover Medicare premiums and other cost sharing	**MediKan Coverage** - State funded group for persons who are receiving General Assistance or seeking federal disability benefits

Appendix E

Medicaid Mandatory and Optional Services

The following table compares adult Medicaid beneficiaries only. It is inappropriate to include children in these comparisons because federal regulations of Early Periodic Screening, Diagnostic, and Treatment (EPSDT) preclude significant reduction or elimination of medically necessary services for children. Kansas, like other states provides EPSDT coverage for children to age 20.

Federally Mandated Services[1]	State Option Services
• Emergency Medical Services for Alien Individuals • Family Planning Services and Supplies • Home Health Services • Inpatient General Hospital Services • Laboratory and X-Ray Services • Medical Transportation • Outpatient General Hospital Services • **Physician Services.** This includes pregnancy related services, and some physician extender (i.e., nurse-midwife and nurse practitioner) services.	• Alcohol and Drug Abuse Treatment • Attendant Care for Independent Living • Audiological Services • Behavior Management • Community Mental Health Center and Psychological Services • **Dental Services.** Limited to KAN Be Healthy consumers (children), except for medically necessary extractions. • Durable Medical Equipment, Medical Supplies, Orthotics, and Prosthetics • Early Childhood Intervention • Health Clinics • Home or community-based services • Hospice Services • **Inpatient Psychiatric Services.** For individuals under age 21 • Intermediate care facility (ICF/MR) services • Local Education Agencies • Local Health Department Services • Nursing Services (ARNP) • Physical therapy, occupational therapy, and services for individuals with speech, hearing and language disorders. • Prescribed Drugs • Pediatric Services • Respiratory care for ventilator-dependent individuals. • Services for Special Disorders • Targeted Case Management for Assistive Technology • Vision Services

[1] Federal rules require that when services are reduced or eliminated, they must be reduced or eliminated for all adults covered by Medicaid. However, federal rules for Early Periodic Screening, Diagnostic, and Treatment do not allow for significant reduction or elimination of medically necessary services for children.

Each service is provided only when medically necessary to the beneficiary. In addition, each provided service must be defined in the Kansas State Plan.

Appendix F

Comparison of Most Common Optional Medical Services for Adults

Optional Services	Kansas	Colorado	Missouri	Nebraska	Oklahoma
Dental Services	Very limited	Very limited	Very Limited	Yes	No
Clinic services.	Yes	Yes	Yes	Yes	Yes
Pharmacy	Yes	Yes	Yes	Yes	Yes, limit to 5 prescriptions per month for HCBS recipients
Optometrist services and eyeglasses.	Eliminated in FY03 Allotment Limited FY04	Limited	Exams; No glasses	Yes	Limited
Transportation services.	Limited	Yes	Yes	Yes	Yes
Rehabilitation and physical therapy services.	Limited to 6 months of rehabilitative care only	Limited to 30 visits per diagnosis per year	Yes	Yes, but limited to restoration of lost function due to illness or injury	Yes
Audiology	Eliminated in FY03 Allotment Yes in FY04	Limited to hearing aids for congenital & traumatic injury hearing loss	Yes	Yes	na
Durable Medical Equipment (DME)	Yes	Limited	Yes	Yes	Yes
Transplants	Limited	Limited	Yes	na	na
Podiatry	Yes	na	Yes	Yes	Yes

Appendix G

Current Comparison of Medical Eligibility by State

MANDATORY GROUPS - States must cover certain populations. Some states have different minimal requirements than Kansas because coverage levels for certain groups were frozen at different points over the past several years. In most instances, the level of coverage at the time had to be maintained. Coverage may be expanded for most groups and limitations for reductions are noted.

	Category	Minimal Requirements KS Options	Kansas	Nebraska	Missouri	Iowa	Oklahoma	Colorado
1.	Family Medical under 1931 - (TAF)	AFDC rules in effect 07-16-96	TANF Limit- 32% FPL	50% FPL	77% FPL	TANF Limit- 35% FPL	TANF Limit- 25% FPL	TANF Limit- 31% FPL
2.	Transitional Medical - ineligible for 1931 due to excess earnings	Required; income test for 2nd 6 mos effective FY2004	Up to 12 months	Up to 12 months	Up to 12 months; Addtl 12 mos for uninsured parents <100% FPL	Up to 12 months	Up to 12 months	Up to 12 months
3.	Extended Medical - ineligible for 1931 for child/spousal support	Required to cover 4 months	Yes - 4 months	Yes-4 months	Yes	Yes - 4 months	Yes	Yes
4.	Pregnant Women	KS frozen at 150%	150% FPL	185% FPL	185% FPL*	200% FPL	185%FPL	133% FPL*^
5.	Newborns under 1 yr	KS frozen at 150%	150% FPL	185% FPL	185% FPL*	200% FPL	185% FPL	133% FPL*^
6.	Children under 6	KS frozen at 133%	133% FPL	185% FPL	133% FPL*(185)	133% FPL	185% FPL	133% FPL*^
7.	Children under 19	KS frozen at 100%	100% FPL	185% FPL	100% FPL*(185)	133% FPL	185% FPL	100%

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	Category	Minimal Requirements KS Options	Kansas	Nebraska	Missouri	Iowa	Oklahoma	Colorado
8.	SSI Recipients and deemed recipients	No options for Kansas - SSI is 75% FPL (1 hh)	yes; current FBR: $552 - single $829 - couple	yes	*** 80% FPL-single $829 - couple	yes	*** more restrictive	yes
9.	Medicare Cost Savings(QMB/LMB)	No options for Kansas	yes	yes	yes	yes	yes	yes
10.	Protected Groups (SSI related-e.g. Pickle)	No options for Kansas	yes	yes	yes	yes	yes	yes
11.	IV-E Foster & Adoption Support	KS expanded, see 15 below	yes	yes	yes	yes	yes	yes

	Category	Minimal Requirements KS Options	Kansas	Nebraska	Missouri	Iowa	Oklahoma	Colorado
12.	SOBRA - Coverage for non-citizens	No options for Kansas	yes	yes	yes	yes	yes	yes
	OPTIONAL GROUPS							
13.	Home and Community Based Services (HCBS) Waivers.	Optional. If an obligation is determined, must not be < 1 person med needy standard	Standard is $645.00 for all waivers	Standard is $738.00 for all waivers, except assisted living - 1 person SSI FBR ($552/month)	For most waivers, standard is $952.00	300% SSI ($1656). Not elig if income > than limit, except Empyd People w/Disabilities waiver - 250% FPL ($1845/mo)	Standard is $259 + $325 allowance for spouse	300% SSI limit for all waivers ($1656). Not elig if income > than limit
14.	Katie Beckett Kids		no	yes	yes	yes	yes	yes
15.	Reasonable Classifications of children < 21	Optional, but many persons would be picked up in other groups	Children in custody Children in institution Adoption sbsdy	Adoption sbsdy	FC children in PLE group Some temp absent children Adoption sbsdy	Children in institution Adoption sbsdy	All children < 21 in custody Adoption sbsdy	All children < 18 in custody Adoption sbsdy
16.	Chafee/ Foster Care Independence Act		no	unknown	no	no	unknown	no

	Category	Minimal Requirements KS Options	Kansas	Nebraska	Missouri	Iowa	Oklahoma	Colorado
17.	Optional SSI State Supplement	States are required to cover 1972 conversion only	conversion only	yes, expanded	yes, expanded; supp nursing care (res care, non-Mcd facilities) & blind	yes, expanded	yes, expanded	yes, expanded
18.	Aged-blind-disabled Poverty Level Group	Levels between SSI and 100% FPL	no	100% FPL Asset Test- $4000 - 1 hh $6000 - 2 hh	no	no	100% FPL	no
19.	Special Institutional Level for NF coverage	If chosen, 300% SSI is maximum	300% SSI	no	no	300% SSI	300% SSI	300% SSI
20.	COBRA Eligibles		no	no	no	no	no	no
21.	Institutional Hospice		no	no	yes	no	no	no
22.	HMO for < min period		no	unknown	no	no	yes	yes
23.	Breast and Cervical Cancer (BCC)	Financial elig limits of the CDC screening program	yes	yes	yes	yes	no	yes
24.	Tuberculosis		no	no	no	no	yes	no
25.	Working Disabled (BBA or TWIAA)		yes	yes	April, 2002	yes	no	no

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	Category	Minimal Requirements KS Options	Kansas	Nebraska	Missouri	Iowa	Oklahoma	Colorado
26.	Medically Needy preg women, aged, children, blind, caretakers, disabled	Yes. If chosen pregnant women and children < 18 must be included	pw, children, aged blind, disabled $475- 1 hh $475- 2 hh person	all groups $392 - 1 hh $392 - 2 hh	No, SPNDWN*** a, d, b; 80% FPL $573 - 1 hh $750 - 2 hh	all groups $483 - 1 hh $483 - 2 hh	no	no
	OTHER OPTIONAL GROUPS/POLICIES							
27.	Continuous Eligibility (children)	Periods up to 12 months	12 months	12 months	no	no	12 months	no
28.	Presumptive Eligibility	PW, kids, BCC only	no	PW, kids, BCC	PW, kids, BCC	PW, BCC	PW	PW
29.	SCHIP	Yes. Medicaid MOE	200% FPL	185% FPL	300% FPL*	200% FPL	185% FPL**	185% FPL

Notes:

*Missouri has utilized a Medicaid expansion program for children up to 300% FPL, but imposes nominal cost sharing on families over 185% and expanded cost sharing on families over 225%

***Missouri and Oklahoma are 209(b) states able to set more restrictive criteria. Missouri does not have a medically needy program, but does apply spenddown rules to other groups through 209(b) status

*^Colorado had differing eligibility levels at the time the freeze was implemented, thus setting the minimal threshold below that of Kansas.

Appendix H

Department of Social and Rehabilitation Services

Adjustments included in the Governor's Budget Recommendation

Description	FY 2003 SGF	FY 2003 All Funds	FY 2004 SGF	FY 2004 All Funds
OPTIONAL REGULAR MEDICAL SERVICES FOR CHILDREN				
Incontinence Supplies (see Optional Services for Adults)	--	--	--	--
OPTIONAL REGULAR MEDICAL SERVICES FOR ADULTS				
Pharmacy for Adults • Reduce Pharmacy Reimbursement rate to Average Wholesale Price - 13% • Limit the Number of Branded Prescriptions covered by Medicaid to 5/mo • Limit prescription drug supply to 31 days • Require prior authorization to access Cox II anti-inflammatory drugs	(2,010,267)	(5,158,333)	(7,330,450)	(18,600,000)
Vision Services for Adults • Eliminate coverage	(208,333)	(458,333)	0	0
Audiology Services for Adults • Eliminate coverage	(83,333)	(166,667)	0	0
Durable Medical Equipment • Eliminate coverage for incontinence supplies to adults and children	(166,667)	(416,667)	0	0
OPTIONAL POPULATIONS COVERED BY MEDICAID				
MediKan Program • Move start date for two year limit to 1/1/02 • Reduce MediKan rate to Community Mental Health Centers	(466,667)	(466,667)	(3,598,417)	(3,598,417)
STATE CHILDREN'S HEALTH INSURANCE PROGRAM				
HealthWave (SCHIP) Premiums • Raise premiums	(91,628)	(328,650)	(359,150)	(1,288,200)
FACILITY BASED SERVICES				
Nursing Facilities for Mental Health	0	0	(810,939)	(1,191,000)
Intermediate Care Facilities for the Mentally Retarded • Reduce ICFs/MR rates by 10%	0	0	(784,973)	(1,994,848)

29-42

Description	FY 2003 SGF	FY 2003 All Funds	FY 2004 SGF	FY 2004 All Funds
HOME AND COMMUNITY BASED SERVICES (HCBS WAIVERS)				
Home and Community Base Services Waivers • Reduce additional funding for Head Injury waiver • Reduce PD waiver funding approved for the PD waiver waiting list • Reduce family support for DD waiver • Reduce PD, HI, and DD waiver rates	(3,132,787)	(7,860,075)	(3,157,750)	(8,007,538)
Protected Income Level (PIL) Eligibility • Reduce PIL for waivers to $645	(186,635)	(468,931)	0	0
Accessing the Medicaid Waiver for Persons with Physical Disabilities (LOC score) • Eliminate grandfathering for those whose PD waiver Level of Care score is between 16 and 25 • Raise PD waiver LOC score to 30 but grandfather those in service	(382,476)	(960,150)	(1,481,551)	(3,765,060)
DIRECT FINANCIAL ASSISTANCE				
General Assistance • Move start date for two year limit to 1/1/02 • Reduce the TAF and GA disability advocacy contract	($74,060)	($200,000)	($494,729)	($494,729)
Child Care Subsidies • Reduce eligibility from 185% of federal poverty level to 150% FPL	($831,798)	($2,089,944)	$0	$0
Kansas Early Head Start Program • Reduce grants	($119,400)	($300,000)	$0	$0
CHILD WELFARE SERVICES				
Foster Care Statutory Changes • Reduce contract rate by 5%	(1,797,282)	(1,950,637)	(3,273,750)	(4,761,818)
Family Preservation Services • Reduce additional funding for services • Eliminate additional funding for services • Reduce contract rate by 2.5%	(1,948,891)	(2,869,933)	(3,002,091)	(3,018,968)
Community Support and Family Services • Reduce services • Eliminate the emergency shelter case management funding	(632,639)	(663,993)	0	0

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OTHER SERVICE REDUCTIONS				
Improve Medicaid Management of Payments	(2,300,000)	(5,778,894)	(2,300,000)	(5,778,894)
Reduce Inpatient acute care hospital reimbursement rates	(614,840)	(1,544,724)	(4,997,450)	(12,700,000)
Reduce Medical transportation reimbursement rates	(497,500)	(1,250,000)	(1,180,500)	(3,000,000)
Reduce Grants • Early Learning Grants • Prevention grants • Medical policy grant • Mental Health grants • Developmental Disability grants • Rehabilitation grants	(1,029,710)	(2,159,459)	(1,722,724)	(2,940,519)
Reduce Community Mental Health Center State Aid	(2,500,000)	(2,500,000)	(1,500,000)	(1,500,000)
Reduce Community Developmental Disability Organization State Aid	(1,996,500)	(1,996,500)	(1,500,000)	(1,500,000)
Reduce Adoption Contract rates	(247,853)	(360,458)	(618,120)	(900,000)
Tighten eligibility for TAF transitional medical program	0	0	(865,700)	(2,200,000)

ADMINISTRATIVE REDUCTIONS AND FUNDING SHIFTS				
Workforce reductions • Increase SRS Central Office shrinkage rate to 17% • Eliminate Protection Report Center • Increase SRS Field Office shrinkage to 12% • Reduce State Hospital workforce	(4,602,150)	(9,104,607)	(2,314,450)	(4,894,459)
Redesign of the delivery of field services	(97,675)	(206,500)	(294,680)	(623,000)

Grant and Contract reductions • Savings from Child Support Enforcement contracts • Reduce Information Technology contracts • Reduce Human Resource training contract • Reduce EES professional development contract • Reduce ISD Commodities contract • Reduce the foster parent training and recruitment contract • Reduce the disability advocacy contract which assists in obtaining federal disability for children • Reduce Substance Abuse Prevention and Treatment administrative grants • Reduce CDDO administration contract • Reduce other DD contracts	(4,402,301)	(12,204,119)	(3,057,331)	(8,207,965)
Other Administrative Reductions • Reduce State Hospital OOE • Reduce SRS Travel and Supplies • Misc. Reductions	(1,433,100)	(2,269,261)	(660,518)	(1,446,040)
Funding Shifts • Replace SGF with IGT funding • Replace TANF SGF used for MOE with federal funds (use increase in EITC for MOE) • Replace SGF with federal Mental Health and Substance Abuse Block Grant funding • Replace OSH SGF with one-time Medicare funding • Other Misc shifts	(11,552,023)	(15,500,000)	(10,491,404)	(15,500,000)

K A N S A S

OFFICE OF THE GOVERNOR

KATHLEEN SEBELIUS, GOVERNOR

April 25, 2003

The Honorable Melvin Neufeld, Chairperson
House Committee on Appropriations
Room 517-S, Statehouse

and

The Honorable Steve Morris, Chairperson
Senate Committee on Ways and Means
Room 120-S, Statehouse

Dear Representative Neufeld:

In addition to the budget amendments submitted to you, I offer the item described below as an amendment to my budget recommendations and ask you to consider it favorably for inclusion in the Omnibus Appropriations Bill.

I amend my budget to add $470,000 from the State General Fund to the Department of Social and Rehabilitation Services for the Funeral Assistance Program in FY 2004. The 2002 Legislature transferred this program to the Department of Health and Environment. The program provides for burial and funeral expenses for persons who are incapacitated and dependent. A one-time transfer of $470,000 from the State General Fund to the District Coroners Fund in KDHE funded the program in FY 2003. However, SRS continues to be responsible for determining program eligibility. Because the funding was treated as a revenue transfer from the State General Fund, rather than an expenditure, for FY 2003, no funding was included in either agency's budget for FY 2004 expenditures.

	FY 2003	FY 2004
State General Fund	$ --	$ 470,000
All Other Funds	--	--
All Funds	$ --	$ 470,000

Sincerely,

Kathleen Sebelius

KATHLEEN SEBELIUS
Governor

Capitol, 300 SW 10th Ave., Ste. 212S, Topeka, KS 66612-1590
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Senate Ways and Means
4-24-03
Attachment 30

KANSAS

PAMELA JOHNSON-BETTS, SECRETARY

DEPARTMENT ON AGING

KATHLEEN SEBELIUS, GOVERNOR

April 24, 2003

The Honorable Stephen Morris
Chairman, Senate Ways and Means Committee
Statehouse, 123-S
Topeka, Kansas 66612

Dear Senator Morris:

Thank you for the opportunity to respond to the Omnibus item referred by the Senate regarding the Kansas Department on Aging's (KDOA) FY 2004budget.

Item 1: Report on the transfer of the nursing home regulation function from the Kansas Department of Health and Environment (KDHE) to the Department on Aging.

Response: The Kansas Department of Health and Environment has been the survey agency for licensure since inception of licensing laws in the early 1960's, and the survey agency for Medicare and Medicaid since their inception.

In the mid 1980's, a separate nursing home inspection process known as "Inspection of Care (IOC)" also conducted pursuant to federal law by the Kansas Department of Social and Rehabilitation Services was transferred from SRS to KDHE. This differed from the nursing home inspections KDHE did because it consisted of an inspection of the care each Medicaid recipient received, and was not necessarily facility wide.

The National Nursing Home Reform Act of 1987 allowed states to eliminate the IOC process if they developed an approved clinical assessment instrument. The Kansas Department of Health and Environment was one of the first state survey agencies in the nation to develop such an instrument, and so was one of the first to eliminate the IOC process. There were around 26 positions transferred from SRS to KDHE in 1987, staff were reassigned to meet new workload requirements that emanated from the Nursing Home Reform Act and expanded complaint responsibilities pursuant to state law.

NEW ENGLAND BUILDING, 503 S. KANSAS AVENUE, TOPEKA, KS 66603-3404
Voice 785-296-4986 Fax 785-296-0256
http://www.agingkansas.org/kdoa/

Senate Ways and Means
4-24-03
Attachment 31

The Governor's Budget Recommendation for FY 2004 includes the transfer of the nursing facility licensure unit, its staff and functions, to the Kansas Department on Aging. As of this date, a short-term transfer plan has been developed by a transition team of key KDHE and KDOA staff. The short-term plan is attached for your review (see **Attachment A**). Please note that the long-range plan is under development to identify the future goals, composition, and review criteria of the nursing home licensure unit once it is fully integrated into the Kansas Department on Aging.

Item 2: Review provider tax options.

Response: Although this item was cited in the Omnibus report under the Department of Social and Rehabilitation Services (SRS), KDOA has reviewed the Federal Permissible Health Care Related Taxes regulation (42 CFR 433.68), and has prepared the following summary.

The regulation requires that the taxes: 1) be broad-based; 2) uniformly imposed throughout a jurisdiction; and 3) do not violate the hold harmless provisions of the regulations.

1) **Broad based (42 CFR 433.68(c):** A health care related tax will be considered to be broad based if the tax is imposed on at least all health care items or services in the class of providers of such items or services.

2) **Uniformly Imposed (42 CFR 433.68(d):** Health care related taxes are considered to be imposed uniformly if any one of the following criteria are met:
   - **a.** If the tax is a licensing fee or similar tax imposed on a class of health care services or providers, the tax is the same amount for every provider furnishing those items or services within the class;
   - **b.** If the tax is a licensing fee or similar tax imposed on a class of health care services or providers, the amount of the tax is the same for each bed of each provider of those items or services in the class;
   - **c.** If the tax is imposed on provider revenue or receipts with respect to a class of items or services, the tax rate is imposed at a uniform rate for all services in the class on all of the gross revenue or net operating revenues relating to the provision of all items or services.

3) **Hold Harmless (42 CFR 433.68(f):** A taxpayer will be considered to be held harmless under a tax program if any of the following conditions apply:
   - **a.** The state imposing the tax provides directly or indirectly for a non-Medicaid payment to those providers or other paying the tax and the amount of the payment is positively correlated to either the amount of the tax or to the difference between the Medicaid payment and the total tax cost.
   - **b.** All or any portion of the Medicaid payment to the taxpayer varies based only on the amount of the total tax payment.
   - **c.** The state imposing the tax provides, directly or indirectly, for any payment, offset, or waiver that guarantees to hold taxpayers harmless for all or a portion of the tax.

Please note that since the Omnibus items were requested, House Bill 2470 was introduced in the House. If passed, this bill would enact a "quality assurance assessment" on skilled nursing facilities, nursing facilities, and long-term care units of hospitals, which is a form of provider tax and would fall under the requirements listed in the above referenced Federal regulation.

Please feel free to contact me if you have further questions or comments at 296-5222. Thank you very much.

Sincerely,

Pamela Johnson Betts

Pamela Johnson-Betts
Secretary

cc: Doug Farmer
Janis DeBoer
Christy Lane
Traci Ward
Sheli Sweeney

K A N S A S

PAMELA JOHNSON-BETTS, SECRETARY

DEPARTMENT ON AGING

KATHLEEN SEBELIUS, GOVERNOR

April 24, 2003

The Honorable Melvin Neufeld
Chairman, House Appropriations Committee
Statehouse, Room 517-S
Topeka, Kansas 66612

Dear Representative Neufeld:

Thank you for the opportunity to respond to the Omnibus items referred by the House regarding the Kansas Department on Aging's (KDOA) FY 2004 budget.

Item 1: Address the disparity between self-directed and provider directed services.

Response: The Kansas Department on Aging (KDOA) made the decision to separate the Home and Community Based Services for the Frail Elderly (HCBS/FE) Attendant Care Services into two distinct services in March 2002. This decision mirrors a very similar decision made by the Department of Social and Rehabilitation Service (SRS) to establish two different rates for the Home and Community Based Services for the Physically Disabled (HCBS/PD) Personal Assistance Services. The reason for the change is that the services, self-directed vs. provider directed, have different requirements, as noted below.

Self-Directed Requirements	Provider Directed Requirements
1. Have a Federal Employment Identification Number and receive Medicaid payments under this number	1. Have a Federal Employment Identification Number and receive Medicaid payments under this number
2. Withhold and deposit all applicable taxes for each employee and each attendant working with a self-directed customer, including Federal, State, FICA withholding	2. Withhold and deposit all applicable taxes for each employee and each attendant working with a self-directed customer, including Federal, State, FICA withholding
3. Provide unemployment insurance on each employee and/or each attendant working with a self-directed customer	3. Provide unemployment insurance on each employee and/or each attendant
4. Provide worker's compensation insurance in accordance with K.S.A. 44-505; (this coverage can be provided as a benefit, if not required by law)	4. Provide worker's compensation insurance in accordance with K.S.A. 44-505; (this coverage can be provided as a benefit, if not required by law)

Self-Directed Requirements	Provider Directed Requirements
5. Issue an annual W-2 to each employee and each attendant working with a self-directed customer	5. Issue an annual W-2 to each employee and each attendant working with a self-directed customer
6. Maintain records in accordance with all Federal and State requirements	6. Maintain records in accordance with all Federal and State requirements
7. At the request of the self-directed customer, complete background checks on the self-directed attendant working with the customer	7. Perform background checks on each employee hired (K.S.A. 65-5117)
8. Provide to each self-directed customer, in writing, a description of the services that will be provided to the attendant, including any benefits the attendant will receive	8. Meet all KDH&E Licensing requirements (K.S.A. 65-5102)
	9. Provide RN supervision to Level II services every 60 days (K.A.R. 28-51-104)
	10. Provide continued follow-up and support to the worker and customer (K.A.R. 28-51-104)
	11. Test all staff for tuberculosis (K.A.R. 28-51-103(c)(6))
	12. Train staff to perform specific functions of care to the customer (K.A.R. 28-51-108)
	13. Initially meet with the customer prior to HHA providing the service (K.A.R. 28-51-105)
	14. Staff cases with an alternate worker due to illnesses, vacations, etc.

The Department believes the self-directed rate of $11.64 will neither reduce the value of the self-directed option nor compromise the dignity and independence of HCBS/FE customers. Of significance when determining an appropriate fee-for-service rate was the fact that the SRS HCBS/PD waiver did not appear to experience a reduction in self-directed participation as a result of reducing the self-directed attendant care rate in January 2002 to $11.94 and then $11.64. Approximately 80% of the HCBS/PD customers choose to self-direct their care.

Conversely, it should be noted that 63% of the HCBS/FE customers choose to have their attendant services provided by licensed providers. These licensed providers have indicated consistently that the fee-for-service system is fragile with regard to meeting the requirements of the HCBS/FE program as noted in the table above. In addition, changes in federal and state Medicaid requirements for home health agencies, in particular, have reduced payments to this group. The success of the HCBS/FE delivery system relies heavily on a privatized market that delivers services to seniors in the community. Every effort has been made by KDOA to maintain and sustain a payment structure in order to support an array of service options to seniors in the community, including self-directed care, provider directed attendant care, adult day care, respite care, sleep cycle support, and nurse evaluation visit.

The Department on Aging is cooperating with Legislative Post Audit on their 100 hour audit of HCBS payroll agents. The audit's scope includes the rate paid to providers.

Item 2: Discuss the provision of case management services for the FE, DD, and PD waivers and the development of a regional peer review system for quality assurance purposes among case management providers.

Response: The HCBS federal regulations require the state to have a formal quality assurance system established rather than relying on a peer review system. One option may be that the Department can augment the current formal quality assurance program and include a regional peer component. However, in a privatized market, a peer review system will most likely not result in a cost-savings to the state as providers will require additional compensation for any increase in their workloads.

The Department of SRS has convened an internal workgroup to review provision of case management services and has recently invited KDOA to participate in the workgroup. Both SRS and KDOA will continue to review the provision of case management across all waivers.

Item 3: The Budget Committee recommends that the Department on Aging address nursing facility reimbursements by using FY 2001 as the base year for rate setting, then collecting cost data for each ensuing year.

Response: The Department concurs with the Committee's recommendation.

Item 4 Review combining all of the Medicaid waivers into one waiver program that would provide the following three services:

a. Training to assist customers in performing tasks independently
b. Personal Assistance Service (PAS) to provide services to people who cannot perform tasks due to their level of disability
c. Assistive Services, which would include durable medical equipment and other devices to allow customers to perform tasks more independently.

The single waiver program would include review for plans of care by a neutral third party.

Response: The Department on Aging has met with SRS to review the committee's proposal to combine all of the waivers into one waiver program. The Department of SRS will report their findings of its waiver combination inquiries from other states and CMS. Based on the review with SRS, KDOA has determined there appears to be no benefit to combining the waivers for Kansas seniors.

The inclusion of all programs that prevent or divert older adults from nursing home placement under KDOA's management has streamlined the long-term care system. Utilizing the area agencies on aging as the single point of entry system has allowed for one-stop shopping for older adults and their caregivers.

We recognize that there are different needs between the frail elderly population, the physically disabled, and the developmentally disabled population. Just as the HCBS/PD and HCBS/DD waivers meet the needs of those populations, the HCBS/FE waiver gives the state flexibility to tailor its services to meet the needs of the frail elderly. Because a large portion of the frail elderly population have degenerative conditions, the HCBS/FE customers benefit more from maintenance to perform tasks rather than training to assist them in performing task independently.

The HCBS/FE waiver utilizes area agencies on aging, who act as neutral third parties in the development of the plans of care. This model is different than the models utilized by the PD and DD waivers. The federal HCBS regulations require the state have a formal system to review plans of care to ensure that customer's needs are met. The Department on Aging has such a system in place.

Item 5: The Budget Committee recommends that Aging and SRS review increasing the pool for healthcare and report back before Omnibus. There are two options to do this. The first option would increase the number eligible to get a medical card by allowing customers to pay premiums for the care. The second option would be to allow customers of state services and as well as other providers (not for profit organizations like CDDO's are already allowed to participate) to become part of the state health care system. The working poor who currently cannot afford insurance for themselves or their families often end up utilizing expensive emergency room services for lack of other options. If the pool cannot be increased in the current fiscal year, the Budget Committee recommends interim review of the topic.

Response: Regarding the first option, the Department of Social and Rehabilitation Services is the agency that administers the Medicaid health care program, and is responsible for determining eligibility for medical cards to qualified individuals.

Regarding the second option, the Kansas Department of Administration is the agency that administers the state health care system, and is responsible for determining eligibility for that insurance program.

Item 6: Review establishing regulations that allow dollars to follow clients as they move from institutions to community-based services.

Response: The Department of SRS and Department on Aging are finalizing the details of the nursing facility transition process. The SRS-KDOA Cooperative Agreement will include the details of interagency transfer and the criteria to transfer. Once these individuals have transferred to the appropriate waiver, the waiver's regulations and policies will then apply to the customer's care. No specific regulations are required to carry out this directive. Flexibility for the transfer of funding from the nursing facility budget to SRS will require proviso language.

Item 7: Review shifting Adult Protective Services (APS) from SRS to KDOA.

Response: The Department of SRS and Department on Aging have discussed shifting APS to the Department on Aging. Since this is a critical service of SRS, both agencies would like more time to review this proposed shift. In the next session, we will provide additional information to the Legislature of the advantages and disadvantages of transferring any or all of APS to KDOA.

Item 8: Report on the transfer of the nursing home regulation function from the Kansas Department of Health and Environment (KDHE) to the Department on Aging.

Response: The Kansas Department of Health and Environment has been the survey agency for licensure since inception of licensing laws in the early 1960's, and the survey agency for Medicare and Medicaid since their inception.

In the mid 1980's, a separate nursing home inspection process known as "Inspection of Care (IOC)" also conducted pursuant to federal law by the Kansas Department of Social and Rehabilitation Services was transferred from SRS to KDHE. This differed from the nursing home inspections KDHE did because it consisted of an inspection of the care each Medicaid recipient received, and was not necessarily facility wide.

The National Nursing Home Reform Act of 1987 allowed States to eliminate the IOC process if they developed an approved clinical assessment instrument. The Kansas Department of Health and Environment was one of the first State survey agencies in the nation to develop such an instrument, and so was one of the first to eliminate the IOC process. There were around 26 positions transferred from SRS to KDHE in 1987, staff were reassigned to meet new workload requirements that emanated from the Nursing Home Reform Act and expanded complaint responsibilities pursuant to state law.

The Governor's Budget Recommendation for FY 2004 includes the transfer of the nursing facility licensure unit, its staff and functions, to the Kansas Department on Aging. As of this date, a short-term transfer plan has been developed by a transition team of key KDHE and KDOA staff. The short-term plan is attached for your review (see **Attachment A**). Please note that the long-range plan is under development to identify the future goals, composition, and review criteria of the nursing home licensure unit once it is fully integrated into the Kansas Department on Aging.

Item 9: Review raising the Level of Care (LOC) score from 26 to 40.
Is it possible to receive a waiver from the federal government allowing the agency to use a lower LOC score for the HCBS/FE waiver than nursing facilities?

Response: If the score is raised to 40 and current customers with scores between 26 and 39 are grandfathered, there will be no cost-savings to the state in SFY 2004. As of April 11, 2003, there were 1,257 individuals on the HCBS/FE waiting list of which 298 has a score of less than 40. For additional information on the LOC of 40, see the Department's letter to Representative Landwehr dated March 3, 2003.

SRS has consulted with staff in the Kansas City Regional Office of the Centers for Medicare and Medicaid Services (CMS) to determine if the level of care scores in nursing homes and on the PD waiver are required to be the same. The Regional Office has informed SRS that the eligibility score for the waiver must be equal to the nursing facility eligibility score. SRS staff have requested a letter from the CMS Central office in Baltimore confirming the information relayed by the Regional Office. When SRS receives the letter, we will share it with the Legislature.

Please feel free to contact me if you have further questions or comments at 296-5222. Thank you very much.

Sincerely,

Pamela Johnson Betts

Pamela Johnson-Betts
Secretary

C: Doug Farmer
Janis DeBoer
Christy Lane
Traci Ward
Sheli Sweeney

Transition Plan –

Transfer of the KDHE Nursing Facility Survey and Certification Program and Consolidation within KDOA

Prepared by the
Kansas Department on Aging and
Kansas Department of Health and Environment
Interagency Task Force

April 23, 2003

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VI. Appendices

I. Executive Summary

Objective and Background

This transition plan report has been prepared in response to recommendations contained in the *Governor's Budget Report - FY 2004* regarding (1) the transfer of the nursing facility survey and certification program, currently housed in the Bureau of Health Facilities within the Department of Health and Environment (KDHE), to the Department on Aging (KDOA); (2) the elimination of 30.0 FTE's and funding associated with the current KDOA Quality Review Program; (3) and the consolidation of these two functions within the KDOA Quality Assurance Commission. These recommendations addressed issues of cost and operational efficiency, as well as the goal to create a direct link between regulatory and quality assurance functions affecting nursing facilities and residents.

Interagency Task Force Assignment

In response to these budget recommendations, an interagency (KDOA-KDHE) task force was convened (1) to identify and study issues associated with facilitation of the transfer and consolidation objective and (2) to devise a transition plan for addressing these issues and ensuring a smooth transfer of agency functions. In so doing, the task force worked to formulate a comprehensive plan that removed all perceivable barriers pertaining to the (a) *fulfillment of state and federal statutory requirements and all associated regulatory and contractual responsibilities*, (b) *operational efficiency both during and subsequent to the transition process,* (c) and *maintenance of high quality services for Kansas consumers*.

Issues Identified and Addressed

The task force identified and addressed issues for resolution in the following areas: (1) *state and federal policy* (statutory revisions, compliance, reporting): (2) *program impacts* (operational logistics, quality control, revised organizational structures), (3) *personnel needs and considerations* (positions to transfer, dual-function employees, additional positions needed to maintain quality services, training and supervision), (4) *budget considerations* (funding sources tied to positions and portions of workloads cited for transfer, division of agency assets, fiscal needs, funds identified for transfer); (5) *facilities and equipment needs* (space needs for office configurations, equipment needs, lease agreements); (6) *support needs* (legal, information systems, human resources, accounting, clerical), (7) *contractual considerations* (revisions and transfer of agreements); and (8) *interagency communication and agreements* (division of responsibilities, efficiency of operations, compliance, and quality control).

Summary Finding

The most prohibitive factors to the facilitation of a *physical* transfer of people and property from KDHE to KDOA by July 1, 2003, were identified as being (a) lack of information systems capacity or the funds necessary to resolve this issue in FY 2004 (i.e., implementation and maintenance of federally-mandated reporting procedures in KDOA regarding Medicare and Medicaid survey functions would require acquisition of significantly expanded information technology (I.T.) equipment and maintenance in KDOA, including the need for support staff); (b) lack of physical space in the New England building for additional I.T. equipment and the office configurations needed for sixty-four (64) additional employees (i.e., the net increase in employees resulting from the transfer and consolidation process), and (c) lack of necessary fiscal resources to address needs in the area of office equipment and office furniture for a net increase in sixty-four (64.0) FTE's in KDOA for FY 2004. These findings necessitated the development of a transition plan incorporating the recommendations given below.

Task Force Recommendations

As the result of (a) the task force review of current program operations, (b) the identification and study of issues and options for their resolution regarding the transfer and consolidation objective in order to maintain quality programs and services, and (c) the desired goal of implementing this objective by July 1, 2003 (FY 2004), a transition plan to facilitate the transfer/consolidation process was devised which contains recommendations developed through interagency consensus agreement.

The KDOA- KDHE Interagency Task Force respectfully recommends the following:

- Facilitation of the FY 2004 transfer/consolidation objective through a virtual reorganization process, effective July 1, 2003.

- Transfer of all property associated with the program functions and employees cited for virtual transfer from KDHE to KDOA, as reached through consensus agreements.

- Transfer of one hundred four (104.0) FTE's from KDHE to KDOA for functions associated with the survey and certification of adult care homes and quality assurance, out of which eleven (11.0) FTE's will perform dual-agency duties as established through interagency agreements between KDHE and KDOA.

- Resolution of budget refinement needs as identified by the task force through adoption of the Proposed FY 2004 Amended Budget Allocations for KDOA and KDHE (see Appendix I).

- Establishment and implementation of (a) revised contracts (noting the changes to occur as a result of the transfer process) currently established with various entities in connection with CMS survey and certification functions (19 contracts in total) and (b) KDOA-KDHE interagency agreements for (1) the 11.0 FTE's identified in which dual-agency functions are to be performed by agency staff, (2) areas in which information access is to be granted; (3) areas in which support is being offered (e.g., KDHE information systems support is being provided for KDOA); and (4) lease agreements regarding KDHE building space being utilized by KDOA as a result of the virtual transfer process.

- Continued task force study of the transfer and consolidation process (in the fall of 2003), completion of cost benefit analyses, and preparation of preliminary recommendations for FY 2005.

- Review of the KDOA-KDHE virtual reorganization initiative as implemented in FY 2004 and determination of recommended further actions, if needed.

- Resolution of outstanding issues cited in this transition report if a physical transfer of people and property from KDHE to KDOA is deemed advisable, prior to initiation of an additional phase of the transfer and consolidation process.

These initial reorganization plans and steps for further study are offered in support of the Governor's stated recommendations regarding nursing facility regulation and quality assurance efforts in pursuit of government efficiency and continued high quality services for the People of Kansas.

II. Statement of Objective and Background

Objective – This transition plan has been prepared in response to the recommendation contained in *The Governor's Budget Report: Fiscal Year 2004*, regarding the transfer of the nursing facility survey and certification program, housed in the Division of Health within the Department of Health and Environment, to the Department on Aging, effective July 1, 2003.

Background – The FY 2004 budget recommendation followed a determination by the 2002 BEST teams that the 'regulation of nursing facilities'—hereto referred to as 'survey and certification of adult care homes'—currently managed through the Bureau of Health Facilities within the Kansas Department of Health and Environment (KDHE), needed to be more directly linked and involved with the quality assurance assessment process, currently managed through the Quality Review Division of the Quality Assurance Commission within the Kansas Department on Aging (KDOA).

The BEST teams also determined that the intensity of the quality review process within KDOA regarding quality assurance assessments for home and community based programs could be more limited in scope. This recommendation reflected the finding that the number of facilities being reviewed annually exceeded the number necessary to achieve statistical significance of the results obtained. Thus, the BEST teams concluded that the highly qualified survey staff of KDHE could be relied upon to complete the smaller number of quality reviews needed—along with their existing survey and certification functions—once the proposed consolidation of these two programs had occurred. These recommendations reflected the overall viewpoint that more efficiency could be achieved by having both functions operate under the same administrative umbrella to reduce overhead costs and connect these two efforts, i.e., regulatory and quality assurance.

As stated in the FY 2004 budget recommendation for the Department of Health and Environment, the transfer of the KDHE adult care facility survey and certification function to KDOA "reduces FTE positions by 116.0, and reduces funding of $6,096,202 from all funding sources, and $568,750 from the State General Fund" (*Division of the Budget, Issue C: Summary of Budget Year Request – KDHE, Governor's Recommendation, January 10, 2003*).

The FY 2004 budget recommendation for the Department on Aging cites a transfer of 116.0 FTE positions from KDHE to KDOA and a total of $6.8 million, including $1,197,965 from State General Fund (*Division of the Budget, Issue C: Summary of Budget Year Request – KDOA, Governor's Recommendations, January 10, 2003*). Since DOB documents indicate the total amount of State General Funds (SGF) being deleted from KDHE as being $568,750, and the total amount of additional SGF being added to KDOA to reflect this change in operations as being $1,197,965, the difference of $629,215 in additional SGF funds is noted. This difference in SGF—in addition to issues regarding program functions, FTE's, and actual budgetary amounts proposed for transfer to KDOA in keeping with program needs and funding agency requirements— have been addressed by the interagency task force through consensus agreement and accompanying recommendations, as presented in Section V of this report. The recommendation to consolidate the KDHE "adult care homes" survey and certification function and the KDOA "quality review process" within the Quality Assurance

Commission of KDOA included the elimination of 30.0 FTE positions currently existing within the Quality Review Division (FY 2003) and the elimination of funds associated with this division, resulting in an anticipated cost efficiency of $1.2 million for FY 2004.

Interagency Task Force Assignment: A task force was convened to devise a feasible transition plan for accomplishing the stated objective. The task force was comprised of individuals from the Department on Aging and the Department of Health and Environment, including: Cabinet leaders and assistants, bureau and program directors, fiscal and operations managers, human resources directors, facilities managers, information systems directors, attorneys, and a quality review director.

The following sections of this report present the findings of the task force, including:

- Descriptions of the current (FY 2003) (1) KDOA Quality Assurance Review program and the (2) KDHE Nursing Facility (Adult Care Homes) Survey and Certification Program;
- Issues identified for resolution in order to facilitate the transfer and consolidation objective by July 1, 2003 (FY 2004);
- Task force recommendations for the proposed transfer and consolidation including (1) a proposed transition plan and (2) a discussion of issues identified for future consideration.

For reference, appendices are included at the end of the report, which delineate the following:

- FY 2003 Organizational Charts for KDOA and KDHE
- Terms and Definitions for Facilities Regulated through the Kansas Adult Care Homes Act
- Current State and Federal Statutes Governing Agency Functions to be Assumed by KDOA
- Reporting Requirements to be Assumed by KDOA
- Personnel Identified for Transfer from KDHE to KDOA
- Draft Lease Agreement with KDHE for Curtis State Office Building (CSOB) Space Usage by KDOA
- Information Systems Issues and Solutions
- Contractual Responsibilities and Relationships Assumed by KDOA (Contracts to be Amended)
- Proposed FY 2004 Amended Budget Allocations
- Property Identified for Transfer from KDHE to KDOA
- Revisions in Existing Statutes Introduced during the 2003 Legislative Session Authorizing Activities Resulting from KDOA-KDHE Executive Reorganization (SB 282 and HB 2467)

III. Current Program Descriptions (FY 2003)

♦ KDOA QUALITY REVIEW PROCESS

Program Function – The quality review process operates through the Quality Assurance Commission within the Kansas Department on Aging (see Appendix A: FY 2003 Organizational Charts). Currently, KDOA is responsible for the following *functions* pertaining to quality review:

- Evaluating the quality of community based services provided for Kansas seniors (Home and Community Based Services for the Frail and Elderly, or HCBS/FE) and completing Targeted Case Management (TCM) review procedures, provided through the "Senior Care Act" and Medicaid.
- Reviewing in-home programs initiated through the "Older Americans Act."
- Assessing provider compliance with relevant state and federal regulations for the KDOA Area Agencies on Aging (AAA's).

Program Operations – The KDOA quality review process evaluates customer services and compliance levels for programs carried out in each of the eleven (11) Kansas Area Agencies on Aging (AAA's), as listed below:

(1) Wyandotte/Leavenworth
(2) Central Plains
(3) Northwest Kansas
(4) Jayhawk
(5) Southeast Kansas
(6) Southwest Kansas
(7) East Central Kansas
(8) North Central/Flint Hills
(9) Northeast Kansas
(10) South Central Kansas
(11) Johnson County

The following reviews are conducted as part of the KDOA quality review process:

(1) Review of all Medicaid customer "Plans of Care" (POC's) prior to service implementation.
(2) Review of high-cost Medicaid cases prior to service implementation.
(3) Review of waivers and state policies, procedures, and assurances, including:
   (a) A review of the customer's case file maintained by the AAA.
   (b) A review of customer services and satisfaction with services.
(4) Review of Medicaid case management activities and billings for services.
(5) Review of Medicaid provider billings.

(6) Review of Medicaid provider overpayments and facilitation of recoupments.
(7) Site review of Area Agencies on Aging (AAA's).
(8) Level of Care (LOC) determinations.

These procedures are summarized below.

Quality Review (QR) of Medicaid Plans of Care (POC's) in the MMIS-POC Prior Authorization Subsystem – As part of this procedure, all Medicaid Plans of Care (POC's) are reviewed electronically, prior to implementation, to ensure claims processing errors are identified and that the plan is cost effective and within the allowable cost cap. Each month, nearly 2,800 POC approvals are completed.

Prior Authorization of Medicaid Cost Cap Exceptions – Two levels of intensive review are employed in cost-cap situations in which caps are exceeded ("cost cap exceptions"), prior to service implementation, to ensure cost efficiency and that customer health and welfare needs are being addressed. Each month, reviews of ninety (90) to one hundred (100) cost cap exceptions are completed.

Review of Policies, Procedures, and Assurances – The quality review process is designed to give continuous feedback to KDOA and to each of the case management provider agencies (AAA's). Communication takes place each quarter between KDOA and the AAA's regarding the quality of work being performed, delivery of authorized services, the health and welfare of customers in their homes, and customer satisfaction levels reported for services received.

Review of Medicaid Case Management Activities and Billings – For each Medicaid customer being reviewed, a Total Case Management (TCM) provider review also is completed. This procedure reviews case file documentation on file for paid Medicaid claims to ensure that paid units of service are accurate and billable.

Review of Medicaid Provider Billings – Medicaid provider reviews are completed each quarter for each Medicaid customer for whom a quality review process was undertaken. The review period generally is designated as a twelve-month period for which the Medicaid claims approved and authorized by KDOA in the MMIS-POC systems are reviewed to determine whether or not these claims were paid.

Medicaid Provider Overpayments and Recoupments – An assigned KDOA quality review (QR) staff person completes a quarterly process wherein potential Medicaid provider overpayments are identified. For all instances of potential overpayment identified, notification is given to providers regarding KDOA's intent to recover Medicaid funds.

Site Reviews of Area Agencies on Aging – In fulfillment of requirements through the "Older American's Act," annual site reviews of AAA's are conducted by QR Regional Managers. These reviews result in determinations regarding compliance of the AAA with relevant state and federal administrative guidelines.

Level of Care Determinations – Level of Care (LOC) determinations consist of reviews regarding customer eligibility to receive Medicaid assistance for either (1) nursing facility expenses or (2) services offered through the federal "PACE" (Program of All-Inclusive Care for the Elderly) managed care program. These LOC reviews involve collaborative interagency efforts between the Department on Aging, the Department of Social and Rehabilitation Services, the Department of Health and Environment, and PACE program staff. In FY 2002, KDOA quality review (QR) staff facilitated the completion of 4,081 LOC determinations. The quality review process is conducted to help ensure that the following required activities occur:

- Reimbursement of total case management (TCM) provider services in accordance with federal law, applicable administrative regulations, and approved waivers.
- Relaying of information to customers regarding waiver admission eligibility status and service options.
- Establishment of safeguards to ensure the health and welfare of customers receiving waiver services.

Results of KDOA quality reviews are documented and discussed with designated individuals for the Area Agencies on Aging (AAA's), and copies are provided for their reference. In instances in which problem areas are identified, the QR regional manager provides guidance and assistance for the AAA's in working toward appropriate resolutions.

♦ KDHE NURSING FACILITY (ADULT CARE HOMES) SURVEY AND CERTIFICATION PROGRAM

Program Function – The adult care homes survey and certification program operates through the Bureau of Health Facilities (BHF) within the Kansas Department of Health and Environment (KDHE) (See Appendix A: FY 2003 Organizational Charts). Currently, KDHE is responsible for the following *functions* pertaining to adult care homes:

- State licensing of adult care homes.
- Developing and enforcing rules and regulations in keeping with the spirit and intent of state statutes governing (a) adult care home operations and (b) government agency functions pertaining to these facilities.
- Inspecting adult care homes and making determinations regarding (a) compliance with state regulations associated with the "Adult Care Homes Act" (b) compliance with federal regulations regarding eligibility of providers to be certified recipients of Medicare/Medicaid reimbursements according to CMS ("Centers for Medicare and Medicaid Services") certification standards, as established by the U. S. Department of Health and Human Services.

- In accordance with state and federal law, investigating customer complaints by residents of adult care home facilities in the areas of (a) the care and services received and (b) alleged abuse, neglect, or exploitation.

As stipulated in K.S.A. 39-923, Article 9, (a) (1) "Adult care home" refers to any nursing facility, nursing facility for mental health, intermediate care facility for the mentally retarded, assisted living facility, residential health care facility, home plus, boarding care home, and adult day care facility, all of which are required to be licensed by the Secretary of Health and Environment (See Appendix B: Terms and Definitions for Facilities Regulated through the Kansas Adult Care Homes Act).

Program Operations – The "adult care homes" program operates through the Bureau of Health Facilities (BHF), which is the entity responsible in Kansas for licensing health facilities, as well as conducting Medicare/Medicaid survey and certification procedures required through the U.S. Department of Health and Human Services.

BHF has regulatory oversight responsibilities for over 1,400 facilities, including about 600 adult care homes, 150 hospitals, 50 ambulatory surgical centers, and 285 home health agencies. The Bureau also has regulatory oversight for end-stage renal dialysis clinics, rural health clinics, and various other providers. A total of one hundred thirty-three individuals (133.0 FTE's) perform Bureau responsibilities, within the following units and programs:

(1) BHF Administrative Offices
(2) Long-Term Care Program
(3) Mental Health and Residential Facilities (MHRF) Program
(4) Health Occupation Credentialing (HOC) Program
(5) Licensure and Certification Program

Because health facilities regulated by BHF are numerous and are located throughout the state, the Licensure and Certification Program has established seven (7) regional offices, one of which also serves as a central office (i.e., Topeka Central Office). Each office is staffed with a regional manager, a quality improvement coordinator, and field surveyors. The district office locations and number of field surveyors serving each area are as follows: Topeka – nine (9); Lawrence – nine (9); Salina – eleven (11); Chanute – ten (10); Wichita – fourteen (14); Hays/Dodge City – thirteen (13). Geographic areas served are as follows:

- Northwest Regional Office – Hays
- Southwest Regional Office – Dodge City
- Lawrence District Office
- South Central District Office - Wichita
- North Central District Office – Salina
- Northeast District Office – Topeka
- Southeast District Office – Chanute

The authority for KDHE to license health facilities is given through State statute. Federal statutes and contracts govern BHF survey and certification functions, as follows: The Bureau is recognized by the Centers for Medicare and Medicaid Services (CMS), under the U.S. Department of Health and Human Services, as the "state survey agency" to conduct Medicare and Medicaid surveys and certify health facilities eligible for Medicare/Medicaid participation. CMS contracts with Kansas, through the Department of Health and Environment (KDHE), pursuant to the "1864 Agreement" provisions within the federal Social Security Act, to conduct Medicare surveys. In addition, CMS contracts with Kansas, through the Department of Social and Rehabilitation Services (SRS), for Medicaid services. SRS, in turn, subcontracts with the KDHE Bureau of Health Facilities (BHF) to carry out all Medicaid survey activities for the State of Kansas. Additional contractual agreements provide for interactions and services necessary for the Bureau (BHF) to fulfill its responsibilities.

Administration and Support Structure – The BHF unit is managed by a Bureau director, director of operations, and four (4.0) clerical staff, who provide reception service and secretarial support for program directors.

The Bureau conducts many of the computer services (i.e., reporting duties utilizing state/federal health regulatory software), human resources, and fiscal policy and management functions that are necessary to maintain compliance with state and federal statutory requirements. Additionally, significant support from outside the Bureau is provided by a) the KDHE Human Resources for recruitment and personnel issues, b) the KDHE Division of Health (under which BHF is housed) fiscal officer for budget development and management, c) KDHE Information Systems for additional software development and hardware maintenance services, and d) KDHE Legal Services provided through an assigned attorney. Legal issues include preparation of enforcement actions, prosecution of cases, and routine legal advice or consultation.

To accomplish its responsibility of inspecting, licensing, and certifying over 1,400 health facilities, as well as to fulfill health occupations credentialing responsibilities, the Bureau is organized into four (4) programs as summarized below:

Long-Term Care (LTC) – The Long-Term Care (LTC) program currently is staffed with five (5.0) FTE's and is responsible for the development, adoption, and interpretation of state licensing regulations; the application and integration of federal Medicare and Medicaid regulation; coordination of policy review and interpretation with other state agencies regarding long term care; and provision of consultation and assistance to all long term care facilities and providers. This program is cited for transfer to KDOA, except for the long-term care hospital units remaining at KDHE.

Mental Health and Residential Facilities (MHRF) – The Mental Health and Residential Facilities (MHRF) program is operated through eleven (11.0) FTE's and is responsible for the (1) adoption and interpretation of state licensing regulations, (2) application and integration of federal Medicaid regulations, (3) and coordination of policy issues with other state agencies for facilities which serve the mentally ill, mentally retarded (individuals with developmental disabilities), and residential adult care homes. Currently, two positions within MHRF are assigned temporarily to the Licensure and Certification Program. This program is cited for transfer to KDOA.

Licensure and Certification Program – The Licensure and Certification program is staffed by ninety-six (96.0) FTE's, making it the largest program in the Bureau. This program is responsible for all activities related to licensing and certification of health facilities, including receipt and processing of applications, conducting inspections of facilities, receipt and investigation of complaints, informal dispute resolution, quality improvement programs, enforcement activities, fulfillment of mandated reporting duties within prescribed time periods, and maintenance of records. As noted above, two positions—currently staffed within the Licensure and Certification Program—exist through temporary loan from the MHRF program. The Licensure and Certification program is cited for transfer to KDOA.

Survey assignments are made from the BHF Topeka Central Office at KDHE to each of the regional managers, to be completed within a window of time, with the final assignment made being contingent on regional workload, location, complaints received, and similar considerations. Surveys are conducted following prescribed protocols, and survey results are compiled using notebook computers and state and federal software applications, which are serviced through the AS 400 computer platform at Curtis State Office Building. Communication, scheduling, and survey reports are all heavily dependent on computers, customized internal software, and federally required software.

Health Occupations Credentialing Program – The Health Occupations Credentialing (HOC) program is staffed with fifteen (15.0) FTE's. Although not identified to transfer, HOC is part of the Bureau and has significant interaction with the other Bureau programs. This program is responsible for administration of provisions within the Kansas "Health Occupation Credentialing Act" (K.S.A. 65-5001 *et seq*) as well as the licensing of adult care home administrators, training of nurse aides, maintenance of the nurse aide registry, and processing of criminal record checks.

Summary Statement: Having concluded a thorough review of current (FY 2003) operations of programs identified for transfer and consolidation, the following issues were identified for resolution (see Section IV). In so doing, it was the intent of the task force to help facilitate a smooth transition process in support of the Governor's budget recommendation wherein any perceivable barriers to continued high quality services for Kansas consumers have been removed.

IV. Issues Identified and Addressed to Facilitate the Transfer and Consolidation Objective by July 1, 2003 (FY 2004)

The Interagency KDOA-KDHE Task Force identified several issues to be addressed and resolved in order to facilitate an efficient and smooth transfer/consolidation process by July 1, 2003 (FY 2004). These issues fell into the following categories:

- **State and Federal Policy –**

  Statutory revisions, compliance considerations, and reporting requirements.

- **Program Impacts and Considerations –**

  Current and future functions, identified needs, and revised organizational structures.

- **Personnel Needs –**

  Positions identified to transfer, work locations and logistics, management and supervision, and staff training.

- **Budget Considerations –**

  Transfers of funds and property, identification of split-funding streams, and identification and resolution of associated budget issues..

- **Facilities and Equipment Needs –**

  Physical space and equipment needs, lease agreements.

- **Program Support Needs –**

  Legal, information systems, human resources, and clerical support needs.

- **Contractual Considerations –**

  Revision and transfer of contractual agreements.

- **Interagency Agreements and Communication –**

  Division of responsibilities, efficiency of operations, and quality control.

Categories of issues identified for resolution in each of the areas listed above are presented on the following page in Table 1. These issues were addressed by the task force prior to designing the proposed transition plan (outlined in Section V).

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TABLE 1

A Summary of Issues Identified by the Task Force for Study and Resolution

Categories of Issues	*Questions Addressed by the Task Force*
1. State and Federal Policy	What revisions are needed in our current state statutes? What state and federal compliance issues need to be addressed? What reporting procedures and forms need to be revised?
2. Program Impacts and Considerations	How will the nursing facility survey function be impacted? How will the quality assurance function be impacted? What are the needs of the remaining BHF programs? How should the organizational structures of each agency be revised?
3. Personnel Needs	Which FTE's are to be transferred and what positions are needed? What logistical issues exist regarding locations and assignments? What management, training/supervisory issues need to be addressed?
4. Budget Considerations	What are the current funding sources for the affected programs? What funding streams will need to be split and by what amounts? What are the budgetary needs of the KDOA quality assurance program and the remaining BHF programs at KDHE? What total funding amounts and property will be transferred?
5. Facilities and Equipment Needs	What is the current space configuration of staffing, equipment, and records storage for the programs cited for transfer and consolidation? What lease agreements regarding space usage need to be established? Will there be any equipment needs for either agency?
6. Program Support Needs	What are the current support structures for each program (i.e., legal, information systems, human resources, accounting, clerical)? What support structures need to be addressed by each agency to facilitate the transfer and consolidation process? How can federally mandated computer systems and applications be maintained throughout the transfer and supported following the transfer?
7. Contractual Considerations	What contractual agreements need to be revised and transferred?
8. Interagency Agreements and Communication	What information does KDHE need to provide for KDOA? What functions require interagency collaboration? What interagency agreements need to be drafted and adopted?

Issues identified by the task force in each of the above areas and resolutions reached are summarized below.

(1) State and federal policy revisions and compliance –

The task force identified and addressed the following:

- Statutory revisions needed to authorize and implement the transfer of the identified agency functions from KDHE to KDOA (i.e., revisions in provisions of K.S.A. 39-923 *et seq*).

- Steps necessary to maintain compliance with regulations and contracts governing the administration of state licensing and federal survey and certification functions subsequent to the transfer/consolidation process.

- Manners by which ongoing completion of documentation and reporting procedures required by the U.S. Department of Health and Human Services *Centers for Medicare and Medicaid Services* (CMS), could be assured and maintained.

It was determined through communication with CMS that the transfer/consolidation objective could be fulfilled under the existing CMS agreement with the State of Kansas. Stipulations of this agreement and related administrative regulations would remain satisfied subsequent to the transfer process. The only modifications needed in the existing agreement would be those necessary to identify which portions of the survey and certification function are being fulfilled by KDHE (i.e., hospital and other facilities that are not considered "adult care homes") and which portions are being fulfilled through KDOA (i.e., adult care homes).

All state and federal reporting requirements for survey and certification of adult care homes were identified and provided for KDOA (see Appendix D), including descriptions of reporting procedures, information systems equipment and support necessary for maintenance of federal reporting procedures, and federal software programs required to fulfill all CMS documentation and reporting responsibilities.

Revisions required in state statutes to authorize the transfer of identified agency functions and activities were completed by KDHE legal services personnel and submitted to legislative revisers in the House and Senate. Subsequently, House Bill 2467 and Senate Bill 282 (see Appendix J) were drafted, introduced, and assigned to Committees during the 2003 Legislative Session.

State and federal compliance issues regarding program administration and activities (including revisions needed in agency forms and applications utilized to carry out program functions), personnel functions, funding mechanisms, and allowable costs were identified and addressed. It was determined that all statutory and contractual requirements governing administration of programs cited for transfer from KDHE to KDOA could be satisfied. These matters continued to be adequately addressed throughout the development of the proposed transition plan, as discussed below.

(2) Program considerations and impacts –

The task force identified and addressed the following matters pertaining to program considerations and impacts:

- Specific programs currently operating through the KDHE Bureau of Health Facilities (BHF) being cited for transfer and consolidation within the KDOA quality assurance commission, in keeping with the intent of the Governor's 2004 Budget Recommendation.
- Potential redundancies in program functions and operating procedures existing in the KDHE and KDOA programs being cited for transfer and consolidation.
- Manners in which the KDOA quality review process would be impacted.
- Manners in which the Bureau of Health Facilities programs remaining at KDHE would be impacted.
- The need to re-establish a complaint investigation function within KDHE after the transfer of this function to KDOA (since this function is required by law for the portion of BHF programs transferring to KDOA as well as the portion of BHF programs staying at KDHE).
- Management/supervisor locations and considerations for the newly assumed KDOA functions and the remaining KDHE functions.
- Options for agency reorganization to facilitate the transfer and consolidation objective.

Through this review, the task force identified functions and programs within the KDHE Bureau of Health Facilities which could be transferred to KDOA in keeping with the intent of the Governor's Budget Recommendation. It was determined that those functions associated with "adult care homes" (governed by the Kansas *Adult Care Homes Act*), were those most closely related to the "nursing home regulatory" clause in the Governor's recommendation. Thus, BHF functions related to health facilities not falling under the "adult care homes" regulatory function (i.e., hospitals, etc.) would remain at KDHE, as well as the BHF Health Occupations Credentialing (HOC) Program. (Lists of facilities continuing to be regulated by KDHE and those being regulated by KDOA as a result of the transfer/consolidation initiative are contained in Section V of this report.)

Current functions and operating procedures were reviewed by the task force, and it was determined that activities performed through the KDHE survey and certification process and the KDOA quality review process are unique to each function. These processes are required through different authorities established for different purposes, with their respective regulatory guidelines and reporting requirements. In addition, different required qualifications exist for personnel fulfilling surveys and those fulfilling quality review functions (e.g., for a CMS survey to be valid, one member of the survey team must be a registered nurse, whereas the quality review process is completed by individuals not required to be registered nurses).

Thus, careful consideration was given to the manner in which the *quality review* function and the *survey and certification* regulatory functions could be consolidated through the transfer and consolidation objective without impairing either effort. It was determined that in order to maintain high quality services for Kansas consumers and satisfy administrative requirements, the FTE's transferred to KDOA to perform licensure, survey, and certification functions would need to be supplemented through the transfer of additional FTE's to fully support the quality review process. Additionally, it was determined that as a result of the transfer and associated loss of the complaint investigation function, a new complaint investigation process would need to be re-established at KDHE to fulfill administrative responsibilities for the remaining health facility regulatory programs. Feasible plans were adopted by the task force for addressing both of these issues (as noted under item #3, below).

Revised organizational structures which will incorporate changes occurring within KDOA and KDHE as a result of the transfer/consolidation effort currently are being determined through internal assessments. Preliminarily, it has been determined that (1) the new functions being assumed by KDOA will be established as a division within the Quality Assurance Commission and (2) the functions remaining at KDHE as part of the current Bureau of Health Facilities will be consolidated into the existing organizational structure of the agency, aligned with an appropriate administrative unit.

(3) Personnel needs and considerations –

Personnel issues and needs were identified through a review of current program functions and operating procedures and determination of the most efficient and effective manner in which to reorganize personnel and administer programs. As part of this review the task force completed the following activities:

- Identification of specific personnel and responsibilities being transferred to KDOA (see Appendix E).
- Determination of the manner in which quality review functions could be assumed by personnel following the elimination of the current FTE's dedicated to this function.
- Consideration of instances in which personnel may need to perform functions and duties for KDHE as well as for KDOA to efficiently accommodate the

transfer of responsibilities associated with health facility programs remaining at KDHE (as determined through identification of the most cost efficient and effective manners in which to retain high quality services for consumers).

- Identification of needs in the area of staff orientation, training and supervision.

- Determination as to whether or not any unique position needs exist as a result of the transfer and consolidation.

- Preliminary determination of the revised organizational structures for KDHE and KDOA as a result of FTE eliminations in KDOA and the program responsibilities and associated FTE's transferring from KDHE to KDOA.

As a result of this review, the following determinations were made:

1. A total of 104.0 FTE's are recommended to transfer from KDHE to KDOA. This recommendation reflects a decrease of 12.0 FTE's from the total of 116.0 FTE's originally cited for transfer to KDOA, as determined through task force study and interagency consensus agreements reached. (Note: Please also see the corollary adjustment made for KDHE, as noted in the next item below.)

2. A total of 29.0 FTE's are recommended to be allocated to KDHE for remaining health facility licensing, survey and certification, and health occupations credentialing functions.. This recommendation reflects an increase of 12.0 FTE's (made possible through the adjustment recommended in the item above) from the total of 17.0 FTE's originally cited to remain at KDHE

3. To promote cost efficiency measures and to also maintain quality services, eleven (11.0 FTE's) of the positions cited for transfer to KDOA will be dedicated to both KDOA and KDHE, fulfilling dual functions, as established through interagency agreement (also referred to under item #8, "KDOA-KDHE Interagency Agreements and Communication, as discussed below).

4. The specific positions cited for transfer from KDHE have been identified and all necessary information regarding these positions will be provided for KDOA (i.e., names, titles, position descriptions, etc.).

5. Initial plans for staff training were discussed, and an opportunity for KDOA staff to observe the CMS survey process was provided. Interagency planning will continue to proceed to develop and implement a thorough orientation and training process for KDOA regarding new regulatory functions assumed through the transfer from KDHE.

6. Due to the loss of the required complaint investigation function associated with the CMS survey and certification as a result of the transfer to KDOA, a new complaint investigation function will be established at KDHE. Suggested manners in which to fulfill this statutory requirement through minimal restructuring efforts have been identified at KDHE. These efforts will involve the necessary adjustments in current duties and assignments of existing KDHE staff.

7. Preliminary plans have been made as to the new organizational structures for both KDHE and KDOA, as a result of the transfer and consolidation process, which are operationally feasible and efficient.

All personnel issues identified through the task force review process were successfully resolved through the recommendations proposed above. Personnel records and payroll functions for KDHE positions cited for transfer to KDOA will be provided for KDOA in manners consistent with established personnel policies, once the transfer/consolidation initiative has been formally authorized and enacted.

(4) Program support needs –

The task force reviewed current operations in terms of the support structures needed to maintain program operations and ongoing high quality services for consumers, including legal support, information systems services, human resources services and support, accounting systems and services, and clerical support services.

Critical needs in the area of information systems support were cited (see Appendix G), including the lack of a computing platform in KDOA sufficient to accommodate federal documentation and reporting requirements associated with the survey and certification of adult care homes. Transfer of this equipment from KDHE to KDOA was not deemed feasible; i.e., it was determined at the time of the relocation of KDHE from the Landon State Office Building to the Curtis State Office Building that this sensitive equipment would not be able to sustain any further relocation without incurring irreparable damage. It also was determined that funds are not available for the purchase of new equipment of this type by KDOA in FY 2004, due to the significant costs involved. In addtion, it was determined that additional staffing would be needed to assume operational responsibility for the systems which are used to support the survey and certification functions, including (1) the Automated Computerized Complaint Enforcement Survey System (ACCESS), (2) the Automated Complaint Tracking System (ACTS), and (3) Lotus Notes. These needs, as well as other needs identified, were addressed through the proposed virtual, rather than physical, transfer of people and property (as discussed below).

(5) Budget considerations –

Following the identification of specific positions and responsibilities transferring to KDOA in keeping with the FY 2004 Budget Report recommendation, funding sources that are dedicated

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to these positions and responsibilities were identified, and the necessary division of agency assets was completed. In identifying the resources dedicated to KDHE functions that are proposed for transfer to KDOA, and resources necessary to sustain functions retained by KDHE and new functions assumed by KDOA, revisions in recommended budget allocations for funds associated with these programs were considered. Subsequently, upon review of these issues by the Division of Budget in collaboration with members of the interagency task force, it was determined that fiscal issues could be resolved through the Proposed FY 2004 Amended Budget Allocations for KDOA and KDHE (see Table 2), still allowing for an annual cost efficiency of approximately $1.0 million resulting from the transfer and consolidation initiative.

TABLE 2

Proposed FY 2004 Amended Budget Allocations

Funds	KDOA	KDHE
State General Fund	$1,468,630	$ 527,148
Medicare Fund (Title XVIII)	$2,201,450	$ 735,561
Medicaid Fund (Title XIX)	$2,421,673	$ 236,639
Health Facility Review Fund	(Eliminate)	$ 199,984
Adult Care Licensing Revolving Fund	$ 55,000	(Eliminate)
Agency Fee Fund	$ 22,924	$ 3,426
Total Funds to be Allocated	$6,169,677	$1,702,758
Total Associated FTE's to be Allocated	104.0	29.0

All property is being identified that is associated with personnel and program functions being transferred to KDOA, in order to assist with the effort of enabling these programs to be immediately operational and economically feasible upon completion of the transfer and consolidation process (see Appendix J).

(6) Facilities and equipment needs –

Several issues were identified associated with the incorporation of sixty-four (64) additional employees at KDOA in the New England Building (i.e., the net increase in KDOA employees resulting from the elimination of 40.0 FTE's in the Quality Review and Marketing and Outreach Divisions and 104.0 new FTE's transferred to KDOA from KDHE). The task force reviewed the following:

- Space required for housing additional staff and office configurations resulting from the transfer and consolidation within KDOA;
- Space required for housing information technology (I.T.) equipment;
- Office equipment needs, including computers (pc's), printers, telephones, laptop systems, and general office equipment;
- Office furniture needed for the 64 additional employees.

In addition to the need for significant additional funding resources to meet these needs, it was determined that additional time would be needed to facilitate a physical transfer of people and property. As noted above, these matters all were sufficiently addressed through the proposed implementation of a virtual reorganization process, allowing for operational and cost efficiency.

(7) Contractual considerations –

As a result of the task force review of current program operations, it was determined that several existing contracts and interagency agreements between KDHE and other entities, in connection with the duties and responsibilities of the survey and certification program, would need to be addressed and/or amended upon the transfer of these functions to KDOA (see Appendix H).

The following contractual agreements related to the survey and certification of adult care homes were identified for KDOA. In each instance, entities with whom the contracts have been established will be contacted to notify them of the changes underway and to provide all information needed to facilitate smooth and efficient operations and communication links between parties named in the contract. In each instance, the designated state agency responsible for identified activities associated with adult care homes regulation will be changed from "The Kansas Department of Health and Environment" to "The Kansas Department on Aging."

- The "1864 Agreement" between KDHE and the U.S. Department of Health and Human Services (Centers for Medicare and Medicaid Services) (pursuant to Sections 1864, 1874, and related provisions of the federal Social Security Act, as amended)
- MDS/OASIS Database Contract with Myers and Stauffer LC
- Interagency Agreement for Nursing Facility and Assisted Living Facility Reports (Kansas Department on Aging, Kansas Department of Health and Environment, Kansas Department of

Social and Rehabilitation Services, The University of Kansas School of Social Welfare, and The University of Kansas Center for Research, Inc.)

- Interagency Agreement for Nursing Facility Survey and Facility Characteristics (Kansas Department of Health and Environment, Kansas Department on Aging, and The University of Kansas Medical Center
- Johnson County Health Department Contract
- Wyandotte County Health Department Contract
- City of Wichita, Department of Environmental Health Contract
- Medicare Memorandum of Agreement between the Kansas Foundation for Medical Care, Inc. and the Kansas Department of Health and Environment
- Interagency Agreement between the Secretary of Social and Rehabilitation Services and the Secretary of Health and Environment for the Utilization Review for Individuals Living in Intermediate Care Facilities for the Mentally Retarded
- Interagency Agreement between the Secretary on Aging, the Secretary of Health and Environment, the Secretary of Social and Rehabilitation Services, and the Office of the State Long-Term Care Ombudsman (Pursuant to K.S.A. 39-1401 through 39-1442)
- Agreement between the Secretary of Health and Environment and the Kansas State Fire Marshal
- Interagency Agreement for the Survey and Certification of Nursing Facilities, Nursing Facilities for Mental Health, and Intermediate Care Facilities for the Mentally Retarded (Pursuant to 42 C.F.R. 431.610(f))
- Adult Care Facilities Program Contract for Services between the Kansas Department of Health and Environment and Dr. Elaine Hacker (Consulting Physician)
- Interagency Agreement between The University of Kansas Medical Center, the Kansas Department of Health and Environment, and the Kansas Department on Aging (providing KUMC access to CMS data)
- Interagency Agreement between the Kansas Department of Health and Environment and the Kansas Department of Administration, Division of Facilities Management
- Verizon Wireless Cell Phone Contract with KDHE
- Savin Copier Maintenance Contract with KDHE
- KDHE Lektriever Service Contract with Automated Business Systems, Inc.
- KDHE Dictaphone Service Contract with Sound Recording, Inc.

(8) KDOA-KDHE interagency agreements and communication –

The task force identified areas in which KDOA-KDHE interagency agreements would be needed in order to implement a transition plan incorporating the recommendations set forth below. These interagency agreements are being established in the following areas:

- Information systems and services being provided by KDHE for KDOA to facilitate the transfer/consolidation objective in a timely and cost efficient manner;
- Agreements regarding personnel identified as needing to perform functions for both KDHE and KDOA (dual-function employees) in order to maintain quality services for consumers and address cost and operational efficiency goals;

- Curtis State Office Building lease agreements for KDOA space usage (see Appendix F); and
- Revisions in existing contractual agreements wherein joint participation by KDOA and KDHE is required to implement the proposed transition plan (in addition to providing all of the additional contractual agreements established wherein KDHE functions are being completely assumed by KDOA).

These agreements will address issues of operational and cost efficiency, compliance with statutory and regulatory requirements, accountability, and quality control. Regarding the latter item listed above, contractual agreements needing revision wherein both KDOA and KDHE will fulfill designated activities include the following:

1. **Medicare Memorandum of Understanding (MOU) with KFMC (Kansas Foundation for Medical Care)** – This agreement provides for an information interchange between the quality improvement organization (KFMC) and the Medicare survey agency or agencies. Upon implementation of the transfer/consolidation initiative, some Medicare facilities will be regulated by KDOA (facilities included within provisions of the Kansas *Adult Care Homes Act*) and some will continue to be regulated by KDHE (hospitals, etc.)

2. **Utilization Review Agreement** – This agreement stipulates that KDHE will perform Utilization Reviews in facilities certified as ICF/MR ("Intermediate Care Facilities for the Mentally Retarded") on behalf of SRS, as part of contractual agreements with CMS. Since some of the facilities certified as ICF/MR's are considered "adult care homes," and some are considered "hospitals," Utilization Review activities will be conducted at both agencies.

3. **Kansas State Fire Marshal Agreement** – This agreement requires the State Fire Marshal to conduct life safety code inspections in certified health facilities. Facilities requiring life safety code inspections will be regulated through both agencies.

4. **Consulting Physician Agreement with Dr. Elaine Hacker** – This agreement exists as a subcontract under the "Utilization Review" contract (above) to review records and make recommendations as part of the overall Utilization Review process, noted above.

In addition, an "1864 Agreement" may need to be established with CMS (U.S. Department of Health and Human Services, or HHS) for both KDHE and KDOA. Through federal regulation, HHS designates a state survey agency for Medicare certification activities. In the teleconference conducted on March 25, 2003, between KDOA, KDHE, and the Centers for Medicaid and Medicare Services (CMS), CMS officials indicated that a duplicate agreement with KDOA may not be required; however, this still is subject to further federal review and may yet be requested. If so, the necessary revisions in this contractual agreement will be completed at that time.

The task force also identified information that needed to be communicated from KDHE to KDOA regarding functions being transferred, including (a) state and federal statutes and regulations governing program operations (see Appendix C), (b) state and federal reporting requirements assumed by KDOA (see Appendix D), (c) personnel cited for transfer from KDHE to KDOA (see Appendix E), and (d) contractual agreements cited above (also provided in Appendix H).

As noted above in item #3, it also was determined that opportunities for KDOA staff to observe the current KDHE survey process were needed (a process currently underway) and that significant communication and collaboration will need to occur throughout the transition period, including adequate opportunities for staff orientation and training.

V. Task Force Recommendations

♦ PROPOSED TRANSITION PLAN

Introduction - Based on a (1) thorough review of current operations and (2) careful identification and resolution of issues regarding the transfer and consolidation process, the KDOA-KDHE task force has drafted the following transition plan. Each element incorporated in this plan represents a consensus reached by both agencies regarding the proposed manners in which to proceed.

This plan reflects the joint efforts of task force members to devise a feasible, highly workable process supportive of the FY 2004 Budget Recommendations that would (1) address and remove potential barriers to achieving a smooth transition and an ongoing high quality of services for Kansas consumers and (2) remain sensitive to current state budget constraints.

Type of Transfer and Consolidation Proposed - As a result of the task force review process, it was determined by consensus that the most feasible type of transfer and consolidation process that could be successfully achieved by July 1, 2003 (FY 2004) would be that of a virtual reorganization. In this type of process, physical work spaces are to remain unchanged, with the bulk of the transfer/consolidation process taking place through organizational restructuring, including reallocation of accompanying budgetary mechanisms and establishment of interagency agreements. This process removes barriers requiring additional time and resources to address, which would have required resolution in order to facilitate a physical relocation of program personnel, workplace configurations, information systems, legal services, accounting support, human resources support, and office equipment.

The primary barriers to meeting the July 1, 2003, transfer objective which are being eliminated through the proposal of a virtual reorganization process are those identified in the areas of (1) information systems and support (purchases and/or upgrades to enable usage of required federal software, data storage and management, and electronic communication, as well as the need for support staff to manage these processes); (2) facility needs in terms of significant space requirements for additional staffing, office configurations, and records storage; and (3) additional support structures needed.

As stated in the "Executive Summary," the most prohibitive factors to the facilitation of a physical transfer of people and property were identified as being (a) lack of information systems capacity or the funds necessary to resolve this issue in FY 2004 (i.e., implementation and maintenance of federally-mandated, CMS reporting procedures in KDOA regarding Medicaid/Medicare survey functions would require acquisition of significantly expanded information technology (I.T.) equipment and maintenance in KDOA); (b) lack of physical space in the New England building for additional I.T. equipment and office configurations for sixty-four (64.0 FTE's) additional employees (i.e., the net increase in KDOA employees resulting from the transfer and consolidation process), and (c) lack of necessary fiscal resources to address needs in the area of office equipment and office furniture for the 64.0 additional FTE's in FY 2004. These findings necessitated the development of a transition plan incorporating the recommendations given below, wherein these prohibitive factors have been addressed and eliminated.

As noted in Section II, the "nursing facility program," was determined to refer to the "survey and certification of adult care homes" program, i.e., all of those functions within the Bureau of Health Facilities which are authorized through the Kansas *Adult Care Homes Act* (K.S.A. 39-923 *et seq*). Thus, the recommendations presented below are provided in the context of addressing the manner in which to achieve a successful and smooth virtual transfer and consolidation of the KDHE survey and certification functions for "adult care homes" facilities within the Quality Assurance Commission of KDOA.

Task Force Recommendations – As the result of (a) the task force review of current program operations, (b) the identification and study of issues and options for their resolution regarding the transfer and consolidation objective in order to maintain quality programs and services, and (c) the need to facilitate this objective by July 1, 2003 (FY 2004), a transition plan to facilitate the transfer/consolidation objective was devised which contains recommendations developed through interagency consensus agreement.

As presented in the "Executive Summary" (Section I), the KDOA- KDHE Interagency Task Force respectfully recommends the following:

1. Facilitation of the FY 2004 transfer/consolidation objective through a virtual reorganization process, effective July 1, 2003.

2. Transfer of all property associated with the program functions and employees cited for virtual transfer from KDHE to KDOA, as reached through consensus agreements.

3. Transfer of one hundred four (104.0) FTE's from KDHE to KDOA for functions associated with the survey and certification of adult care homes and quality assurance, out of which eleven (11.0) FTE's will perform dual-agency duties as established through interagency agreements between KDHE and KDOA.

4. Resolution of budget refinement needs as identified by the task force through adoption of the Proposed FY 2004 Amended Budget Allocations for KDOA and KDHE (see Appendix I).

5. Establishment and implementation of (a) revised contracts, noting the changes to occur as a result of the transfer process, which are currently established with various entities in connection with CMS survey and certification functions (19 contracts in total) and (b) KDOA-KDHE interagency agreements for (1) the 11.0 FTE's identified in which dual-agency functions are to be performed by agency staff, (2) areas in which information access is to be granted; (3) areas in which support is being offered (e.g., KDHE information systems support is being provided for KDOA); and (4) for lease agreements regarding KDHE building space being utilized by KDOA as a result of the virtual transfer process.

6. Continued task force study of the transfer and consolidation process (in the fall of 2003), completion of cost benefit analyses, and preparation of preliminary recommendations for FY 2005.

7. Review of the virtual reorganization in FY 2004 and determination of recommended further actions, if needed.

8. Resolution of outstanding issues cited in this transition report if a physical transfer of people and property from KDHE to KDOA is deemed advisable, prior to initiation of an additional phase of the transfer and consolidation process.

Health Facilities to be Regulated by KDOA – Regarding Recommendation #3 (listed above), the FTE's identified for transfer from KDHE to KDOA include individuals responsible for carrying out functions and duties associated with the state licensing and federal (CMS, U.S. Department of Health and Human Services) survey and certification of adult care homes. These regulatory functions will be fulfilled by KDOA for all facilities designated as "adult care homes," pursuant to K.S.A. 39-923 *et seq* of the Kansas *Adult Care Homes Act*, including the following:

- Facilities Licensed as Nursing Facilities
- Nursing Facilities for Mental Health
- Intermediate Care Facilities for the Mentally Retarded (individuals with developmental disabilities)
- Assisted Living Facilities
- Residential Health Care Facilities
- Boarding Care Homes
- Home Plus
- Adult Day Care Facility

Health Facilities Continuing to be Regulated by KDHE – The following health facilities will continue to be regulated by KDHE, in terms of conducting state licensing and federal survey and certification activities:

- Hospitals
- Long-term Care Units of Hospitals
- Specialty Hospitals
- Psychiatric Hospitals
- Critical Access Hospitals
- Swing-Bed Units of Hospitals
- Home Health Agencies
- Ambulatory Surgical Centers
- End-State Renal Dialysis (ESRD) Facilities
- Rural Health Clinics
- Hospice

- Out-Patient Physical Therapy
- Portable X-Ray
- Comprehensive Out-Patient Rehabilitation Facilities

Agency functions and oversight responsibility pertaining to these health facilities and the personnel fulfilling these functions (except in the case of personnel cited for fulfilling dual roles for KDHE and KDOA), will remain at KDHE.

♦ ISSUES IDENTIFIED FOR FUTURE CONSIDERATION

If an additional phase of the transfer and consolidation process is desired for FY 2005 or beyond, wherein a physical transfer of personnel and all supporting mechanisms is to take place, the KDOA-KDHE task force respectfully would like to propose consideration of the following:

Evaluation of the Virtual Reorganization Process – After its implementation in FY 2004, the task force recommends that a thorough review and evaluation of the virtual transfer and consolidation (reorganization) process be completed to accurately assess the degree to which desired outcomes and/or compliance levels were achieved for the following functions, prior to determining further reorganization goals, including an evaluation of the following:

- licensing, Medicaid/ Medicare survey and certification, and quality review functions in KDOA;
- complaint investigation functions of both agencies; and
- health occupations credentialing and portions of survey and certification functions remaining in KDHE (hospital facilities, etc., as identified above).

Also, it would be recommended that an assessment be made of (1) staff orientation, training, management, and supervision procedures for both agencies; (2) the adequacy of support structures (information systems, human resources, accounting, legal services, administrative support, clerical support); (3) the facilitation of interagency agreements and communication; (4) budgetary management and reporting procedures (resulting from split-funding mechanisms and revised statutory requirements); and (5) the fulfillment of contractual responsibilities, as designed and implemented through the initial transfer/consolidation process.

Consideration and Resolution of Outstanding Issues - In addition to addressing any issues identified through the review and evaluation process outlined above, the major issues respectfully recommended for future consideration and resolution prior to initiation of a physical transfer and consolidation process primarily lie in the following areas:

- Resolve information systems upgrades needed to accommodate program requirements (including purchase of high level server, similar in quality to the AS 400 currently used at KDHE, additional hardware, software, and addressing other compatibility issues and electronic communication needs);

- Resolve facility needs in terms of additional space requirements for personnel, office configurations, information systems hardware and I.T. support staff, and records storage;

- Resolve budget and equipment needs associated with purchase of office equipment, office furniture, and I.T. equipment necessary to support sixty-four (64.0) additional staff in KDOA; and

- Assess additional support structure needs for KDOA (information system management, accounting support, legal services, human resources support, and clerical support).

Prior to implementation of a complete physical reorganization, the dissolution of certain KDOA-KDHE interagency agreements and incorporation of additional responsibilities and procedures into the agency management plan for KDOA would need to be completed.

Outstanding issues, as listed above, have been eliminated through the design of the proposed virtual transfer and consolidation (reorganization) process and the establishment of interagency agreements, but would resurface as important issues to be addressed prior to further transfer initiatives.

The KDOA-KDHE Interagency Task Force respectfully submits these initial reorganization plans and suggested steps for further study in support of the Governor's FY 2004 Budget Recommendations regarding nursing facility regulation and quality assurance efforts in pursuit of government efficiency and continued high quality services for Kansas consumers.

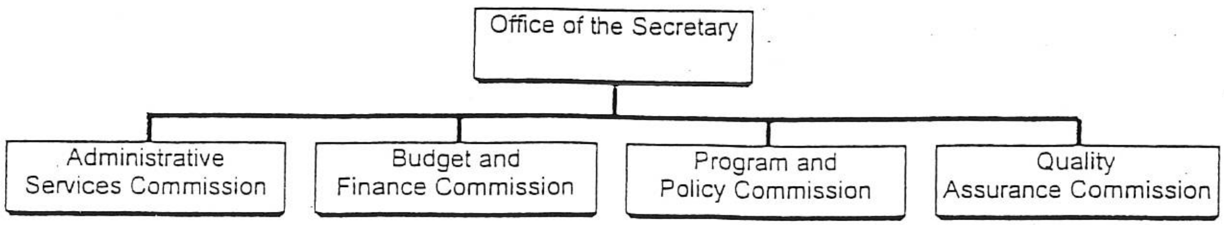
APPENDICES

APPENDIX A:

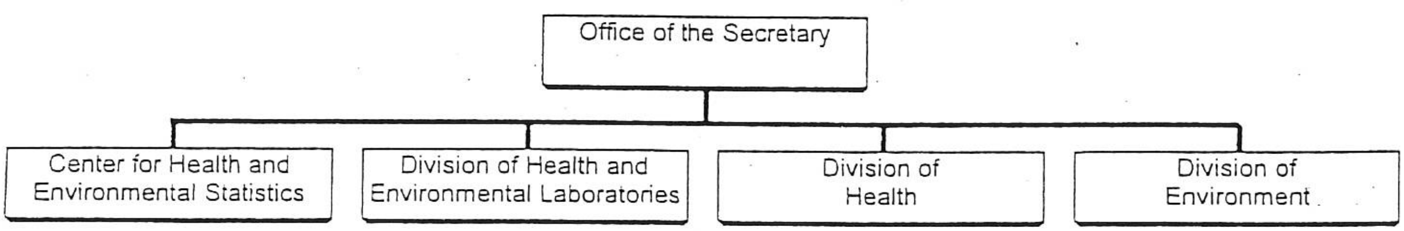
FY 2003 ORGANIZATIONAL CHARTS
FOR KDOA AND KDHE

APPENDIX A:

1. FY 2003 Organizational Chart --- KDOA



2. FY 2003 Organizational Chart --- KDHE



APPENDIX B:

TERMS AND DEFINITIONS FOR FACILITIES REGULATED THROUGH THE KANSAS ADULT CARE HOMES ACT

32-34

APPENDIX B:

Terms and Definitions for Facilities Regulated through the Kansas Adult Care Homes Act

K.S.A. 39-923. Definitions. (a) As used in this act:

(1) "Adult care home" means any nursing facility, nursing facility for mental health, intermediate care facility for the mentally retarded, assisted living facility, residential health care facility, home plus, boarding care home, and adult day care facility, all of which classifications of adult care homes are required to be licensed by the secretary of health and environment.

(2) "Nursing facility" means any place or facility operating 24 hours a day, seven days a week, caring for six or more individuals not related within the third degree of relationship to the administrator or owner by blood or marriage and who, due to functional impairments, need skilled nursing care to compensate for activities of daily living limitations.

(3) "Nursing facility for mental health" means any place or facility operating 24 hours a day, seven days a week caring for six or more individuals not related within the third degree of relationship to the administrator or owner by blood or marriage and who, due to functional impairments, need skilled nursing care and special mental health services to compensate for activities of daily living limitations.

(4) "Intermediate care facility for the mentally retarded" means any place or facility operating 24 hours a day, seven days a week caring for six or more individuals not related within the third degree of relationship to the administrator or owner by blood or marriage and who, due to functional impairments caused by mental retardation or related conditions need services to compensate for activities of daily living limitations.

(5) "Assisted living facility" means any place or facility caring for six or more individuals not related within the third degree of relationship to the administrator, operator or owner by blood or marriage and who, by choice or due to functional impairments, may need personal care and may need supervised nursing care to compensate for activities of daily living limitations and in which the place or facility includes apartments for residents and provides or coordinates a range of services including personal care or supervised nursing care available 24 hours a day, seven days a week for the support of resident independence. The provision of skilled nursing procedures to a resident in an assisted living facility is not prohibited by this act. Generally, the skilled services provided in an assisted living facility shall be provided on an intermittent or limited term basis, or if limited in scope, a regular basis.

(6) "Residential health care facility" means any place or facility, or a contiguous portion of a place or facility, caring for six or more individuals not related within the third degree or relationship to the administrator, operator or owner by blood or marriage and who, by choice or due to functional impairments, may need personal care and may need supervised nursing care to compensate for activities of daily living limitations and in which the place or facility includes individual living units

(7) and provides or coordinates personal care or supervised nursing care available on a 24 hour, seven day a week basis for the support of resident independence. The provision of skilled nursing procedures to a resident in a residential health care facility is not prohibited by this act. Generally, the skilled services provided in a residential health care facility shall be provided on an intermittent or limited term basis, or if limited in scope, a regular basis.

(8) "Home plus" means any residence or facility caring for not more than five individuals not related within the third degree of relationship to the operator or owner by blood or marriage unless the resident in need of care is approved for placement by the secretary of the department of social and rehabilitation services, and who, due to functional impairment, needs personal care and may need supervised nursing care to compensate for activities of daily living limitations. The level of care provided residents shall be determined by preparation of the operator and rules and regulations developed by the department of health and environment.

(9) "Boarding care home" means any place or facility operating 24 hours a day, seven days a week caring for not more than 10 individuals not related within the third degree or relationship to the operator or owner by blood or marriage and who, due to functional impairment, need supervision of activities of daily living but who are ambulatory and essentially capable of managing their own care and affairs.

(10) "Adult day care" means any place or facility operating less than 24 hours a day caring for individuals not related within the third degree of relationship to the operator or owner by blood or marriage and who, due to functional impairment, need supervision of or assistance with activities of daily living.

APPENDIX C:

CURRENT STATE AND FEDERAL STATUTES GOVERNING AGENCY FUNCTIONS TO BE ASSUMED BY KDOA

APPENDIX C:

Current State and Federal Statutes Governing Agency Functions to be Assumed by KDOA

State Statutes

K.S.A. 39-906(b)(5)
39-923(a)(1) (Adult Care Homes Act)
39-925
39-924(1)
39-926
39-930
39-936(c)
39-936(d)
39-936(f)
39-938
39-940(a)
39-944
39-945
39-946(a), (b), (c)
39-951
39-952
39-953a(a)
39-954(a)
39-965(a)
39-1402(a) (Abuse, Neglect, Exploitation Act)
39-1404(a), (c)
39-1405(a)
39-1409
39-1411(a), (b), (c), (d)
65-118(a)
65-411(a)
65-6204 (Health Occupations Credentialing Act)
65-6205(a)(3), (4)
65-6805

Federal Statutes

Title XVIII – Health Insurance for the Aged and Disabled of the Social Security Act (Otherwise known as Medicare)

"1864 Agreement" – An agreement to carry out provisions of Sections 1864, 1874, and related provisions of the Social Security Act, as amended.

APPENDIX C – continued

Section 1864 specifically refers to "Use of State agencies to determine compliance by providers of services with conditions of participation" and Section 1874 refers to "Administration."

Title XIX – Grants to States for Medical Assistance Programs of the Social Security Act (Otherwise known as Medicaid)

The usual sections cited regarding nursing home regulation are Section 1902, "State plans for medical assistance and 1904, "Operation of State Plans."

Associated Federal Codes and Regulations

All of these federal acts and the myriad of other sections of the Social Security Act, when they become codified into federal law, are all given new numbers and placed in Chapter 42 of the United States Code that deals with Public Health, including the following current U.S. Codes:

42 USC 1395 *et seq*
42 USC 2396 *et seq*
42 CFR 430 *et seq*

APPENDIX D:

REPORTING REQUIREMENTS TO BE ASSUMED BY KDOA

APPENDIX D:

Reporting Requirements to be Assumed by KDOA

The Kansas Department on Aging will need to assume a number of reporting requirements in its Survey and Certification role as related to the Centers for Medicare and Medicaid Services (CMS). These reports will need to be duplicated by KDHE for the non adult care home facilities. In addition to the fiscal reports, the following non-financial reports are also required to be submitted:

OSCAR and ASPEN Data Entry - Results of surveys, known as recertification kits, change of ownerships, complaint survey results and changes in provider status must be entered into federal Online Survey Certification and Reporting System (OSCAR) or Automated Survey Processing Environment (ASPEN) in accordance with the State Operations Manual and Performance Standards requirements. Data entry must be completed within 20 days from the end of the survey. Bed change approvals must also be submitted to CMS. Limitations on the number of times and amount of notice a facility must give to change its bed numbers are imposed by CMS and the state agency must administer and approve such requests within the requirements.

Surveyor Employment and Training - In accordance with CMS requirements, a quarterly report is generated and submitted to the Kansas City regional CMS office recording Surveyor Employment and Training (SET) activities for the previous quarter. The report describes the actual number of surveyors, new hires, terminations, the total number of survey staff who actively perform federal certification surveys at least 25% of the time, as well as surveyor educational and clinical experience and dates of attendance at CMS sponsored training courses. Submission requirements for this report are: March 31, June 30, September 30, and December 30.

Report on Initial Survey Activity and Aging Report on Pending Initial Survey Activity - These two reports are submitted to the Kansas City Regional Office. The reports are completed on internal spreadsheets and transferred to federal forms. The reports track the status of new applicants, initial surveys, and initial survey activity in a pending status.

Enforcement Actions - Certain recommended enforcement actions must be reported to CMS within specific timeframes. Denial of Payments for New Admissions must be imposed by the third month a facility is not in substantial compliance. Revisits must be conducted by the 60th day and enforcement packets must be submitted to the Regional Office by the 70th day. Other proposed enforcement actions must be communicated to the Regional Office in accordance with established procedures. Monthly reports must also be submitted on CMS designated Special Focus Facilities.

Performance Standards - CMS evaluates the state agency in seven areas having multiple emphases and criteria. During reviews, reports must be prepared to respond to any preliminary issues identified. As part of the Performance Standards, **Federal Observational and Support Surveys** (FOSS) and **Comparative Surveys** are conducted by federal surveyors to assess survey teams effectiveness in achieving important survey measures, to ensure consistency of survey results across survey teams, and to help improve surveyor skills. Response to FOSS or Comparative Survey findings must be submitted within 30 days of the review.

Budget Call Letter - Each year CMS transmits to the state survey agency a budget call letter which provides program requirements and budget guidelines to be used in the budget process. The letter includes an overview of the CMS budget in terms of availability of funding. The issuance date of the letter varies but usually occurs around June or July and requires a response within approximately 30 days. The reports submitted by the state agency includes both budget and staffing information and forms as well as program narrative identifying program initiatives, workload commitments by providers types, technology needs, and any problems identified in meeting federal mandates.

The Kansas Department on Aging will need to assume the responsibility for completing the following fiscal and workload reporting requirements. KDHE will need to continue to complete these same reports for non adult care home facilities.

CMS Fiscal and Workload Performance Standards - The CMS Performance Standards requires the state authority to submit its budget request, proposed workload, quarterly Title XIX budget estimates, and expenditure and actual workload reports in accordance with the requirements contained in the State Operations Manual, the budget call letter and other related program instructions. The budget request and proposed workload are generally due in early August for the federal fiscal year commencing the subsequent October 1st. Quarterly reports, including the Title XIX budget estimates, expenditure reports, and workload reports, are due 45 days after the close of the quarter and the year-end cumulative reports are due 60 days after the close of the federal fiscal year.

The CMS Performance Standards also requires the state authority to have an acceptable method of monitoring its current rate of expenditures and planned workload. In particular, the Performance Standards requires an quarterly and annual analysis of both spending and workload progress against the budgeted amount and the planned workload.

Interagency Agreement for the Survey and Certification of Nursing Facilities, Nursing Facilities for Mental Health, and Intermediate care Facilities for the Mentally Retarded - This interagency agreement requires KDHE to provide SRS with an invoice listing salaries of the surveyors and other appropriate related certification costs on at least a quarterly basis. KDHE shall also provide, on at least a quarterly basis, documentation to support the percentage breakdown of time spent by KDHE in survey and certification activity for Medicaid. The information shall provide sufficient detail to allow identification of the cost of each component of service. KDHE shall also prepare and submit quarterly Title XIX certification letters to SRS verifying the appropriate amount of State General Funds are available as match for the Federal Financial Participation. In addition, KDHE shall prepare and submit quarterly estimates of Title XIX expenditures.

Contract for the Utilization Review for Intermediate Care Facilities for the Mentally Retarded - In addition to meeting CMS' reporting requirements, KDHE shall provide SRS with an invoice listing salaries of all surveyors and other appropriate related costs on at least a quarterly basis. KDHE shall also provide, on at least a quarterly basis, documentation to support the percentage of breakdown of time spent by KDHE in activity for Medicaid. This information shall provide sufficient detail to allow identification of the cost of each component of service.

APPENDIX E:

PERSONNEL IDENTIFIED FOR TRANSFER FROM KDHE TO KDOA

Nursing Home Program
Positions to be Transferred
to
Kansas Department of Aging

Classified Regular

A total of 104.0 FTE will be transferred to the Department of Aging from the Department of Health and Environment including the 91.0 filled FTE listed below:

Position Number	Job Classification	County Position Located	Percent of Time	Filled
K0042014	Administrative Assistant	SN	100	1.0
K0138274	Administrative Assistant	SN	100	1.0
K0139999	Administrative Assistant	SN	100	1.0
K0044266	Administrative Specialist	SN	100	1.0
K0049608	Administrative Specialist	SN	100	1.0
K0074626	Administrative Specialist	SN	100	1.0
K0043023	Health Facility Surveyor I	SA	100	1.0
K0045562	Health Facility Surveyor I	SA	100	1.0
K0051968	Health Facility Surveyor I	SN	100	1.0
K0052153	Health Facility Surveyor I	EL	100	1.0
K0053776	Health Facility Surveyor I	DG	100	1.0
K0060914	Health Facility Surveyor I	SA	100	1.0
K0060917	Health Facility Surveyor I	SA	100	1.0
K0061207	Health Facility Surveyor I	EL	100	1.0
K0071116	Health Facility Surveyor I	SG	100	1.0
K0073201	Health Facility Surveyor I	DG	100	1.0
K0076593	Health Facility Surveyor I	NO	100	1.0
K0077338	Health Facility Surveyor I	NO	100	1.0
K0122246	Health Facility Surveyor I	SA	100	1.0
K0122247	Health Facility Surveyor I	SA	100	1.0
K0122248	Health Facility Surveyor I	FO	100	1.0
K0122252	Health Facility Surveyor I	NO	100	1.0
K0129034	Health Facility Surveyor I	NO	100	1.0
K0129035	Health Facility Surveyor I	SG	100	1.0
K0139963	Health Facility Surveyor I	DG	100	1.0
K0139965	Health Facility Surveyor I	SG	100	1.0
K0139967	Health Facility Surveyor I	NO	100	1.0
K0139971	Health Facility Surveyor I	SA	100	1.0
K0139972	Health Facility Surveyor I	SA	100	1.0
K0139974	Health Facility Surveyor I	SN	100	1.0
K0139975	Health Facility Surveyor I	DG	100	1.0
K0139979	Health Facility Surveyor I	DG	100	1.0
K0139980	Health Facility Surveyor I	NO	100	1.0
K0139982	Health Facility Surveyor I	SN	100	1.0
K0139983	Health Facility Surveyor I	SG	100	1.0
K0139986	Health Facility Surveyor I	SN	100	1.0
K0139987	Health Facility Surveyor I	SN	100	1.0
K0139988	Health Facility Surveyor I	SN	100	1.0
K0139990	Health Facility Surveyor I	SA	100	1.0
K0139991	Health Facility Surveyor I	EL	100	1.0
K0139992	Health Facility Surveyor I	SG	100	1.0
K0149332	Health Facility Surveyor I	DG	100	1.0
K0149336	Health Facility Surveyor I	DG	100	1.0
K0149337	Health Facility Surveyor I	SN	100	1.0
K0149338	Health Facility Surveyor I	NO	100	1.0
K0149339	Health Facility Surveyor I	NO	100	1.0
K0149340	Health Facility Surveyor I	SG	100	1.0
K0149342	Health Facility Surveyor I	SN	100	1.0
K0149343	Health Facility Surveyor I	FO	100	1.0

Classified Regular

A total of 104.0 FTE will be transferred to the Department of Aging from the Department of Health and Environment including the 91.0 filled FTE listed below:

Position Number	Job Classification	County Position Located	Percent of Time	Filled
K0149344	Health Facility Surveyor I	FO	100	1.0
K0155075	Health Facility Surveyor I	SN	100	1.0
K0155076	Health Facility Surveyor I	EL	100	1.0
K0155081	Health Facility Surveyor I	SN	100	1.0
K0155082	Health Facility Surveyor I	SG	100	1.0
K0155084	Health Facility Surveyor I	SG	100	1.0
K0155085	Health Facility Surveyor I	EL	100	1.0
K0162153	Health Facility Surveyor I	DG	100	1.0
K0162154	Health Facility Surveyor I	SN	100	1.0
K0205048	Health Facility Surveyor I	SG	100	1.0
K0209702	Health Facility Surveyor I	SN	100	1.0
K0210494	Health Facility Surveyor I	SG	100	1.0
K0210874	Health Facility Surveyor I	EL	100	1.0
K0041091	Health Facility Surveyor II	NO	100	1.0
K0053906	Health Facility Surveyor II	SN	100	1.0
K0061357	Health Facility Surveyor II	DG	100	1.0
K0065362	Health Facility Surveyor II	SG	100	1.0
K0071606	Health Facility Surveyor II	EL	100	1.0
K0109272	Health Facility Surveyor II	SN	100	1.0
K0139966	Health Facility Surveyor II	SN	100	1.0
K0139973	Health Facility Surveyor II	SN	100	1.0
K0139977	Health Facility Surveyor II	SN	100	1.0
K0155078	Health Facility Surveyor II	SA	100	1.0
K0211014	Health Facility Surveyor II	SN	100	1.0
K0041100	Health Facility Surveyor III	SA	100	1.0
K0051163	Health Facility Surveyor III	EL	100	1.0
K0054736	Health Facility Surveyor III	SG	100	1.0
K0068228	Health Facility Surveyor III	SN	100	1.0
K0121484	Health Facility Surveyor III	SN	100	1.0
K0122169	Health Facility Surveyor III	DG	100	1.0
K0122170	Health Facility Surveyor III	NO	100	1.0
K0129037	Health Facility Surveyor III	SN	100	1.0
K0061174	Hlth Or Environ Prog Analyst	SN	100	1.0
K0176260	Microcom Sys Supp Tech II	SN	100	1.0
K0074053	Nutritionist II	SN	100	1.0
K0060275	Public Service Executive II	SN	100	1.0
K0061304	Public Service Executive II	SN	100	1.0
K0077048	Public Service Executive II	SN	100	1.0
K0109274	Public Service Executive III	SN	100	1.0
K0103309	Public Service Executive IV	SN	100	1.0
K0061714	Senior Administrative Assistnt	SN	100	1.0
K0076291	Senior Administrative Assistnt	SN	100	1.0

Total Health Facility Regulation 91.0

Total Classified Regular 91.0

APPENDIX F:

DRAFT LEASE AGREEMENT WITH KDHE FOR CURTIS STATE OFFICE BUILDING (CSOB) SPACE USAGE BY KDOA

APPENDIX F:

Draft Lease Agreement with KDHE
For Curtis State Office Building (CSOB) Space Usage by KDOA

KANSAS DEPARTMENT OF HEALTH & ENVIRONMENT

CURTIS STATE OFFICE BUILDING
FY '04

Bureau/Office	Office Sq. Ft.	Rent $ Sq. Ft.	Rent Yearly Cost
Health Facilities Prog.-KDOA	6,421	$15.10	$ 96,957.10
Health Facilities Staff Staying			
Health/Occ/Cred Prog.-KDHE	4,202	$15.10	$ 63,450.20
Proposed Hospital Program-KDHE	3,324	$15.10	$ 50,192.40
Local & Rural Health	384	$15.10	$ 5,798.40
Total	14,331	$15.10	$216,398.10

Bureau/Office	Storage Sq. Ft.	Rent $ Sq. Ft.	Rent Yearly Cost
Health Facilities Prog.-KDOA	1,056	$ 4.77	$ 5,037.12
Health Facilities Staff-KDHE	117	$ 4.77	$ 558.09
Total	1,173	$ 4.77	$ 5,595.21

DISTRICT OFFICE-KDOA

Health Facilities	Office Sq. Ft	Rent $ Sq. Ft.	Rent Yearly Cost	Lease Expires
Lawrence	1,845	$11.00	$20,295.00	6/30/04
Chanute	574	$ 6.27	$ 3,598.98	State/SRS
Salina	1,744	$ 7.00	$12,208.00	6/30/05
Wichita	3,675	$ 8.93	$32,817.75	State/DOA
Hays	1,159	$ 6.00	$ 6,954.00	6/30/03
Dodge City	255	$ 4.26	$ 1,086.30	6/30/03
Kinsley	275	$ 4.36	$ 1,200.00	6/30/03
TOTAL			$78,160.03	

Note - At District Offices there will be a few Health Facilities staff remain with KDHE. Lawrence - 2; Chanute - 1; Salina - 2; Wichita - 3; Hays/Dodge City - 3.

APPENDIX G:

INFORMATION SYSTEMS ISSUES AND SOLUTIONS

APPENDIX G:

Information Systems Issues and Solutions

Summary of Main Issues Regarding a Physical Transfer by July 1, 2003:

- Physical space in Information Systems unit needed for equipment.
- The need to add a new computing platform in KDOA (similar to the KDHE AS/400).
- Information Systems staff requirements to assume operational responsibility for the systems which are used to support the programs transferring to KDOA:

  (1) Automated Computerized Complaint Enforcement Survey System (ACCESS)

  (2) Automated Complaint Tracking System (ACTS)

  (3) Lotus Notes

Summary of Information Systems Issues Resolution through the Virtual Transfer:

(1) KDHE will continue to maintain BHF custom written applications.
(2) KDHE will continue to maintain servers that the BHF custom written applications reside upon.
(3) KDHE will continue to maintain backups for BHF applications.
(4) KDHE will continue to provide desktop and laptop support for BHF staff.
(5) KDHE will continue to provide Help Desk support for BHF staff.
(6) KDHE will continue to coordinate with DISC telecommunications support for BHF staff.
(7) BHF staff will have both a Group Wise and Lotus Notes E-Mail account.

KDOA and KDHE staff will work facilitate these efforts through interagency agreements.

APPENDIX H:

CONTRACTUAL RESPONSIBILITIES AND RELATIONSHIPS ASSUMED BY KDOA (CONTRACTS TO BE AMENDED)

APPENDIX H:

Contractual Responsibilities and Relationships Assumed by KDOA (Contracts to be Amended)

- The "1864 Agreement" between KDHE and the U.S. Department of Health and Human Services (Centers for Medicare and Medicaid Services) (pursuant to Sections 1864, 1874, and related provisions of the federal Social Security Act, as amended)

- MDS/OASIS Database Contract with Myers and Stauffer LC

- Interagency Agreement for Nursing Facility and Assisted Living Facility Reports (Kansas Department on Aging, Kansas Department of Health and Environment, Kansas Department of Social and Rehabilitation Services, The University of Kansas School of Social Welfare, and The University of Kansas Center for Research, Inc.)

- Interagency Agreement for Nursing Facility Survey and Facility Characteristics (Kansas Department of Health and Environment, Kansas Department on Aging, and The University of
Kansas Medical Center

- Johnson County Health Department Contract

- Wyandotte County Health Department Contract

- City of Wichita, Department of Environmental Health Contract

- Medicare Memorandum of Agreement between the Kansas Foundation for Medical Care, Inc. and the Kansas Department of Health and Environment

- Interagency Agreement between the Secretary of Social and Rehabilitation Services and the Secretary of Health and Environment for the Utilization Review for Individuals Living in Intermediate Care Facilities for the Mentally Retarded

- Interagency Agreement between the Secretary on Aging, the Secretary of Health and Environment, the Secretary of Social and Rehabilitation Services, and the Office of the State Long-Term Care Ombudsman (Pursuant to K.S.A. 39-1401 through 39-1442)

- Agreement between the Secretary of Health and Environment and the Kansas State Fire Marshal

- Interagency Agreement for the Survey and Certification of Nursing Facilities, Nursing Facilities for Mental Health, and Intermediate Care Facilities for the Mentally Retarded (Pursuant to 42 C.F.R. 431.610(f))

APPENDIX H – continued

- Adult Care Facilities Program Contract for Services between the Kansas Department of Health and Environment and Dr. Elaine Hacker (Consulting Physician)
- Interagency Agreement between The University of Kansas Medical Center, the Kansas Department of Health and Environment, and the Kansas Department on Aging (providing KUMC access to CMS data)
- Interagency Agreement between the Kansas Department of Health and Environment and the Kansas Department of Administration, Division of Facilities Management
- Verizon Wireless Cell Phone Contract with KDHE
- Savin Copier Maintenance Contract with KDHE
- KDHE Lektriever Service Contract with Automated Business Systems, Inc.
- KDHE Dictaphone Service Contract with Sound Recording, Inc.

APPENDIX I:

PROPOSED FY 2004 AMENDED BUDGET ALLOCATIONS

APPENDIX I:

Proposed FY 2004 Amended Budget Allocations

Funds	KDOA	KDHE
State General Fund	$1,468,630	$ 527,148
Medicare Fund (Title XVIII)	$2,201,450	$ 735,561
Medicaid Fund (Title XIX)	$2,421,673	$ 236,639
Health Facility Review Fund	(Eliminate)	$ 199,984
Adult Care Licensing Revolving Fund	$ 55,000	(Eliminate)
Agency Fee Fund	$ 22,924	$ 3,426
Total Funds to be Allocated	$6,169,677	$1,702,758
Total Associated FTE's to be Allocated	104.0	29.0

APPENDIX J:

PROPERTY IDENTIFIED FOR TRANSFER FROM KDHE TO KDOA

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NAME	PC	Hard Drive	RAM	Software	LapTop	Hard Drive	RAM	Software	Tele#	Tele Type
HEALTH FACILITIES PROGRAM ADMINISTRATION										
Joe Kroll	P III 550	8.6GB	128MB						296-1242	Speakerphone
Carri Carr	P III 733	30GB	256MB						296-1240	Console + Add-on
Ruth Glover	P III 550	8.6GB	128MB	MS Off 2000 Std					296-1283	Speakerphone
Jamie Merklein	P III 800	30GB	256MB						296-1241	Console
Elizabeth Montgomery	P III 733	30GB	256MB						296-6520	Console
Vacant (Jamie Merklein)	P II 350	3.2GB	64MB						296-1225	Console + Add-On
LONG TERM CARE PROGRAM										
Pat Maben	P III 733	30GB	256MB	MS Off 2000 Std					296-1246	Speakerphone
Vacant (Lyle Adams)	P II 350	4.3GB	64MB						296-1247	Speakerphone
Sandra Dickison	P II 350	4.3GB	64MB		P III 750	20GB	128MB	Crystal Reports 6	296-1245	Speakerphone
Caryl Gill	P IV 1.7GHz	60GB	512MB						296-4222	Speakerphone
Kay Jenista	P III 733	30GB	256MB	Smart Draw 6, MS Off 2000 Std, Raven 5					291-3552	Standard Desk
LICENSURE AND CERTIFICATION										
Greg Reser	P III 550	8.6GB	128MB	MS Off 2000 Std					291-3374	Speakerphone
Carolyn Anderson	P IV 1.7G	60GB	512MB						296-0133	Console
Rita Bailey-Brost	P III 550	8.6GB	128MB						296-1259	Console
Lois Bell	P III 733	30GB	256MB	FileNet					296-1258	Console
Jeff Burkhart	P III 733	30GB	256MB	Adobe Acrobat 5, Crystal Rpts 8.5, File Net, MS Off 2000 Std	P-166	3.0GB	84MB	Crystal Rpts 6	296-1243	Standard Desk
Roberta Doty	P IV 1.7GHz	60GB	512MB						296-1282	Console
George Dugger	P IV 1.7GHz	60GB	512MB	Adobe Acrobat 5, Crystal Rpts 8.5, Crystal Rpts 6, MS Off 2000 Std					368-7421	Speakerphone
	P III 550	8.6GB	256MB	MS Off 2000 Pro						
Stephen Johnson	P III 550	8.6GB	256MB	Access 2000, Adobe Acrbat 5, Corel Gallery, Crys Rpts 6, FileNet, MS Off 2000 Std					296-3695	Speakerphone

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NAME	PC	Hard Drive	RAM	Software	LapTop	Hard Drive	RAM	Software	Tele#	Tele Type
Mary Kennedy	P IV 1.7GHz	60GB	512MB	Crys Rpts 6, FileNet, MS Off 2000 Std					296-1265	Speakerphone
Tina Lewis	P III 733	30GB	256MB						296-1260	Console
Debra Mapes	P III 550	8.6GB	256MB	MS Off 2000 Std					368-7055	Speakerphone
Donna Stair	P III 550	8.6GB	256MB						296-1261	Console
Irina Strakhova	P III 733	30GB	256MB						296-0126	Console
Melissa Thompson	P III 733	30GB	256MB						296-1249	Console
Tamara Wilkerson	P III 733	30GB	256MB						296-1263	Speakerphone
MEDICAL FACILITIES AND SURVEY SUPPORT (PART OF LICENSURE AND CERTIFICATION PROGRAM)										
Charles Moore	P III 733	30GB	256MB	MS Off 2000 Std					296-0131	Speakerphone
Donna Deason	P III 733	30GB	256MB						296-1248	Speakerphone
Mary Kabriel	P IV 1.7G	60GB	512MB	MS Off 2000 Pro	P II 333	6.4GB	64MB	Crystal Reports 6, MS Off 2000 Pro	296-0127	Speakerphone
LAWRENCE DISTRICT OFFICE (PART OF LICENSURE AND CERTIFICTION PROGRAM)										
Karen Craig	P III 733	30GB	256MB	Adobe Acrobat 4	P III 750	20GB	128MB	Crystal Reports 6	842-4600	Toshiba Key Telephone System
Renae Pritchard					P III 750	20GB	128MB	Crystal Reports 6	"	"
Linda Bolin	P IV 1.6GHz	30GB	256MB	Crystal Reports 6					"	"
Nellie Dimmitt	P III 750	20GB	128MB	Crystal Reports 6					"	"
Daniel Langvardt	P IV 1.6GHz	30GB	256MB	Crystal Reports 6					"	"
Linda Lees	P III 750	20GB	128MB	Crystal Reports 6					"	"
Jacqueline Mason	P IV 1.6GHz	30GB	256MB	Crystal Reports 6					"	"
Lille Okwuone	P IV 1.6GHz	30GB	256MB	Crystal Reports 6					"	"
Diane Sands	P IV 1.6GHz	30GB	256MB	Crystal Reports 6					"	"
Lynn Searles	P III 750	20GB	128MB	Crystal Reports 6					"	"
Katherine Williams	P III 750	20GB	128MB	Crystal Reports 6					"	"
WEST DISTRICT OFFICE DODGE CITY, KINSLEY, HAYS (PART OF LICENSURE AND CERTIFICATION PROGRAM)										
Shirley Pepperd	P III 733	30GB	246MB		P 166	3.0GB	64MB	Crystal Reports 6	625-5663	Toshiba Key Telephone System
Shona Gleason					P III 750	20GB	128MB	Crystal Reports 6	"	"
Diann Brosch					P III 750	20GB	128MB	Crystal Reports 6	"	"
Rebecca Gibson					P II 333	6.4GB	64MB	Crystal Reports 6	"	"
Kevin Hickert					P III 750	20GB	128MB	Crystal Reports 6	"	"
Mary Osterhaus					P II 333	6.4GB	64MB	Crystal Reports 6	"	"
Tamara Reeves					P III 450	12GB	128MB	Crystal Reports 6	"	"
Vacant (Ruder, Roxanne)	P IV 1.6GB	30GB	256MB	Crystal Reports 6					"	"

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NAME	PC	Hard Drive	RAM	Software	LapTop	Hard Drive	RAM	Software	Tele#	Tele Type
Tracy Sanson					P IV 1.6GB	30GB	256MB	Crystal Reports 6	"	"
Carol Schiffelbein					P III 750	20GB	128MB	Crystal Reports 6	"	"
Leann Shelton					P IV 1.6GB	30GB	256MB	Crystal Reports 6	"	"
Cecilia Sherraden					P III 750	20GB	128MB	Crystal Reports 6	"	"
Carol Staab					P IV 1.6GB	30GB	256MB	Crystal Reports 6	"	"
Marsha Wilkening					P II 333	6.4GB	64MB	Crystal Reports 6	"	"
SOUTHEAST DISTRICT OFFICE CHANUTE AND COLUMBUS (PART OF LICENSURE AND CERTIFICATION PROGRAM)										
Mary Saporito	P III 733	30GB	256MB		P II 333	6.4GB	64MB	Crystal Reports 6	421-2390	Toshiba Key Telephone System
Jerry Lomshek					P II 333	6.4GB	64MB	Crystal Reports 6	"	"
Polly Barker					P IV 1.6GB	30GB	256MB	Crystal Reports 6	"	"
Wilma Hibdon					P II 333	6.4GB	64MB	Crystal Reports 6	"	"
Evelyn McMillan					P II 333	6.4GB	64MB	Crystal Reports 6	"	"
Leona Miller					P II 333	6.4GB	64MB	Crystal Reports 6	"	"
Nancy Ranz					Laptop				"	"
Nancy Romine					Laptop				"	"
Dee Stevens					P II 333	6.4GB	64MB	Crystal Reports 6	"	"
Maxine Thorne					P III 750	20GB	128MB	Crystal Reports 6	"	"
Janice Vangotten					PII 333	6.4GB	64MB	Crystal Reports 6	"	"
SALINA DISTRICT OFFICE (PART OF LICENSURE AND CERTIFICATION PROGRAM)										
Glenda Kracht	P III 733	30GB	256MB	Crystal Reports 6	P II 333	6.4GB	64MB	Crystal Reports 6	827-9639	Toshiba Key Telephone System
Barbara Stuart					P IV 1.6GB	30GB	256MB	Crystal Reports 6	"	"
Elnora Boatright					P IV 1.6GB	30GB	256MB	Crystal Reports 6	"	"
Robert Guilfoyle					P II 333	6.4GB	64MB	Crystal Reports 6	"	"
Susan Hine					P II 333	6.4GB	64MB	Crystal Reports 6	"	"
Pamela Huber					P II 333	6.4GB	64MB	Crystal Reports 6	"	"
Robert Jones					P IV 1.6GB	30GB	256MB	Crystal Reports 6	"	"
Linda Kegle					P II 333	6.4GB	64MB	Crystal Reports 6	"	"
Shirley Le Blanc					P III 900	20GB	128MB	Crystal Reports	"	"
Sandra Moberly					P IV 1.6GB	30GB	256MB	Crystal Reports 6	"	"
Madlyn Swenson					P IV 1.6GB	30GB	256MB	Crystal Reports 6	"	"
WICHITA DISTRICT OFFICE (PART OF LICENSURE AND CERTIFICATION PROGRAM)										
Wilda Lemon	P III 733	30GB	256MB	Crystal Reports 6					337-6063	Console
Rita Fitch					P II 333	6.4GB	64MB	Crystal Reports 6	337-6064	Standard Desk
Cathy Alexander					P IV 1.6GB	30GB	256MB	Crystal Reports 6	337-6062	Standard Desk
Debra Cable					P III 750	20GB	128MB	Crystal Reports 6	337-6079	Standard Desk

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APPENDIX K:

REVISIONS IN EXISTING STATUTES
INTRODUCED DURING THE 2003 LEGISLATIVE SESSION
AUTHORIZING ACTIVITIES RESULTING FROM KDOA-KDHE
EXECUTIVE REORGANIZATION
(SB 282 and HB 2467)

Session of 2003

SENATE BILL No. 282

By Committee on Ways and Means

4-3

AN ACT concerning adult care homes; transferring certain licensure and other powers, duties and functions from the department of health and environment to the department on aging; amending K.S.A. 39-924, 39-925, 39-926, 39-930, 39-938, 39-940, 39-944, 39-945, 39-946, 39-947, 39-948, 39-950, 39-951, 39-952, 39-953a, 39-954, 39-958, 39-961, 39-963, 39-965, 39-969, 39-1404, 39-1405, 39-1406, 39-1409 and 39-1411 and K.S.A. 2002 Supp. 32-906, 39-923, 39-936 and 39-1402 and repealing the existing sections.

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

Section 1. K.S.A. 2002 Supp. 32-906 is hereby amended to read as follows: 32-906. (a) Except as otherwise provided by law or rules and regulations of the secretary, a valid Kansas fishing license is required to fish or to take any bullfrog in this state.

(b) The provisions of subsection (a) do not apply to fishing by:

(1) A person, or a member of a person's immediate family domiciled with such person, on land owned by such person or on land leased or rented by such person for agricultural purposes;

(2) a resident of this state who is less than 16 years of age or who is 65 or more years of age;

(3) a nonresident who is less than 16 years of age;

(4) a person fishing in a private water fishing impoundment unless waived pursuant to K.S.A. 32-975 and amendments thereto;

(5) a resident of an adult care home, as defined by K.S.A. 39-923 and amendments thereto, licensed by the secretary of ~~health and environment~~ *aging*;

(6) an inmate in an honor camp operated by the secretary of corrections, pursuant to an agreement between the secretary of corrections and the secretary of wildlife and parks;

(7) a person on dates designated pursuant to subsection (f);

(8) a person fishing under a valid institutional group fishing license issued pursuant to subsection (g); or

(9) a participant in a fishing clinic sponsored or cosponsored by the department, during the period of time that the fishing clinic is being conducted.

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(c) The fee for a fishing license shall be the amount prescribed pursuant to K.S.A. 32-988 and amendments thereto.

(d) Unless otherwise provided by law or rules and regulations of the secretary, a fishing license is valid throughout the state.

(e) Unless otherwise provided by law or rules and regulations of the secretary, a fishing license is valid from the date of issuance and expires on December 31 following its issuance, except that the secretary may issue a:

(1) Permanent license pursuant to K.S.A. 32-929 and amendments thereto;

(2) lifetime license pursuant to K.S.A. 32-930 and amendments thereto;

(3) nonresident fishing license valid for a period of five days; and

(4) resident or nonresident fishing license valid for a period of 24 hours.

(f) The secretary may designate by resolution two days each calendar year during which persons may fish by legal means without having a valid fishing license.

(g) The secretary shall issue an annual institutional group fishing license to each facility operating under the jurisdiction of or licensed by the secretary of social and rehabilitation services and to any veterans administration medical center in the state of Kansas upon application by such facility or center to the secretary of wildlife and parks for such license.

All applications for facilities under the jurisdiction of the secretary of social and rehabilitation services shall be made with the approval of the secretary of social and rehabilitation services and shall provide such information as the secretary of wildlife and parks requires. All applications for any veterans administration medical center shall be made with the approval of the director of such facility and shall provide such information as the secretary of wildlife and parks requires. Persons who have been admitted to and are currently residing at the facility or center, not to exceed 20 at any one time, may fish under an institutional group fishing license within the state while on a group trip, group outing or other group activity which is supervised by the facility or center. Persons fishing under an institutional group fishing license shall not be required to obtain a fishing license but shall be subject to all other laws and to all rules and regulations relating to fishing.

The staff personnel of the facility or center supervising the group trip, group outing or other group activity shall have in their possession the institutional license when engaged in supervising any activity requiring the license. Such staff personnel may assist group members in all aspects of their fishing activity.

(h) The secretary may issue a special nonprofit group fishing license to any community, civic or charitable organization which is organized as a not-for-profit corporation, for use by such community, civic or charitable organization for the sole purpose of conducting group fishing activities for handicapped or developmentally disabled individuals. All applications for a special nonprofit group fishing license shall be made to the secretary or the secretary's designee and shall provide such information as required by the secretary.

Handicapped or developmentally disabled individuals, not to exceed 20 at any one time, may fish under a special nonprofit group fishing license while on a group trip, outing or activity which is supervised by the community, civic or charitable organization. Individuals fishing under a special nonprofit group fishing license shall not be required to obtain a fishing license but shall be subject to all other laws and rules and regulations relating to fishing.

The staff personnel of the community, civic or charitable organization supervising the group trip, outing or activity shall have in their possession the special nonprofit group fishing license when engaged in supervising any activity requiring the special nonprofit group fishing license. Such staff personnel may assist group members in all aspects of their fishing activity.

Sec. 2. K.S.A. 2002 Supp. 39-923 is hereby amended to read as follows: 39-923. (a) As used in this act:

(1) "Adult care home" means any nursing facility, nursing facility for mental health, intermediate care facility for the mentally retarded, assisted living facility, residential health care facility, home plus, boarding care home and adult day care facility, all of which classifications of adult care homes are required to be licensed by the secretary of ~~health and environment~~ *aging*.

(2) "Nursing facility" means any place or facility operating 24 hours a day, seven days a week, caring for six or more individuals not related within the third degree of relationship to the administrator or owner by blood or marriage and who, due to functional impairments, need skilled nursing care to compensate for activities of daily living limitations.

(3) "Nursing facility for mental health" means any place or facility operating 24 hours a day, seven days a week caring for six or more individuals not related within the third degree of relationship to the administrator or owner by blood or marriage and who, due to functional impairments, need skilled nursing care and special mental health services to compensate for activities of daily living limitations.

(4) "Intermediate care facility for the mentally retarded" means any place or facility operating 24 hours a day, seven days a week caring for six or more individuals not related within the third degree of relationship

to the administrator or owner by blood or marriage and who, due to functional impairments caused by mental retardation or related conditions need services to compensate for activities of daily living limitations.

(5) "Assisted living facility" means any place or facility caring for six or more individuals not related within the third degree of relationship to the administrator, operator or owner by blood or marriage and who, by choice or due to functional impairments, may need personal care and may need supervised nursing care to compensate for activities of daily living limitations and in which the place or facility includes apartments for residents and provides or coordinates a range of services including personal care or supervised nursing care available 24 hours a day, seven days a week for the support of resident independence. The provision of skilled nursing procedures to a resident in an assisted living facility is not prohibited by this act. Generally, the skilled services provided in an assisted living facility shall be provided on an intermittent or limited term basis, or if limited in scope, a regular basis.

(6) "Residential health care facility" means any place or facility, or a contiguous portion of a place or facility, caring for six or more individuals not related within the third degree or relationship to the administrator, operator or owner by blood or marriage and who, by choice or due to functional impairments, may need personal care and may need supervised nursing care to compensate for activities of daily living limitations and in which the place or facility includes individual living units and provides or coordinates personal care or supervised nursing care available on a 24-hour, seven-day-a-week basis for the support of resident independence. The provision of skilled nursing procedures to a resident in a residential health care facility is not prohibited by this act. Generally, the skilled services provided in a residential health care facility shall be provided on an intermittent or limited term basis, or if limited in scope, a regular basis.

(7) "Home plus" means any residence or facility caring for not more than eight individuals not related within the third degree of relationship to the operator or owner by blood or marriage unless the resident in need of care is approved for placement by the secretary of the department of social and rehabilitation services, and who, due to functional impairment, needs personal care and may need supervised nursing care to compensate for activities of daily living limitations. The level of care provided residents shall be determined by preparation of the staff and rules and regulations developed by the department ~~of health and environment~~ *on aging*. An adult care home may convert a portion of one wing of the facility to a not less than five-bed and not more than eight-bed home plus facility provided that the home plus facility remains separate from the adult care home, and each facility must remain contiguous.

(8) "Boarding care home" means any place or facility operating 24 hours a day, seven days a week, caring for not more than 10 individuals not related within the third degree of relationship to the operator or owner by blood or marriage and who, due to functional impairment, need supervision of activities of daily living but who are ambulatory and essentially capable of managing their own care and affairs.

(9) "Adult day care" means any place or facility operating less than 24 hours a day caring for individuals not related within the third degree of relationship to the operator or owner by blood or marriage and who, due to functional impairment need supervision of or assistance with activities of daily living.

(10) "Place or facility" means a building or any one or more complete floors of a building, or any one or more complete wings of a building, or any one or more complete wings and one or more complete floors of a building, and the term "place or facility" may include multiple buildings.

(11) "Skilled nursing care" means services performed by or under the immediate supervision of a registered professional nurse and additional licensed nursing personnel. Skilled nursing includes administration of medications and treatments as prescribed by a licensed physician or dentist; and other nursing functions which require substantial nursing judgment and skill based on the knowledge and application of scientific principles.

(12) "Supervised nursing care" means services provided by or under the guidance of a licensed nurse with initial direction for nursing procedures and periodic inspection of the actual act of accomplishing the procedures; administration of medications and treatments as prescribed by a licensed physician or dentist and assistance of residents with the performance of activities of daily living.

(13) "Resident" means all individuals kept, cared for, treated, boarded or otherwise accommodated in any adult care home.

(14) "Person" means any individual, firm, partnership, corporation, company, association or joint-stock association, and the legal successor thereof.

(15) "Operate an adult care home" means to own, lease, establish, maintain, conduct the affairs of or manage an adult care home, except that for the purposes of this definition the word "own" and the word "lease" shall not include hospital districts, cities and counties which hold title to an adult care home purchased or constructed through the sale of bonds.

(16) "Licensing agency" means the secretary of ~~health and environment~~ *aging*.

(17) "Skilled nursing home" means a nursing facility.

(18) "Intermediate nursing care home" means a nursing facility.

(19) "Apartment" means a private unit which includes, but is not limited to, a toilet room with bathing facilities, a kitchen, sleeping, living and storage area and a lockable door.

(20) "Individual living unit" means a private unit which includes, but is not limited to, a toilet room with bathing facilities, sleeping, living and storage area and a lockable door.

(21) "Operator" means an individual who operates an assisted living facility or residential health care facility with fewer than 61 residents, a home plus or adult day care facility and has completed a course approved by the secretary of health and environment on principles of assisted living and has successfully passed an examination approved by the ~~licensing agency~~ *secretary of health and environment* on principles of assisted living and such other requirements as may be established by the ~~licensing agency~~ *secretary of health and environment* by rules and regulations.

(22) "Activities of daily living" means those personal, functional activities required by an individual for continued well-being, including but not limited to eating, nutrition, dressing, personal hygiene, mobility, toileting.

(23) "Personal care" means care provided by staff to assist an individual with, or to perform activities of daily living.

(24) "Functional impairment" means an individual has experienced a decline in physical, mental and psychosocial well-being and as a result, is unable to compensate for the effects of the decline.

(25) "Kitchen" means a food preparation area that includes a sink, refrigerator and a microwave oven or stove.

(26) The term "intermediate personal care home" for purposes of those individuals applying for or receiving veterans' benefits means residential health care facility.

(b) The term "adult care home" shall not include institutions operated by federal or state governments, except institutions operated by the Kansas commission on veterans affairs, hospitals or institutions for the treatment and care of psychiatric patients, child care facilities, maternity centers, hotels, offices of physicians or hospices which are certified to participate in the medicare program under 42 code of federal regulations, chapter IV, section 418.1 *et seq.* and amendments thereto and which provide services only to hospice patients.

~~(c) Facilities licensed under K.S.A. 39-1501 *et seq.* and amendments thereto or K.S.A. 75-3307b and amendments thereto or under this section as an intermediate personal care home or with license applications on file with the licensing agency as intermediate personal care homes on or before January 1, 1995, shall have the option of becoming licensed as either an assisted living facility or a residential health care facility without being required to add kitchens or private baths.~~

~~(d)~~ *(c)* Nursing facilities in existence on the effective date of this act changing licensure categories to become residential health care facilities shall be required to provide private bathing facilities in a minimum of 20% of the individual living units.

~~(e)~~ *(d)* Facilities licensed under the adult care home licensure act on the day immediately preceding the effective date of this act shall continue to be licensed facilities until the annual renewal date of such license and may renew such license in the appropriate licensure category under the adult care home licensure act subject to the payment of fees and other conditions and limitations of such act.

~~(f)~~ *(e)* Nursing facilities with less than 60 beds converting a portion of the facility to residential health care shall have the option of licensing for residential health care for less than six individuals but not less than 10% of the total bed count within a contiguous portion of the facility.

~~(g)~~ *(f)* The licensing agency may by rule and regulation change the name of the different classes of homes when necessary to avoid confusion in terminology and the agency may further amend, substitute, change and in a manner consistent with the definitions established in this section, further define and identify the specific acts and services which shall fall within the respective categories of facilities so long as the above categories for adult care homes are used as guidelines to define and identify the specific acts.

Sec. 3. K.S.A. 39-924 is hereby amended to read as follows: 39-924. The purpose of this act is the development, establishment, and enforcement of standards (1) for the care, treatment, health, safety, welfare and comfort of individuals in adult care homes licensed by the secretary of ~~health and environment~~ *aging* and (2) for the construction, general hygiene, maintenance and operation of said adult care homes, which, in the light of advancing knowledge, will promote safe and adequate accommodation, care and treatment of such individuals in adult care homes.

Sec. 4. K.S.A. 39-925 is hereby amended to read as follows: 39-925. *(a)* The administration of ~~this~~ *the adult care home licensure* act ~~shall be under the secretary of health and environment~~ *is hereby transferred from the secretary of health and environment to the secretary of aging, except as otherwise provided by this act. On the effective date of this act, the administration of the adult care home licensure act shall be under authority of the secretary of aging* as the licensing agency in conjunction with the state fire marshal, and shall have the assistance of the county, city-county or multicounty health departments, local fire and safety authorities and other agencies of government in this state.

(b) The secretary of aging shall be a continuation of the secretary of health and environment as to the programs transferred and shall be the successor in every way to the powers, duties and functions of the secretary

of health and environment for such programs, except as otherwise provided by this act. On and after the effective date of this act, for each of the programs transferred, every act performed in the exercise of such powers, duties and functions by or under the authority of the secretary of aging shall be deemed to have the same force and effect as if performed by the secretary of health and environment in whom such powers were vested prior to the effective date of this act.

(c) (1) No suit, action or other proceeding, judicial or administrative, which pertains to any of the transferred adult care home survey, certification and licensing programs, and reporting of abuse, neglect or exploitation of adult care home residents, which is lawfully commenced, or could have been commenced, by or against the secretary of health and environment in such secretary's official capacity or in relation to the discharge of such secretary's official duties, shall abate by reason of the transfer of such programs. The secretary of aging shall be named or substituted as the defendant in place of the secretary of health and environment in any suit, action or other proceeding involving claims arising from facts or events first occurring either on or before the effective date of this act or thereafter.

(2) No suit, action or other proceeding, judicial or administrative, pertaining to the adult care home survey, certification and licensing programs or to the reporting of abuse, neglect or exploitation of adult care home residents which otherwise would have been dismissed or concluded shall continue to exist by reason of any transfer under this act.

(3) No criminal action commenced or which could have been commenced by the state shall abate by the taking effect of this act.

(4) Any final appeal decision of the department of health and environment entered pursuant to K.S.A. 39-923 et seq., and amendments thereto, K.S.A. 39-1401 *et seq.*, and amendments thereto, or the act for judicial review and civil enforcement of agency actions, K.S.A. 77-601 *et seq.*, and amendments thereto, currently pertaining to adult care home certification, survey and licensing or reporting of abuse, neglect or exploitation of adult care home residents, transferred pursuant to this act shall be binding upon and applicable to the secretary of aging and the department on aging.

(5) All orders and directives under the adult care home licensure act by the secretary of health and environment in existence immediately prior to the effective date of the transfer of powers, duties and functions by this act, shall continue in force and effect and shall be deemed to be duly issued orders, and directives of the secretary of aging, until reissued, amended or nullified pursuant to law.

(d) (1) All rules and regulations of the department of health and environment adopted pursuant to K.S.A. 39-923 *et seq.*, and amendments thereto, and in effect on the effective date of this act, which promote the safe, proper and adequate treatment and care of individuals in adult care homes, except those specified in subsection (d)(2) of this section, shall continue to be effective and shall be deemed to be rules and regulations of the secretary of aging, until revised, amended, revoked or nullified by the secretary of aging, or otherwise, pursuant to law.

(2) The following rules and regulations of the department of health and environment adopted pursuant to K.S.A. 39-923 *et seq*., and amendments thereto, and in effect on the effective date of this act, shall remain the rules and regulations of the secretary of health and environment: K.A.R. 28-39-164 through 28-39-174.

(e) All contracts shall be made in the name of "secretary of aging" and in that name the secretary of aging may sue and be sued on such contracts. The grant of authority under this subsection shall not be construed to be a waiver of any rights retained by the state under the 11th amendment to the United States constitution and shall be subject to and shall not supersede the provisions of any appropriation act of this state.

Sec. 5. K.S.A. 39-926 is hereby amended to read as follows: 39-926. It shall be unlawful for any person or persons acting jointly or severally to operate an adult care home within this state except upon license first had and obtained for that purpose from the secretary of ~~health and environment~~ *aging* as the licensing agency upon application made therefor as provided in this act, and compliance with the requirements, standards, rules and regulations, promulgated under its provisions.

Sec. 6. K.S.A. 39-930 is hereby amended to read as follows: 39-930. The fee for license to operate an adult care home shall be a base amount plus an additional amount for each bed of such home which shall be paid to the secretary of ~~health and environment~~ *aging* before the license is issued. The fee shall be fixed by rules and regulations of the secretary of ~~health and environment~~ *aging*. The fee shall be deposited in the state treasury and credited to the state general fund unless the evaluation and inspection was made by a county, city-county or multicounty health department at the direction of the secretary of health and environment and the papers required are completed and filed with the secretary, then 40% of the fee collected shall be forwarded to such county, city-county or multicounty health department. If a facility has a change of administrator after the commencement of the licensing period, the fee shall be $15 and shall be deposited in the state treasury and credited to the state general fund.

Sec. 7. K.S.A. 2002 Supp. 39-936 is hereby amended to read as follows: 39-936. (a) The presence of each resident in an adult care home shall be covered by a statement provided at the time of admission, or prior thereto, setting forth the general responsibilities and services and daily or monthly charges for such responsibilities and services. Each resident shall be provided with a copy of such statement, with a copy going to any individual responsible for payment of such services and the adult care home shall keep a copy of such statement in the resident's file. No such statement shall be construed to relieve any adult care home of any requirement or obligation imposed upon it by law or by any requirement, standard or rule and regulation adopted pursuant thereto.

(b) A qualified person or persons shall be in attendance at all times upon residents receiving accommodation, board, care, training or treatment in adult care homes. The licensing agency may establish necessary standards and rules and regulations prescribing the number, qualifications, training, standards of conduct and integrity for such qualified person or persons attendant upon the residents.

(c) (1) The licensing agency shall require unlicensed employees of an adult care home, except an adult care home licensed for the provision of services to the mentally retarded which has been granted an exception by the ~~licensing agency~~ *secretary of health and environment* upon a finding by the licensing agency that an appropriate training program for unlicensed employees is in place for such adult care home, employed on and after the effective date of this act who provide direct, individual care to residents and who do not administer medications to residents and who have not completed a course of education and training relating to resident care and treatment approved by the ~~licensing agency~~ *secretary of health and environment* or are not participating in such a course on the effective date of this act to complete successfully 40 hours of training in basic resident care skills. Any unlicensed person who has not completed 40 hours of training relating to resident care and treatment approved by the ~~licensing agency~~ *secretary of health and environment* shall not provide direct, individual care to residents. The 40 hours of training shall be supervised by a registered professional nurse and the content and administration thereof shall comply with rules and regulations adopted by the ~~licensing agency~~ *secretary of health and environment*. The 40 hours of training may be prepared and administered by an adult care home or by any other qualified person and may be conducted on the premises of the adult care home. The 40 hours of training required in this section shall be a part of any course of education and training required by the ~~licensing agency~~ *secretary of health and environment* under subsection (c)(2).

(2) The licensing agency may require unlicensed employees of an adult care home, except an adult care home licensed for the provision of services to the mentally retarded which has been granted an exception by the ~~licensing agency~~ *secretary of health and environment* upon a finding by the licensing agency that an appropriate training program for unlicensed employees is in place for such adult care home, who provide

direct, individual care to residents and who do not administer medications to residents after 90 days of employment to successfully complete an approved course of instruction and an examination relating to resident care and treatment as a condition to continued employment by an adult care home. A course of instruction may be prepared and administered by any adult care home or by any other qualified person. A course of instruction prepared and administered by an adult care home may be conducted on the premises of the adult care home which prepared and which will administer the course of instruction. The licensing agency shall not require unlicensed employees of an adult care home who provide direct, individual care to residents and who do not administer medications to residents to enroll in any particular approved course of instruction as a condition to the taking of an examination, but the ~~licensing agency~~ *secretary of health and environment* shall prepare guidelines for the preparation and administration of courses of instruction and shall approve or disapprove courses of instruction. Unlicensed employees of adult care homes who provide direct, individual care to residents and who do not administer medications to residents may enroll in any approved course of instruction and upon completion of the approved course of instruction shall be eligible to take an examination. The examination shall be prescribed by the ~~licensing agency~~ *secretary of health and environment*, shall be reasonably related to the duties performed by unlicensed employees of adult care homes who provide direct, individual care to residents and who do not administer medications to residents and shall be the same examination given by the ~~licensing agency~~ *secretary of health and environment* to all unlicensed employees of adult care homes who provide direct, individual care to residents and who do not administer medications.

(3) The ~~licensing agency~~ *secretary of health and environment* shall fix, charge and collect a fee to cover all or any part of the costs of the licensing agency under this subsection (c). The fee shall be fixed by rules and regulations of the ~~licensing agency~~ *secretary of health and environment*. The fee shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the state general fund.

(4) The ~~licensing agency~~ *secretary of health and environment* shall establish a state registry containing information about unlicensed employees of adult care homes who provide direct, individual care to residents and who do not administer medications in compliance with the requirements pursuant to PL 100-203, Subtitle C, as amended November 5, 1990.

(5) No adult care home shall use an individual as an unlicensed em-

ployee of the adult care home who provides direct, individual care to residents and who does not administer medications unless the facility has inquired of the state registry as to information contained in the registry concerning the individual.

(6) Beginning July 1, 1993, the adult care home must require any unlicensed employee of the adult care home who provides direct, individual care to residents and who does not administer medications and who since passing the examination required under paragraph (2) of this subsection has had a continuous period of 24 consecutive months during none of which the unlicensed employee provided direct, individual care to residents to complete an approved refresher course. The ~~licensing agency~~ *secretary of health and environment* shall prepare guidelines for the preparation and administration of refresher courses and shall approve or disapprove courses.

(d) Any person who has been employed as an unlicensed employee of an adult care home in another state may be so employed in this state without an examination if the secretary of health and environment determines that such other state requires training or examination, or both, for such employees at least equal to that required by this state.

(e) All medical care and treatment shall be given under the direction of a physician authorized to practice under the laws of this state and shall be provided promptly as needed.

(f) No adult care home shall require as a condition of admission to or as a condition to continued residence in the adult care home that a person change from a supplier of medication needs of their choice to a supplier of medication selected by the adult care home. Nothing in this subsection (f) shall be construed to abrogate or affect any agreements entered into prior to the effective date of this act between the adult care home and any person seeking admission to or resident of the adult care home.

(g) Except in emergencies as defined by rules and regulations of the licensing agency and except as otherwise authorized under federal law, no resident may be transferred from or discharged from an adult care home involuntarily unless the resident or legal guardian of the resident has been notified in writing at least 30 days in advance of a transfer or discharge of the resident.

(h) No resident who relies in good faith upon spiritual means or prayer for healing shall, if such resident objects thereto, be required to undergo medical care or treatment.

Sec. 8. K.S.A. 39-938 is hereby amended to read as follows: 39-938. Adult care homes shall comply with all the lawfully established requirements and rules and regulations of the secretary of ~~health and environment~~ *aging* and the state fire marshal, and any other agency of government so far as pertinent and applicable to adult care homes, their buildings, operators, staffs, facilities, maintenance, operation, conduct, and the care and treatment of residents. The administrative rules and regulations of the state board of cosmetology and of the Kansas board of barbering shall not apply to adult care homes.

Sec. 9. K.S.A. 39-940 is hereby amended to read as follows: 39-940. (a) The secretary of ~~health and environment~~ *aging* may prescribe and supply necessary forms for applications, reports, records and inspections for adult care homes. All prescribed records shall be open to inspection by the designated agents of the agencies administering this act.

(b) It shall be unlawful to:

(1) Make false entries in such records;

(2) omit any information required or make any false report concerning any adult care home; or

(3) file or cause to be filed such false or incomplete records or reports with the department ~~of health and environment~~ *on aging* or with any agency administering this act, knowing that such records or reports are false or incomplete.

Sec. 10. K.S.A. 39-944 is hereby amended to read as follows: 39-944. Notwithstanding the existence or pursuit of any other remedy, the secretary of ~~health and environment~~ *aging*, as the licensing agency, in the manner provided by the act for judicial review and civil enforcement of agency actions, may maintain an action in the name of the state of Kansas for injunction or other process against any person or agency to restrain or prevent the operation of an adult care home without a license under this act.

Sec. 11. K.S.A. 39-945 is hereby amended to read as follows: 39-945. A correction order may be issued by the secretary of ~~health and environment~~ *aging* or the secretary's designee to a person licensed to operate an adult care home whenever the state fire marshal or the marshal's representative or a duly authorized representative of the secretary of ~~health and environment~~ *aging* inspects or investigates an adult care home and determines that the adult care home is not in compliance with the provisions of article 9 of chapter 39 of the Kansas Statutes Annotated or rules and regulations promulgated thereunder which individually or jointly affects significantly and adversely the health, safety, nutrition or sanitation of the adult care home residents. The correction order shall be served upon the licensee either personally or by certified mail, return receipt requested. The correction order shall be in writing, shall state the specific deficiency, cite the specific statutory provision or rule and regulation alleged to have been violated, and shall specify the time allowed for correction.

Sec. 12. K.S.A. 39-946 is hereby amended to read as follows: 39-946.

(a) If upon reinspection by the state fire marshal or the marshal's representative or a duly authorized representative of the secretary of ~~health and environment~~ *aging*, which reinspection shall be conducted within 14 days from the day the correction order is served upon the licensee, it is found that the licensee of the adult care home which was issued a correction order has not corrected the deficiency or deficiencies specified in the order, the secretary of ~~health and environment~~ *aging* may assess a civil penalty in an amount not to exceed $500 per day per deficiency against the licensee of an adult care home for each day subsequent to the day following the time allowed for correction of the deficiency as specified in the correction order that the adult care home has not corrected the deficiency or deficiencies listed in the correction order, but the maximum assessment shall not exceed $2,500. ~~Prior to the assessment of a civil penalty, the case shall be reviewed by a person licensed to practice medicine and surgery.~~ A written notice of assessment shall be served upon the licensee of an adult care home either personally or by certified mail, return receipt requested.

(b) Before the assessment of a civil penalty, the secretary *of aging* shall consider the following factors in determining the amount of the civil penalty to be assessed: (1) The severity of the violation; (2) the good faith effort exercised by the adult care home to correct the violation; and (3) the history of compliance of the ownership of the adult care home with the rules and regulations. If the secretary of ~~health and environment~~ *aging* finds that some or all deficiencies cited in the correction order have also been cited against the adult care home as a result of any inspection or investigation which occurred within 18 months prior to the inspection or investigation which resulted in such correction order, the secretary of ~~health and environment~~ *aging* may double the civil penalty assessed against the licensee of the adult care home, the maximum not to exceed $5,000.

(c) All civil penalties assessed shall be due and payable within 10 days after written notice of assessment is served on the licensee, unless a longer period of time is granted by the secretary. If a civil penalty is not paid within the applicable time period, the secretary of ~~health and environment~~ *aging* may file a certified copy of the notice of assessment with the clerk of the district court in the county where the adult care home is located. The notice of assessment shall be enforced in the same manner as a judgment of the district court.

Sec. 13. K.S.A. 39-947 is hereby amended to read as follows: 39-947. Any licensee against whom a civil penalty has been assessed under K.S.A. 39-946, and amendments thereto, may appeal such assessment within 10 days after receiving a written notice of assessment by filing with the secretary of ~~health and environment~~ *aging* written notice of appeal specifying why such civil penalty should not be assessed. Such appeal shall not operate to stay the payment of the civil penalty. Upon receipt of the notice of appeal, the secretary of ~~health and environment~~ *aging* shall conduct a hearing in accordance with the provisions of the Kansas administrative procedure act. If the secretary *of aging* sustains the appeal, any civil penalties collected shall be refunded forthwith to the appellant licensee with interest at the rate established by K.S.A. 16-204, and amendments thereto, from the date of payment of the civil penalties to the secretary *of aging*. If the secretary *of aging* denies the appeal and no appeal from the secretary is taken to the district court in accordance with the provisions of the act for judicial review and civil enforcement of agency actions, the secretary *of aging* shall dispose of any civil penalties collected as provided in K.S.A. 39-949, and amendments thereto.

Sec. 14. K.S.A. 39-948 is hereby amended to read as follows: 39-948. (a) A licensee may appeal to the district court from a decision of the secretary *of aging* under K.S.A. 39-947, and amendments thereto. The appeal shall be tried in accordance with the provisions of the act for judicial review and civil enforcement of agency actions.

(b) An appeal to the district court or to an appellate court shall not stay the payment of the civil penalty. If the court sustains the appeal, the secretary of ~~health and environment~~ *aging* shall refund forthwith the payment of any civil penalties to the licensee with interest at the rate established by K.S.A. 16-204, and amendments thereto, from the date of payment of the civil penalties to the secretary. If the court denies the appeal, the secretary of ~~health and environment~~ *aging* shall dispose of any civil penalties collected as provided in K.S.A. 39-949, and amendments thereto.

Sec. 15. K.S.A. 39-950 is hereby amended to read as follows: 39-950. The secretary of ~~health and environment~~ *aging* may adopt rules and regulations necessary to carry out the provisions of this act.

Sec. 16. K.S.A. 39-951 is hereby amended to read as follows: 39-951. The authority granted to the secretary of ~~health and environment~~ *aging* under this act is in addition to other statutory authority the secretary *of aging* has to require the licensing and operation of adult care homes and is not to be construed to limit any of the powers and duties of the secretary *of aging* under article 9 of chapter 39 of the Kansas Statutes Annotated.

Sec. 17. K.S.A. 39-952 is hereby amended to read as follows: 39-952. The secretary of ~~health and environment~~ *aging* or the secretary's designee shall not issue a correction order to a person licensed to operate an adult care home because of a violation of a provision of article 9 of chapter 39 of the Kansas Statutes Annotated or a rule and regulation adopted thereunder which was caused by any person licensed by the state board of healing arts to practice a branch of the healing arts if such person licensed by the state board of healing arts is not an owner, operator or employee of the adult care home and if the person licensed to operate the adult care home shows that such person has exercised reasonable diligence in notifying the person licensed by the state board of healing arts to practice a branch of the healing arts of such person's duty to the residents of the adult care home.

Sec. 18. K.S.A. 39-953a is hereby amended to read as follows: 39-953a. (a) At any time the secretary of ~~health and environment~~ *aging* initiates any action concerning an adult care home in which it is alleged that there has been a substantial failure to comply with the requirements, standards or rules and regulations established under the adult care home licensure act, that conditions exist in the adult care home which are life threatening or endangering to the residents of the adult care home, that the adult care home is insolvent, or that the adult care home has deficiencies which significantly and adversely affect the health, safety, nutrition or sanitation of the adult care home residents, the secretary *of aging* may issue an order, pursuant to the emergency proceedings provided for under the Kansas administrative procedure act, prohibiting any new admissions into the adult care home until further determination by the secretary *of aging*. This remedy granted to the secretary *of aging* is in addition to any other statutory authority the secretary *of aging* has relating to the licensure and operation of adult care homes and is not be construed to limit any of the powers and duties of the secretary *of aging* under the adult care home licensure act.

(b) This section shall be part of and supplemental to the adult care home licensure act.

Sec. 19. K.S.A. 39-954 is hereby amended to read as follows: 39-954. (a) The secretary of ~~health and environment~~ *aging*, the owner of an adult care home, or the person licensed to operate an adult care home may file an application with the district court for an order appointing the secretary of ~~health and environment~~ *aging* or the designee of the secretary as receiver to operate an adult care home whenever: (1) Conditions exist in the adult care home that are life threatening or endangering to the residents of the adult care home; (2) the adult care home is insolvent; or (3) the secretary of ~~health and environment~~ *aging* has issued an order revoking the license of the adult care home.

(b) The secretary of ~~health and environment~~ *aging* may adopt rules and regulations setting forth the necessary qualifications of persons to be designated receivers and a method for selecting designees.

Sec. 20. K.S.A. 39-958 is hereby amended to read as follows: 39-958. *(a)* The application for receivership shall be given priority by the district court and shall be heard no later than the seventh ~~(7th)~~ day following the filing of the application. A continuance of no more than ~~ten (10)~~ *10* days may be granted by the district court for good cause. The district court shall give all parties who have filed an answer the opportunity to present evidence pertaining to the application. If the district court finds that the facts warrant the granting of the application, the court shall appoint the secretary of ~~health and environment~~ *aging* or the designee of the secretary as receiver to operate the home.

(b) Upon the appointment of a receiver under this section, the receiver shall be granted a license by the licensing agency to operate an adult care home as provided under the provisions of article 9 of chapter 39 of the Kansas Statutes Annotated, and acts amending the provisions thereof or acts supplemental thereto. The provisions of article 9 of chapter 39 of the Kansas Statutes Annotated, and acts amending the provisions thereof and acts supplemental thereto, relating to inspection prior to granting a license to operate an adult care home and relating to payment of license fees shall not apply to a license granted to a receiver under this section, and such license shall remain in effect during the existence of the receivership and shall expire on the termination of the receivership. The receiver shall make application for the license on forms provided for this purpose by the licensing agency.

Sec. 21. K.S.A. 39-961 is hereby amended to read as follows: 39-961. *(a)* The personnel and facilities of the department ~~of health and environment~~ *on aging* shall be available to the receiver for the purposes of carrying out the receiver's duties as receiver as authorized by the secretary of ~~health and environment~~ *aging*.

(b) The department ~~of health and environment~~ *on aging* shall itemize and keep a ledger showing costs of personnel and other expenses establishing the receivership and assisting the receiver and such amount shall be owed by the owner or licensee to the department ~~of health and environment~~ *on aging*. Such department shall submit a bill for such expenses to the receiver for inclusion in the receiver's final accounting. Any amount so billed and until repaid shall constitute a lien against all non-exempt personal and real property of the owner or licensee.

Sec. 22. K.S.A. 39-963 is hereby amended to read as follows: 39-963. (a) The court shall terminate the receivership only under any of the following circumstances:

(1) Twenty-four months after the date on which the receivership was ordered;

(2) a new license, other than the license granted to the receiver under K.S.A. 39-958 and amendments thereto, has been granted to operate the adult care home; or

(3) at such time as all of the residents in the adult care home have been provided alternative modes of health care, either in another adult care home or otherwise.

(b) *(1)* At the time of termination of the receivership, the receiver shall render a full and complete accounting to the district court and shall make disposition of surplus money at the direction of the district court.

*(2)*The court may make such additional orders as are appropriate to recover the expenses and costs to the department ~~of health and environment~~ *on aging* and the secretary of social and rehabilitation services incurred pursuant to K.S.A. 39-960 or 39-961 and amendments thereto.

Sec. 23. K.S.A. 39-965 is hereby amended to read as follows: 39-965. (a) If the secretary of ~~health and environment~~ *aging* determines that an adult care home is in violation of or has violated any requirements, standards or rules and regulations established under the adult care home licensure act which violation can reasonably be determined to have resulted in, caused or posed serious physical harm to a resident, the secretary *of aging* in accordance with proceedings under the Kansas administrative procedure act, may assess a civil penalty against the licensee of such adult care home in an amount of not to exceed $1,000 per day per violation for each day the secretary finds that the adult care home was not in compliance with such requirements, standards or rules and regulations but the maximum assessment shall not exceed $10,000.

(b) All civil penalties assessed shall be due and payable in accordance with subsection (c) of K.S.A. 39-946 and K.S.A. 39-947 and amendments thereto.

(c) The secretary of ~~health and environment~~ *aging* may adopt rules and regulations which shall include due process procedures for the issuance of civil penalties relating to nursing facilities.

(d) The authority to assess civil penalties granted to the secretary of ~~health and environment~~ *aging* under this section is in addition to any other statutory authority of the secretary relating to the licensure and operation of adult care homes and is not to be construed to limit any of the powers and duties of the secretary *of aging* under the adult care home licensure act.

(e) This section shall be part of and supplemental to the adult care home licensure act.

Sec. 24. K.S.A. 39-969 is hereby amended to read as follows: 39-969. (a) The ~~licensing agency~~ *secretary of health and environment* shall upon request receive from the Kansas bureau of investigation, without charge, such criminal history record information relating to criminal convictions as necessary for the purpose of determining initial and continuing qualifications of an operator.

(b) This section shall be part of and supplemental to the adult care home licensure act.

New Sec. 25. (a) On July 1, 2003, certain powers, duties and functions of the secretary of health and environment under K.S.A.39-1401 through 39-1411, and amendments thereto, are hereby transferred from the secretary of health and environment to the secretary of aging, as provided by this act.

(b) No suit, action or other proceeding, judicial or administrative, which pertains to any of the transferred reporting of abuse, neglect or exploitation of adult care home residents, which is lawfully commenced, or could have been commenced, by or against the secretary of health and environment in such secretary's official capacity or in relation to the discharge of such secretary's official duties, shall abate by reason of the transfer of such program. The secretary of aging shall be named or substituted as the defendant in place of the secretary of health and environment in any suit, action or other proceeding involving claims arising from facts or events first occurring either on or before the date the pertinent program is transferred or on any date thereafter.

(c) No suit, action or other proceeding, judicial or administrative, pertaining to the reporting of abuse, neglect or exploitation of adult care home residents which otherwise would have been dismissed or concluded shall continue to exist by reason of any transfer under this act.

(d) Any final appeal decision of the department of health and environment entered pursuant to K.S.A. 39-1401 *et seq.*, and amendments thereto, or the act for judicial review and civil enforcement of agency actions, K.S.A. 77-601 *et seq.*, and amendments thereto, currently pertaining to reporting of abuse, neglect or exploitation of adult care home residents, transferred pursuant to this act shall be binding upon and applicable to the secretary of aging and the department on aging.

Sec. 26. K.S.A. 2002 Supp. 39-1402 is hereby amended to read as follows: 39-1402. (a) Any person who is licensed to practice any branch of the healing arts, a licensed psychologist, a licensed master level psychologist, a licensed clinical psychotherapist, a chief administrative officer of a medical care facility, an adult care home administrator or operator, a licensed social worker, a licensed professional nurse, a licensed practical nurse, a licensed marriage and family therapist, a licensed clinical marriage and family therapist, licensed professional counselor, licensed clinical professional counselor, registered alcohol and drug abuse counselor, a teacher, a bank trust officer, a guardian or a conservator who has reasonable cause to believe that a resident is being or has been abused, neglected or exploited, or is in a condition which is the result of such abuse, neglect or exploitation or is in need of protective services, shall report immediately such information or cause a report of such information to be made in any reasonable manner to the department of ~~health and environment~~ *aging* with respect to residents defined under (a)(1) ~~and (a)(2)~~ of K.S.A. 39-1401 and amendments thereto and to the *department of health and environment with respect to residents defined under (a)(2)* *of K.S.A 39-1401, and amendments thereto, and to the* department of social and rehabilitation services with respect to all other residents. Reports made to one department which are required by this subsection to be made to the other department shall be referred by the department to which the report is made to the appropriate department for that report, and any such report shall constitute compliance with this subsection. Reports shall be made during the normal working week days and hours of operation of such departments. Reports shall be made to law enforcement agencies during the time the departments are not open for business. Law enforcement agencies shall submit the report and appropriate information to the appropriate department on the first working day that such department is open for business. A report made pursuant to K.S.A. 65-4923 or 65-4924 and amendments thereto shall be deemed a report under this section.

(b) The report made pursuant to subsection (a) shall contain the name and address of the person making the report and of the caretaker caring for the resident, the name and address of the involved resident, information regarding the nature and extent of the abuse, neglect or exploitation, the name of the next of kin of the resident, if known, and any other information which the person making the report believes might be helpful in an investigation of the case and the protection of the resident.

(c) Any other person having reasonable cause to suspect or believe that a resident is being or has been abused, neglected or exploited, or is in a condition which is the result of such abuse, neglect or exploitation or is in need of protective services may report such information to the department of ~~health and environment~~ *aging* with respect to residents defined under (a)(1) ~~and (a)(2)~~ of K.S.A. 39-1401 and amendments thereto, *to the department of health and environment with respect to residents defined under (a)(2) of K.S.A. 39-1401, and amendments thereto,* and to the department of social and rehabilitation services with respect to all other residents. Reports made to one department which are to be made to the other department under this section shall be referred by the department to which the report is made to the appropriate department for that report.

(d) Notice of the requirements of this act and the department to which a report is to be made under this act shall be posted in a conspicuous place in every adult care home and medical care facility in this state.

(e) Any person required to report information or cause a report of information to be made under subsection (a) who knowingly fails to make such report or cause such report to be made shall be guilty of a class B misdemeanor.

Sec. 27. K.S.A. 39-1404 is hereby amended to read as follows: 39-1404. (a) The department of health and environment or the department of social and rehabilitation services upon receiving a report that a resident is being, or has been, abused, neglected or exploited, or is in a condition which is the result of such abuse, neglect or exploitation or is in need of protective services shall:

(1) When a criminal act has occurred or has appeared to have occurred, immediately notify the appropriate law enforcement agency;

(2) make a personal visit with the involved resident:

(A) Within 24 hours when the information from the reporter indicates imminent danger to the health or welfare of the involved resident;

(B) within three working days for all reports of suspected abuse, when the information from the reporter indicates no imminent danger; or

(C) within five working days for all reports of neglect or exploitation when the information from the reporter indicates no imminent danger.

(3) Complete, within 30 working days of receiving a report, a thorough investigation and evaluation to determine the situation relative to the condition of the involved resident and what action and services, if any, are required. The investigation shall include, but not be limited to, consultation with those individuals having knowledge of the facts of the particular case; and

(4) prepare, upon a completion of the evaluation of each case, a written assessment which shall include an analysis of whether there is or has been abuse, neglect or exploitation; recommended action; a determination of whether protective services are needed; and any follow up.

(b) The department which investigates the report shall inform the complainant, upon request of the complainant, that an investigation has been made and, if the allegations of abuse, neglect or exploitation have been substantiated, that corrective measures will be taken if required.

(c) The department of ~~health and environment~~ *on aging* may inform the chief administrative officer of a facility as defined by K.S.A. 39-923 and amendments thereto of confirmed findings of resident abuse, neglect or exploitation.

Sec. 28. K.S.A. 39-1405 is hereby amended to read as follows: 39-1405. (a) The secretary of ~~health and environment~~ *aging* shall forward to the secretary of social and rehabilitation services any finding ~~that a resident may be in need of protective services~~ *with respect to residents defined under (a)(1) of K.S.A. 39-1401, and amendments thereto, who may be in need of protective services. The secretary of health and environment shall forward to the secretary of social and rehabilitation services any finding with respect to residents defined under (a)(2) of K.S.A. 39-1401, and amendments thereto, who may be in need of protective services.* If the secretary of social and rehabilitation services determines that a resident is in need of protective services, the secretary of social and rehabilitation services shall provide the necessary protective services, if a resident consents. If a resident fails to consent and the secretary of social and rehabilitation services has reason to believe that such a resident lacks capacity to consent, the secretary of social and rehabilitation services shall determine pursuant to K.S.A. 39-1408 and amendments thereto whether a petition for appointment of a guardian or conservator, or both, should be filed.

(b) If the caretaker of a resident who has consented to the receipt of reasonable and necessary protective services refuses to allow the provision of such services to such resident, the secretary of social and rehabilitation services may seek to obtain an injunction enjoining the caretaker from interfering with the provision of protective services to the resident. The petition in such action shall allege specific facts sufficient to show that the resident is in need of protective services and consents to their provision and that the caretaker refuses to allow the provision of such services. If the judge finds that the resident is in need of protective services and has been prevented by the caretaker from receiving such services, the judge shall issue an order enjoining the caretaker from interfering with the provision of protective services to the resident.

Sec. 29. K.S.A. 39-1406 is hereby amended to read as follows: 39-1406. Any person, department or agency authorized to carry out the duties enumerated in this act and the long-term care ombudsman shall have access to all relevant records. The authority of the secretary of social and rehabilitation services ~~and~~, the secretary of health and environment *and the secretary of aging* under this act shall include, but not be limited to, the right to initiate or otherwise take those actions necessary to assure the health, safety and welfare of any resident, subject to any specific requirement for individual consent of the resident.

Sec. 30. K.S.A. 39-1409 is hereby amended to read as follows: 39-1409. In performing the duties set forth in this act, the secretary of social and rehabilitation services ~~or~~, the secretary of health and environment *or the secretary of aging* may request the assistance of the staffs and resources of all appropriate state departments, agencies and commissions and local health departments and may utilize any other public or private agency, group or individual who is appropriate and who may be available to assist such department in the investigation and determination of whether a resident is being, or has been, abused, neglected or exploited or is in a condition which is a result of such abuse, neglect or exploitation, except that any internal investigation conducted by any caretaker under investigation shall be limited to the least serious category of report as specified by the secretary of health and environment, *the secretary of aging* or the secretary of social and rehabilitation services, as applicable.

Sec. 31. K.S.A. 39-1411 is hereby amended to read as follows: 39-1411. (a) The secretary of ~~health and environment~~ *aging* shall maintain a register of the reports received and investigated by the department ~~of health and environment~~ *on aging* under K.S.A. 39-1402 and 39-1403, and amendments to such sections, and the findings, evaluations and actions recommended by the department *on aging* with respect to such reports. *The secretary of health and environment shall maintain a register of the reports received and investigated by the department of health and environment under K.S.A. 39-1402 and 39-1403, and amendments thereto, and the findings, evaluations and actions recommended by the department of health and environment with respect to such reports.* The findings, evaluations and actions shall be subject to the Kansas administrative procedure act and any requirements of state or federal law relating thereto except that the secretary shall not be required to conduct a hearing in cases forwarded to the appropriate state authority under subsection (b). The register shall be available for inspection by personnel of the department of health and environment *or the department on aging* as specified by the secretary of health and environment *or the secretary of aging* and to such other persons as may be required by federal law and designated by the secretary of health and environment *or the secretary of aging* by rules and regulations. Information from the register shall be provided as specified in K.S.A. ~~2002 Supp.~~ 65-6205 and amendments thereto. ~~The secretary of health and environment shall forward a copy of any report of abuse, neglect or exploitation of a resident of an adult care home to the secretary of aging.~~

(b) The secretary of ~~health and environment~~ *aging* shall forward any finding of abuse, neglect or exploitation alleged to be committed by a provider of services licensed, registered or otherwise authorized to provide services in this state to the appropriate state authority which regulates such provider. *The secretary of health and environment shall forward any finding of abuse, neglect or exploitation alleged to be committed by a provider of services licensed, registered or otherwise authorized to provide services in this state to the appropriate state authority which regulates such provider.* The appropriate state regulatory authority, after notice to the alleged perpetrator and a hearing on such matter if requested by the alleged perpetrator, may consider the finding in any disciplinary action taken with respect to the provider of services under the jurisdiction of such authority. The secretary of ~~health and environment~~ *aging* may consider the finding of abuse, neglect or exploitation in any licensing action taken with respect to any adult care home or medical care facility under the jurisdiction of the secretary *of aging. The secretary of health and environment may consider the finding of abuse, neglect or exploitation in any licensing action taken with respect to any medical care facility under the jurisdiction of the secretary of health and environment.*

(c) If the investigation of the department of health and environment

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or the department on aging indicates reason to believe that the resident is in need of protective services, that finding and all information relating to that finding shall be forwarded by the secretary of health and environment *or the secretary of aging* to the secretary of social and rehabilitation services.

(d) Except as otherwise provided in this section, the report received by the department of health and environment *or the department on aging* and the written findings, evaluations and actions recommended shall be confidential and shall not be subject to the open records act. Except as otherwise provided in this section, the name of the person making the original report to the department of health and environment *or the department on aging* or any person mentioned in such report shall not be disclosed unless such person specifically requests or agrees in writing to such disclosure or unless a judicial or administrative proceeding results therefrom. In the event that an administrative or judicial action arises, no use of the information shall be made until the judge or presiding officer makes a specific finding, in writing, after a hearing, that under all the circumstances the need for the information outweighs the need for confidentiality. Except as otherwise provided in this section, no information contained in the register shall be made available to the public in such a manner as to identify individuals.

Sec. 32. K.S.A. 39-924, 39-925, 39-926, 39-930, 39-938, 39-940, 39-944, 39-945, 39-946, 39-947, 39-948, 39-950, 39-951, 39-952, 39-953a, 39-954, 39-958, 39-961, 39-963, 39-965, 39-969, 39-1404, 39-1405, 39-1406, 39-1409 and 39-1411 and K.S.A. 2002 Supp. 32-906, 39-923, 39-936 and 39-1402 are hereby repealed.

Sec. 33. This act shall take effect and be in force from and after its publication in the statute book.

KANSAS

DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

April 23, 2003

Alan Conroy, Director
Legislative Research Department
Room 545-N, Statehouse
Topeka, Kansas 66612

Dear Mr. Conroy:

The attachment includes corrections and technical adjustments to the budget document submitted to the Legislature so that the intentions of the Governor can be reflected as accurately as possible. In most cases, the adjustments correct errors made in posting the detailed budgets or publishing *The FY 2004 Governor's Budget Report*. In the case of the death and disability item, actual numbers are being brought up to date in place of the original estimates. This memorandum includes Governor's amendments that adjust reportable expenditures but require no action on the part of the Legislature and do not need to be included in the Omnibus Bill. It is intended to update reportable expenditures and facilitate reconciling between your office and ours. The total effect of the adjustments is presented in the following table. If you have questions, please contact me or the budget analyst responsible for that item.

	FY 2003	FY 2004
State General Fund	$ 129,126	$ --
All Funds	$ 47,390,476	($ 748,108)
FTE Positions	(1.0)	(18.2)
Non-FTE Permanent Positions	(1.0)	(1.5)
Total Positions	(2.0)	(19.7)

Sincerely,

Duane A. Goossen

Duane A. Goossen
Director of the Budget

Senate Ways & Means
4-24-03
Attachment 33

Department of Revenue

1. Position Correction

The Governor's recommendation is amended to move a .5 non-FTE unclassified position to the FTE category. That action requires an increase in the position limitation for the Department of Revenue by a 0.5 FTE position in FY 2004 from 1,157.5 FTE positions to 1,158.0. The amendment includes a corresponding decrease of a .5 non-FTE unclassified permanent position, which would reduce the total in this category from 3.5 to 3.0. This will correct an error in *The FY 2004 Governor's Budget Report* without causing a net change to the total number of positions.

Department of Commerce and Housing

2. Transfer Division of Housing to KDFA

The Governor's recommendation is amended to reflect the transfer of the Division of Housing from the Department of Commerce and Housing to the Kansas Development Finance Authority (KDFA). The authority to make the transfer is included in Executive Reorganization Order No. 30. The reorganization will require the transfer of $55,629,800 and 38.0 FTE positions. KDFA is an "instrumentality of the state," not a state agency. KDFA's budget is outside of the state budget; as a result, the funding and positions transferred to KDFA will also be outside of the state system.

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	--	(55,629,800)
All Funds	$ --	$ (55,629,800)

Office of the Securities Commissioner

3. Contractual Services

The contractual services expenditures for the Office of the Securities Commissioner in FY 2005 were inadvertently reported in *Volume 2* of *The FY 2004 Governor's Budget Report* as $446,186. The table should have reported expenditures for contractual services of $449,186 and total expenditures of $2,238,647 in FY 2005.

Department on Aging

4. SCHICK Program Transfer

The Senior Health Insurance Counseling for Kansas Program (SHICK) is funded through a grant to the Kansas Department on Aging from the U.S. Department of Health and Human Services. In 1997, responsibility for administering the program was transferred to the Kansas Insurance Department. In support of this transfer, the two agencies entered into an agreement to pass funding from the Department on Aging to the Insurance Department. Effective March 1, 2003, the Department on Aging and the Insurance Department terminated that agreement and returned the program responsibilities and funding to the Department on Aging. This amendment to the Governor's budget recommendation reflects the shift of funding accordingly. Department on Aging expenditures from all funding sources will increase by $102,000 in FY 2003 and $208,000 in FY 2004. Expenditures from the State General Fund are not affected. The Insurance Department's expenditures will decrease by $47,000 in FY 2003 and $326,308 in FY 2004.

Department on Aging:

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	102,000	208,000
All Funds	$ 102,000	$ 208,000

Insurance Department:

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	(47,000)	(326,308)
All Funds	$ (47,000)	$ (326,308)

Department of Education

5. Capital Improvement State Aid Revenue Transfer

The capital improvement state aid program was changed from a State General Fund demand transfer to a revenue transfer by the 2002 Legislature. The amounts anticipated to be spent in FY 2003 and FY 2004 were not included in the agency's reportable expenditures in either year, although this item was reported correctly for FY 2002 when it was still a demand transfer. In order to report agency expenditures correctly, $47,216,350 is added in FY 2003 and $55,000,000 in FY 2004.

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	47,216,350	55,000,000
All Funds	$ 47,216,350	$ 55,000,000

Kansas School for the Blind

6. Position Correction

4.0 FTE positions were inadvertently left out of the FY 2004 budget for the School for the Blind in the Governor's original recommendation. With the addition of these positions, the FY 2004 total will be 93.5.

Kansas School for the Deaf

7. Position Correction

16.3 FTE positions were inadvertently left out of the FY 2004 budget for the School for the Deaf in the Governor's original recommendation. With the addition of these positions, the FY 2004 total will be 173.5.

Kansas Bureau of Investigation

8. FTE and Non-FTE Unclassified Permanent Positions Correction

The number of FTE positions in the Kansas Bureau of Investigation was inadvertently reported as 201.0 in FY 2003 and FY 2004 in the original budget recommendations. The number of non-FTE unclassified permanent positions also was mistakenly reported as 89.0 in FY 2003 and 76.5 in FY 2004. The correction to the *FY 2004 Governor's Budget Report* will reduce the number of FTE positions to 200.0 in each of FY 2003 and FY 2004. The number of non-FTE unclassified permanent positions will be reduced to 88.0 in FY 2003 and 75.5 in FY 2004.

	Original Recommendation		As Corrected	
	FY 2003	FY 2004	FY 2003	FY 2004
FTE	201.0	201.0	200.0	200.0
Non-FTE	89.0	76.5	88.0	75.5

Kansas Water Office

9. State Water Plan Fund Reduction

The Governor's budget is amended to reflect a $10,000 State Water Plan Fund reduction in the Kansas Water Office in FY 2003. The reduction will be made in the agency's "Technical Assistance to Water Users" account. This reduction is intended to offset a $10,000 increase in the Department of Agriculture's State Water Plan expenditures, which is already included in the approved budget. The Department of Agriculture increase is for the salaries and wages of interns, who will assist the Department in the review of water use reports. These reviews are currently part of an agreement between the Kansas Water Office and the U.S. Geological Survey.

	FY 2003	FY 2004
State General Fund	$ --	$ --
All Other Funds	(10,000)	--
All Funds	$ (10,000)	$ --

All Agencies

10. KPERS Death and Disability Adjustment

The Legislature approved a moratorium on KPERS death and disability payments for the fourth quarter of FY 2003. The authorizing language was included in HB 2026, which was passed earlier in the 2003 Legislative Session and has now become law. The Division of the Budget has completed the lapsing of funds from each State General Fund account and the transfer of special revenue fund savings to the State General Fund. These transactions have also been certified to the Division of Accounts and Reports, and the changes have been made in the accounting system. This item is to adjust State General Fund expenditures for reporting purposes to reflect the difference between the amounts estimated at the time the legislation passed and the actual numbers that are now known.

The original estimate of lapses from State General Fund accounts totaled $5,265,070, including both regular KPERS and KPERS School. The actual amount turned out to be $5,135,944. When this recommendation was originally submitted, it was presented as a lump sum subtraction from the total State General Fund budget. Because the amount lapsed was smaller than the original estimate, expenditures remain higher than originally anticipated. As a result, expenditures from the State General Fund, in the aggregate, will be increased by $129,126. The amount of revenue that was expected to be transferred from special revenue funds to the State General Fund totaled $858,000. The actual amount was the same as the amount anticipated. Because there was no authority to reduce the expenditure limitation of special revenue funds these transactions were treated as revenue transfers to the State General Fund from unencumbered balances without reducing the expenditure authority of those funds.

	FY 2003	FY 2004
State General Fund	$ 129,126	$ --
All Other Funds	--	--
All Funds	$ 129,126	$ --

Possible FY 2004 Revenue and Expenditure Adjustments To Increase State General Fund Ending Balance

Savings Identified by the Governor's BEST Teams		
Item	SGF	All Funds
Mandate that all state agencies participate in the Accounts Receivable Setoff Program.	$750,000	$1,500,000
Join multi-state Medicaid pharmaceutical purchasing compact. (Governor estimated $10 million)	$4,000,000	$10,000,000
Do not allow use of state-owned vehicles for commuting.	$240,000	$480,000
Stop printing of paper phone directories	$45,000	$45,000
Renegotiate Department of Corrections food contract to achieve savings.	$959,000	$959,000
Sub total	*$5,994,000*	*$12,984,000*
Savings and Revenue included in Presidents Medicaid Task Force Recommendation		
SB 272 Medicaid assistance repayment, liens, and voiding transfer of property.	$880,160	$1,150,400
Limit or lower the dollar value of property exemptions when calculating Medicaid eligibility.	$198,852	$497,130
Extend the look-back period for transfers of non-trust property to five years. (Needs federal waiver)	$108,960	$272,400
Sub total	*$1,187,972*	*$1,919,930*
Other Savings and Revenue Adjustments		
SB 16 and HB 2192 raise user fees - replace State General Fund with additional revenue in photo fee fund.	$3,000,000	$0
HB 2192 raise user fees - replace State General Fund with safety funds (674,000) and reduce ending balance by ($1,326,000).	$2,000,000	$0
Expenditure and revenue adjustments included in the appropriation bill, Senate Bill 6.	$4,975,000	-----
Maintain telephone rates at the FY 2003 rate	$800,000	$800,000
Sub total	*$10,775,000*	*$800,000*
Grand Total	**$17,956,972**	**$15,703,930**

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Dept Revenue Shift.wpd

1. Transfer $350,000 from the State Safety Fund to the DOV Operating Fund and authorize expenditures of $350,000 in FY 2004 from the DOV Operating Fund, with an offsetting reduction in the SGF amount appropriated in FY 2004.

2. Appropriate the Photo Fee Fund and authorize expenditures of $3,000,000 in FY 2004, with an offsetting reduction in the SGF amount appropriated in FY 2004. Authorize a no limit expenditure limitation to allow flexibility in administering and operating the division of vehicles and related support operations in the division of administration, and in implementing SB 16 and HB 2192.

3. Increase the DOV Operating Fund expenditure limitation by $750,000 in FY 2004 for costs associated with implementing SB 16, and increase the transfer from the State Highway Fund to the DOV Operating Fund by $187,500 each quarter for financing the expenses of verifying social security numbers and supporting documents as part of the driver licensing process.

Net Fiscal Impact:

SGF reduction	$(3,350,000)
AOF adjustment	4,100,000
Net Change	$ 750,000

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FY 2003
Children's Initiatives Fund
(Tobacco)

Agency/Program	Actual FY 2002	Gov. Rec. FY 2003	Conference Committee Adjustments FY 2003	House Omnibus Adjustments FY 2003	Senate Omnibus Adjustments FY 2003
State Library					
Community Access Network	$0	$0	$0	$0	$0
Subtotal - Misc.	**$0**	**$0**	**$0**	**$0**	**$0**
Department of Health and Environment					
Healthy Start/Home Visitor	$250,000	$250,000	$0	$0	$0
Infants and Toddlers Program	500,000	500,000	0	0	0
Smoking Cessation/Prevention Program Grants	500,000	500,000	0	0	0
Subtotal - KDHE	**$1,250,000**	**$1,250,000**	**$0**	**$0**	**$0**
Juvenile Justice Authority					
Juvenile Prevention Program Grants	$6,000,000	$6,000,000	$0	$0	$0
Juvenile Graduated Sanctions Grants	2,000,000	2,000,000	0	0	0
Subtotal - JJA	**$8,000,000**	**$8,000,000**	**$0**	**$0**	**$0**
Department of Social and Rehabilitation Services					
Children's Mental Health Initiative	$1,800,000	$1,800,000	$0	$0	$0
Family Centered System of Care	4,980,000	5,000,000	0	0	0
Therapeutic Preschool	1,000,000	1,000,000	0	0	0
Community Services - Child Welfare	2,600,000	3,056,219	0	0	0
Child Care Services	1,400,000	1,400,000	0	0	0
Children's Cabinet Accountability Fund	550,000	550,000	0	0	0
HealthWave	1,413,374	1,000,000	0	0	0
Smart Start Kansas - Children's Cabinet	3,000,000	3,000,000	0	0	0
Children's Medicaid Increases	3,000,000	3,000,000	0	0	0
Immunization outreach	0	500,000	0	0	0
Family Preservation	0	2,293,781	0	0	0
Grants to CMHC's to develop childrens programs	0	2,000,000	0	0	0
School Violence Prevention	0	228,000	0	0	0
Experimental wrap-around services	0	0	0	0	0
Disproportionate Share Payments	0	0	0	0	0
Children's Cabinet Administration	0	0	0	0	0
Subtotal - SRS	**$19,743,374**	**$24,828,000**	**$0**	**$0**	**$0**
Department of Education					
Parent Education	$2,499,990	$2,500,000	$0	$0	$0
Four-Year -Old At-Risk Programs	4,500,000	4,500,000	0	0	0
School Violence Prevention	474,392	0	0	0	0
Vision Research	300,000	300,000	0	0	0
Communities in Schools	0	0	0	0	0
Mentoring Program Grants	0	0	0	0	0
Reading Recovery	0	0	0	0	0
Special Education	0	1,225,000	0	0	0
Subtotal - Dept. of Ed.	**$7,774,382**	**$8,525,000**	**$0**	**$0**	**$0**
University of Kansas Medical Center					
Tele-Kid Health Care Link	$250,000	$235,724	$0	$0	$0
Pediatric Biomedical Research	1,000,000	2,000,000	0	0	0
Subtotal - KU Medical Center	**$1,250,000**	**$2,235,724**	**$0**	**$0**	**$0**
Emporia State University					
Future Teachers Academy/ National Board Certification	$0	$0	$0	$0	$0
Subtotal - ESU	**$0**	**$0**	**$0**	**$0**	**$0**
Transfer to State General Fund	$0	**$3,873,144**	**$0**	**$115,632**	**$0**
TOTAL	$38,017,756	$48,711,868	$0	$115,632	$0

Resource Estimate

	Actual FY 2002	Gov. Rec. FY 2003	Conference Committee Recommendation FY 2003	House Omnibus Recommendation FY 2003	Senate Omnibus Adjustments FY 2003
Beginning Balance	$1,775,242	$3,757,486	$3,757,486	$3,757,486	$3,757,486
Released Incumbrances	$0	$0	$0	$115,632	115,632
KEY Fund Transfer	40,000,000	45,000,000	45,000,000	45,000,000	45,000,000
Total Available	41,775,242	48,757,486	48,757,486	48,873,118	48,873,118
Less: Expenditures and Transfers	38,017,756	48,711,868	48,711,868	48,827,500	48,711,868
ENDING BALANCE	$3,757,486	$45,618	$45,618	$45,618	$161,250

Senate Ways and Means
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Attachment 36

FY 2004
Children's Initiatives Fund
(Tobacco)

Agency/Program	Children's Cabinet Rec. FY 2004	Gov. Rec. FY 2004	Conference Committee Adjustments FY 2004	House Omnibus Adjusments FY 2004	Senate Omnibus Adjusments FY 2004
State Library					
Community Access Network	$0	$0	$0	$0	$0
Subtotal - Misc.	**$0**	**$0**	**$0**	**$0**	**$0**
Department of Health and Environment					
Healthy Start/Home Visitor	$250,000	$250,000	$0	$0	$0
Infants and Toddlers Program	750,000	500,000	300,000	0	0
Smoking Cessation/Prevention Program Grants	1,225,000	500,000	0	0	0
Subtotal - KDHE	**$2,225,000**	**$1,250,000**	**$300,000**	**$0**	**$0**
Juvenile Justice Authority					
Juvenile Prevention Program Grants	$6,000,000	$5,414,487	$0	$0	$0
Juvenile Graduated Sanctions Grants	0	3,585,513	0	0	0
Subtotal - JJA	**$6,000,000**	**$9,000,000**	**$0**	**$0**	**$0**
Department of Social and Rehabilitation Services					
Children's Mental Health Initiative	$1,800,000	$1,800,000	$0	$0	$0
Family Centered System of Care	5,000,000	5,000,000	0	$0	$0
Therapeutic Preschool	1,000,000	1,000,000	0	$0	$0
Community Services - Child Welfare	2,600,000	3,106,230	0	$0	$0
Child Care Services	0	1,400,000	0	$0	$0
Children's Cabinet Accountability Fund	1,500,000	550,000	0	$0	$0
HealthWave	0	2,000,000	0	$0	$0
Smart Start Kansas - Children's Cabinet	6,000,000	4,300,000	(800,000)	$0	$0
Children's Medicaid Increases	0	3,000,000	0	$0	$0
Immunization outreach	0	500,000	0	$0	$0
Family Preservation	0	2,243,770	0	$0	$0
Grants to CMHC's to develop childrens programs	0	2,000,000	0	$0	$0
School Violence Prevention	0	228,000	0	$0	$0
Experimental wrap-around services	228,000	0	0	$0	$0
Disproportionate Share Payments	0	0	0	517,618	0
Children's Cabinet Administration	0	0	0	0	250,000
Subtotal - SRS	**$18,128,000**	**$27,128,000**	**($800,000)**	**$517,618**	**$250,000**
Department of Education					
Parent Education	$2,500,000	$2,500,000	$0	$0	$0
Four-Year -Old At-Risk Programs	4,500,000	4,500,000	0	$0	$0
School Violence Prevention	0	0	0	$0	$0
Vision Research	400,000	300,000	0	$0	$0
Communities in Schools	0	0	0	$0	$0
Mentoring Program Grants	0	0	0	$0	$0
Reading Recovery	0	0	0	$0	$0
Special Education	0	1,225,000	0	$0	$0
Subtotal - Dept. of Ed.	**$7,400,000**	**$8,525,000**	**$0**	**$0**	**$0**
University of Kansas Medical Center					
Tele-Kid Health Care Link	$250,000	$250,000	$0	$0	$0
Pediatric Biomedical Research	1,000,000	0	700,000	(700,000)	0
Subtotal - KU Medical Center	**$1,250,000**	**$250,000**	**$700,000**	**($700,000)**	**$0**
Emporia State University					
Future Teachers Academy/ National Board Certification	$0	$0	$0	$0	$0
Subtotal - ESU	**$0**	**$0**	**$0**	**$0**	**$0**
Transfer to State General Fund	**$0**	**$0**	**$0**	**$0**	**$0**
TOTAL	**$35,003,000**	**$46,153,000**	**$200,000**	**($182,382)**	**$250,000**

Resource Estimate

	Children's Cabinet Rec. FY 2004	Gov. Rec FY 2004	Conference Committee Recommendation FY 2004	House Omnibus Adjusments FY 2004	Senate Omnibus Adjusments FY 2004
Beginning Balance	$45,618	$45,618	$45,618	$45,618	$161,250
Released Incumbrances					460,894
KEY Fund Transfer	46,125,000	46,125,000	46,125,000	46,125,000	46,125,000
Total Available	**46,170,618**	**46,170,618**	**46,170,618**	**46,170,618**	**46,747,144**
Less: Expenditures and Transfers	35,003,000	46,153,000	46,353,000	46,170,618	46,603,000
ENDING BALANCE	**$11,167,618**	**$17,618**	**($182,382)**	**$0**	**$144,144**