

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 a.m. on February 24, 2004 in Room 514-S of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Legislative Research
J. G. Scott, Legislative Research
Amy VanHouse, Legislative Research
Michele Alishahi, Legislative Research
Audrey Dunkel, Legislative Research
Melissa Calderwood, Legislative Research
Julian Efird, Legislative Research
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Elaine Ryan, Executive Director of Governmental Affairs, American Public Human Services, Washington, D.C.

Others attending:

See Attached List.

- Attachment 1 Budget Committee Report on Kansas Lottery and Kansas Racing and Gaming Commission
- Attachment 2 Budget Committee Report on Department of Human Resources

Chairman Neufeld recognized Elaine Ryan, Executive Director of Governmental Affairs, American Public Human Services, Washington, D.C., who presented highlights on some of the major provisions of the President's FY 2005 federal budget. Ms. Ryan stated that the American Public Human Services works very closely with the National Conference of State Legislatures (NCSL). Ms. Ryan noted that the federal government is stressing cost containment measures which will have an impact on state government programs, particularly on Medicaid, noting there will be sufficient cuts to the Medicaid program. Major issues of concern include:

- Proposed \$1.5 billion cut from Medicaid reflecting increased scrutiny of intergovernmental transfers, one of a series of changes to the Medicaid program.
- Proposed \$300 million reduction in expenditures for Medicaid administrative funds. The proposal indicates that the federal government believes that, in the TANF Block Grant allocations, the states received matching funds for Medicaid administrative costs and each state would have administrative costs capped by the amount that was figured in the base block grant.
- Proposed reduction for matching costs for Medicaid information systems. The match is now 90 percent federal and 10 percent state funding. The proposal would decrease the match to 75 percent federal and 25 percent state funding.

NCSL has concerns about the CMS-37 law which would require all of the states to report on state funding sources for Medicaid match funding in advance to the federal government to determine if they are appropriate funding sources. Ms. Ryan stated that there will be more audits of the states on their matching funds for federal grants. Ms. Ryan noted that the Medicare prescription drug law was originally estimated to cost \$400 billion and has now grown by \$130 billion. Another concern with the Medicare prescription drug program involves the use of a prescription drug "discount" card. Some recipients also hold a Medicaid card and may have confusion as to which card has precedence over the other. The federal "claw-back" provision picks up an increasing share of the cost of the dual-eligibles in the prescription drug Medicaid program. The states will

CONTINUATION SHEET

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE at 9:00 a.m. on February 24, 2004 in Room 514-S of the Capitol.

be required to report the number of dual-eligibles--those citizens who hold both a Medicaid card and a Medicare prescription drug card.

With regard to welfare reform legislation, Ms. Ryan noted there is concern with three issues:

- Increased dollars for child care.
- Acknowledgment that states do not currently have the dollars to match and draw down all of the federal dollars with possible changes in some instances where states could be forgiven of match in drawing down the dollars.
- Covering the work participation dollars.

Responding to questions from the Committee, Ms. Ryan noted:

- **Claw-Back Provision** - The "claw-back" provision could penalize states who have implemented cost containment measures. The provision starts with a lower base line and then inflates it forward by an inflation rate, noting that the inflation rate is calculated at a national level, not at the state level. The national inflation rate combines all the various state issues together into one rate. The Medicare program has no record of dual-eligibles. States hold dual-eligibles quite differently making it difficult to pull required information from their systems. The inflator does not incorporate the cost of prescription drugs in the market place or keep pace with the increase, making the possibility that states could lose money over time. Ms. Ryan noted that this provision needs further discussion.
- **Dual Eligibles** - The dual-eligibles will have a choice as to whether to move into the new federal prescription drug program or stay with Medicaid for prescription drugs. They also have a choice as to whether to go to the Social Security Office or the Medicaid Office for their eligibility determination. Ms. Ryan stated that there is \$1 billion funding in the Medicare law for implementation costs. None of these dollars will be shared with the states at the present time. Under the new law, the states will be required to do eligibility determination for those individuals who are in the 135 % to 150 % of poverty level.
- **Prescription Drug Legislation** - With reference to the prescription drug legislation, the states may have dual-eligible Medicaid participants who remain on Medicaid and Medicare, participants who will now enroll in the new program because it is a Medicare benefit and be identified as Medicaid eligible, resulting in additional cost to the state for the new population as well as the previous Medicaid population.
- **Long-Term Care** - With reference to long-term care, Louisiana is working on legislation to address closing the loopholes for the distribution of assets of Medicaid recipients.
- **Foster Care** - The proposal set forth by the President's budget with regards to the foster care flexible funding grant, would set a baseline (costs) for children in need of care. Depending on where the baseline is drawn and because eligibility was not inflated, there are already fewer children eligible. Legislation has not been introduced because no one can determine how to make it cost neutral. The number of participants using the adoption base line is going up and the foster care baseline is going down; adoption assistance has exceeded the amount of foster care assistance payments in this country for the past several years.
- **Aging Out of System** - There is one provision at the federal level for tuition assistance for those individuals moving out of the children's system. There is also proposed legislation regarding disabled and foster care which would allow those individuals to buy into the Medicaid program or give them assistance up to the age of twenty-one. There has been no discussion concerning re-authorization of the State Children's Health Insurance Program (S-CHIP) beyond FY 2008. The biggest issue with S-CHIP is the fact that there is such a record high number of children enrolled and the states cannot afford to draw down the dollars that are being re-allocated. Record keeping on the number of children in the S-CHIP program has been difficult because of the number of children switching between the S-CHIP and Medicaid programs.

CONTINUATION SHEET

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE at 9:00 a.m. on February 24, 2004 in Room 514-S of the Capitol.

- Long-Term Care - 50 % of all long-term care is funded through the Medicaid program with approximately 13 % funded from the Medicare program. More than 85 % of the Medicaid spending goes to cover long-term care.
- S-CHIP Eligibility - Because of the statute, a public employee cannot enter the S-CHIP program. This will be an issue in the re-authorization process. The biggest issue is seeing that the dollars are spent-down. Another issue for the states, will be those states who cover single adults without dependents in the S-CHIP program.
- CMS-37 and CMS-64 Rule Changes with regard to Hospital Provider Tax and Manager Provider Tax restrictions - Not all provider taxes are the same. A number of states use provider taxes to draw down Medicaid dollars. The issue is in the design of the provider taxes. A legal memo has been written on the proposed rule that says that there is no statutory or regulatory authority to require states to forward identify funding sources.
- De-coupling between Regional Offices and the States - It is a national issue, especially as it relates to Medicaid. Because of the difficulty in the past with different opinions from different regional offices, the move is to centralize all information to make it more uniform, noting also that any audits of the states will come from a centralized location.

Chairman Neufeld thanked Ms. Ryan for her presentation.

Representative Pottorff, Chair of the House General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Kansas Lottery for FY 2004 and moved for the adoption of the Budget Committee recommendation for FY 2004 (Attachment 1). Motion was seconded by Representative Shriver. Motion carried.

Representative Pottorff, Chair of the House General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Kansas Lottery for FY 2005 and moved for the adoption of the Budget Committee recommendation with comments for FY 2005 (Attachment 1). Motion was seconded by Representative Shriver. Motion carried.

Representative Howell, member of the House General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Kansas Racing and Gaming Commission for FY 2004 and moved for the adoption of the Budget Committee recommendation for FY 2004 (Attachment 1). Motion was seconded by Representative Pottorff. Motion carried.

Representative Howell, member of the House General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Kansas Racing and Gaming Commission for FY 2005 and moved for the adoption of the Budget Committee recommendation with adjustments for FY 2005 (Attachment 1). Motion was seconded by Representative Pottorff. Motion carried.

Representative Howell moved for the adoption of the Budget Committee's recommendation to report favorably the passage of **SB 306**. The motion was seconded by Representative Pottorff. Motion carried.

Representative Shriver, member of the House General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Department of Human Resources for FY 2004 and moved for the adoption of the Budget Committee recommendation with notation for FY 2004 (Attachment 2). Motion was seconded by Representative Pottorff. Motion carried.

Representative Shriver, member of the House General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Department of Human Resources for FY 2005 and moved for the adoption of the Budget Committee recommendation with adjustments and notations for FY 2005 (Attachment 2). Motion was seconded by Representative Pottorff. Motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE at 9:00 a.m. on February 24, 2004 in Room 514-S of the Capitol.

Representative Feuerborn moved to introduce legislation concerning state finance relating to biennial budgets. The motion was seconded by Representative Pottorff. Motion carried.

Representative Merrick moved to introduce legislation concerning state employees regarding legal holidays. The motion was seconded by Representative Gatewood. Motion carried.

Representative Merrick moved to introduce legislation relating to retirement and pensions with regard to Kansas police and firemen's retirement system. The motion was seconded by Representative Klein. Motion carried.

Representative Pottorff moved to approve the minutes of February 11, February 12 and February 13, 2004, as written. The motion was seconded by Representative Ballard. Motion carried.

HB 2901 and **HB 2902** were referred to General Government and Commerce Budget Committee.
HB 2905 was referred to Agriculture and Natural Resources Budget Committee.



Melvin Neufeld, Chairman

HOUSE APPROPRIATIONS COMMITTEE

February 24, 2004

9:00 A.M.

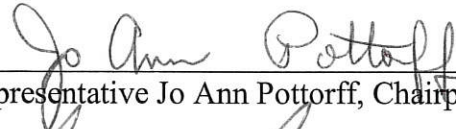
NAME	REPRESENTING
Keith Kocher	KS Lottery
Jim Gendler	" "
Ed Van Petten	" "
GL Smille	" "
Stephanie Buchanan	DORS
Vicki Hessel	"
Charles L. Berry	KRGC
John McElroy	KS GA
Gerald Schneider	KDHR
Bill Schaffer	KDHR
CRAIG KABERLINE	KS AREA AGENCIES ON AGING ASSOC.
DAW BERR	
Linn Walsh	KS Dept. on Aging
Josh Mast	intern
Mike Hammond	ACMHEK.
David Ower	HOMELESS COME HOME
Gwendolyn Cargill	KS

GENERAL GOVERNMENT AND COMMERCE BUDGET COMMITTEE

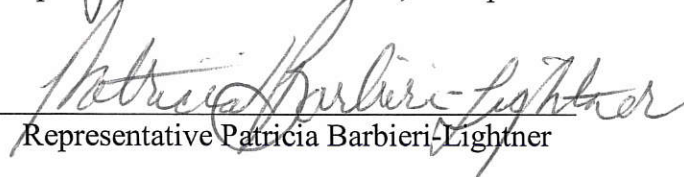
Kansas Lottery

Kansas Racing and Gaming Commission

FY 2004 and FY 2005



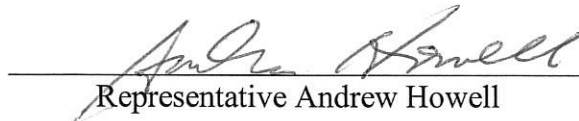
Representative Jo Ann Pottorff, Chairperson



Representative Patricia Barbieri-Lightner



Representative Annie Kuether



Representative Andrew Howell



Representative Joe Shriver



Representative Tom Sloan



Representative Dan Thimesch

HOUSE APPROPRIATIONS

DATE 2-24-2004

ATTACHMENT 1

Senate Subcommittee Report

Agency: Kansas Lottery

Bill No.

Bill Sec.

Analyst: Efirid

Analysis Pg. No. 583

Budget Page No. 321

Expenditure	Agency Est. FY 04	Governor Rec. FY 04	Subcommittee Adjustment
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	0
Other Funds	56,539,750	56,539,750	0
TOTAL—Reportable	\$ 56,539,750	\$ 56,539,750	\$ 0
FTE Positions			
Reportable Budget	87.0	87.0	0.0
Non FTE Perm. Uncl. Pos.	4.0	4.0	0.0
TOTAL	91.0	91.0	0.0

Agency Request/Governor's Recommendation

Sales are estimated by the **agency** at \$212.3 million, with approximately \$2.0 million attributed to the two instant scratch games designated to benefit veterans' programs. Administrative costs are requested at \$20,555,398. These administrative expenditures are appropriated as both limited and non-limited line items. Costs of sales, such as instant ticket printing, on-line communications charges, and on-line vendor payments are appropriated as no limit line items. Other agency operating costs, such as advertising and personnel, are paid from a limited account. No adjustment in the approved expenditure limitation of \$8,704,864 is requested. Administrative expenses are financed from the Lottery Operating Fund accounts for limited and no limit expenditures. Prizes are paid from the Lottery Prize Fund. Staffing is maintained at 87.0 FTE positions. The agency estimates State Gaming Revenues Fund (SGRF) transfers totaling \$63,324,255.

The **Governor** concurs with FY 2004 revised estimates. The Governor concurs with transfers from the Lottery Operating Fund to the SGRF of \$63,324,255 in FY 2004. The 2003 Legislature approved transferring \$782,800 from the Lottery Operating Fund to the State General Fund (SGF) in FY 2004, and the Governor concurs with the FY 2004 SGF transfer. The 2003 Legislature also authorized transfer of unencumbered KSIP funds in FY 2004 to the SGF. An amount of \$52,450 was transferred to the SGF in FY 2004.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation, and makes the following observation:

1. Anticipate a revised FY 2004 estimate of transfers to the SGRF (and ultimately to the SGF) due to sales higher than recommended by the Governor this fiscal year. Sales that have resulted in transfers of \$4.4 million higher than for the same period last fiscal year lead the Subcommittee to believe as much as \$6.0 million in additional transfers, all of which will accrue to the SGF, may occur in FY 2004. This matter should be reviewed during the Omnibus period in April 2004.

Also, in FY 2004, the Veterans Game is expected to yield \$638,000, with \$500,000 already transferred in January and \$138,000 scheduled for transfer in June 2004. This amount is part of the higher transfers anticipated by the Subcommittee since the Governor's recommendation for the Veteran's Game is \$551,255 in FY 2004, compared with the estimated \$638,000.

Senate Committee Recommendation

The Committee concurs with the FY 2004 Subcommittee recommendations and adds the following item:

1. Transfer \$2,000,000 of the approximately \$4.4 million available for the SGRF in FY 2004 directly to the Economic Development Initiatives Fund on or before July 15, 2003. This transfer is intended to fund aviation research and equipment at Wichita State University.

House Budget Committee Report

Agency: Kansas Lottery

Bill No.

Bill Sec.

Analyst: Efird

Analysis Pg. No. 583

Budget Page No. 321

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Operating Expenditures:			
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TOTAL—Reportable	\$ 56,539,750	\$ 56,539,750	\$ 0
FTE Positions			
Reportable Budget	87.0	87.0	0.0
Non FTE Perm. Uncl. Pos.	4.0	4.0	0.0
TOTAL	91.0	91.0	0.0

Agency Request/Governor's Recommendation

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The **Governor** concurs with FY 2004 revised estimates. The Governor concurs with transfers from the Lottery Operating Fund to the SGRF of \$63,324,255 in FY 2004. The 2003 Legislature approved transferring \$782,800 from the Lottery Operating Fund to the State General Fund (SGF) in FY 2004, and the Governor concurs with the FY 2004 SGF transfer. The 2003 Legislature also authorized transfer of unencumbered KSIP funds in FY 2004 to the SGF. An amount of \$52,450 was transferred to the SGF in FY 2004.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation.

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Senate Subcommittee Report

Agency: Kansas Lottery

Bill No.

Bill Sec.

Analyst: Efird

Analysis Pg. No. 583

Budget Page No. 321

Expenditure	Agency Req. FY 05	Governor Rec. FY 05	Subcommittee Adjustment*
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	0
Other Funds	57,456,399	56,896,966	(108,846)
TOTAL--Reportable	\$ 57,456,399	\$ 56,896,966	\$ (108,846)
FTE Positions			
Reportable Budget	87.0	87.0	0.0
Non FTE Perm. Uncl. Pos.	4.0	4.0	0.0
TOTAL	91.0	91.0	0.0

* The adjustment reflects deletion of the Governor's recommended pay plan adjustments.

Agency Request/Governor's Recommendation

Sales are estimated by the **agency** at \$215.5 million, with approximately \$2.5 million attributed to the two instant scratch game designated to benefit veterans' programs. Administrative costs are requested at \$20,903,501. Included in the FY 2005 amount is \$542,800 that was previously reduced and transferred to the SGF in FY 2004. An expenditure limitation of \$9,280,601 is requested for administrative expenses subject to a fixed amount appropriation. Staffing is maintained at 87.0 FTE positions. The **agency** estimates State Gaming Revenues Fund (SGRF) transfers of \$63,973,255 in FY 2005.

The **Governor** concurs with FY 2005 requests, with the following exceptions: add \$108,846 for salary plan adjustments and reduce \$668,277 for BEST recommendations, for a net decrease of \$559,844 in the agency's requested budget. The **Governor** concurs with transfers from the Lottery Operating Fund to the SGRF of \$63,973,255 in FY 2005. The Governor's BEST adjustments total \$668,277, and the **Governor** recommends transferring the savings to the SGF in FY 2005. In addition, the Governor recommends reducing the Lottery Operating Fund's balance by \$500,000 and transferring the \$500,000 to the SGF in FY 2005.

Under the Governor's FY 2005 **statutory budget** recommendation, the Governor's recommendation for this agency's budget would have to be reduced by an additional \$0 State General Fund. This agency has no State General Fund financing.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation, with the following exceptions:

1. Delete \$108,846, including \$0 from the State General Fund, to remove pay plan funding recommended by the Governor (a 3.0 percent base salary adjustment for all state employees) for consideration in a separate bill.
2. Note the transfers recommended by the Governor, including the direct SGF transfer amounts of \$835,250 in FY 2004 and \$1,168,277 in FY 2005. For FY 2005, \$668,277 is attributed to BEST adjustments and \$500,000 is to reduce the Lottery Operating Fund's balance under the Governor's recommendation.

	<u>Actual FY 2003</u>	<u>Gov. Rec. FY 2004</u>	<u>Gov. Rec. FY 2005</u>
Transfers:			
Regular	\$ 62,494,603	\$ 62,773,000	\$ 63,250,000
Veterans	<u>0</u>	<u>551,255</u>	<u>723,255</u>
Subtotal*	\$ 62,494,603	\$ 63,324,255	\$ 63,973,255
One-Time SGF	<u>0</u>	<u>835,250</u>	<u>1,168,277</u>
TOTAL	<u>\$ 62,494,603</u>	<u>\$ 64,159,505</u>	<u>\$ 64,641,532</u>

* SGRF transfers.

Senate Subcommittee Recommendation

The Committee concurs with the FY 2005 Subcommittee recommendation.

House Budget Committee Report

Agency: Kansas Lottery

Bill No.

Bill Sec.

Analyst: Efird

Analysis Pg. No. 583

Budget Page No. 321

Expenditure	Agency Req. FY 05	Governor Rec. FY 05	House Budget Committee Adjustment*
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	0
Other Funds	57,456,399	56,896,966	0
TOTAL--Reportable	<u>\$ 57,456,399</u>	<u>\$ 56,896,966</u>	<u>\$ 0</u>
FTE Positions			
Reportable Budget	87.0	87.0	0.0
Non FTE Perm. Uncl. Pos.	4.0	4.0	0.0
TOTAL	<u>91.0</u>	<u>91.0</u>	<u>0.0</u>

Agency Request/Governor's Recommendation

Sales are estimated by the **agency** at \$215.5 million, with approximately \$2.5 million attributed to the two instant scratch game designated to benefit veterans' programs. Administrative costs are requested at \$20,903,501. Included in the FY 2005 amount is \$542,800 that was previously reduced and transferred to the SGF in FY 2004. An expenditure limitation of \$9,280,601 is requested for administrative expenses subject to a fixed amount appropriation. Staffing is maintained at 87.0 FTE positions. The **agency** estimates State Gaming Revenues Fund (SGRF) transfers of \$63,973,255 in FY 2005.

The **Governor** concurs with FY 2005 requests, with the following exceptions: add \$108,846 for salary plan adjustments and reduce \$668,277 for BEST recommendations, for a net decrease of \$559,431 in the agency's requested budget. The **Governor** concurs with transfers from the Lottery Operating Fund to the SGRF of \$63,973,255 in FY 2005. The Governor's BEST adjustments total \$668,277, and the **Governor** recommends transferring the savings to the SGF in FY 2005. In addition, the Governor recommends reducing the Lottery Operating Fund's balance by \$500,000 and transferring the \$500,000 to the SGF in FY 2005.

Under the Governor's FY 2005 **statutory budget** recommendation, the Governor's recommendation for this agency's budget would have to be reduced by an additional \$0 State General Fund. This agency has no State General Fund financing.

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House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation, and adds the following comment:

1. Commend the Lottery's Executive Director for increasing the sales and transfers to the State Gaming Revenues Fund over the past two years. A promotion with Cabela's in Kansas City resulted in one of the most successful recent instant ticket games and the second chance drawing added new interest to the scratch games. The success of the special Veteran's Game is noted in the estimated \$638,000 that will benefit programs under the Veteran's Commission and National Guard Scholarships. Continued growth in sales will benefit the state through new revenues for the State General Fund, since all money transferred to the State Gaming Revenues Fund in excess of \$50 million is dedicated to the State General Fund.

Senate Subcommittee Report

Agency: Kansas Racing and Gaming Commission

Bill No.

Bill Sec.

Analyst: Efird

Analysis Pg. No. 594

Budget Page No. 333

Expenditure	Agency Est. FY 04	Governor Rec. FY 04	Subcommittee Recommendation
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	0
Other Funds	6,362,392	6,300,606	0
TOTAL	<u>\$ 6,362,392</u>	<u>\$ 6,300,606</u>	<u>0</u>
FTE Positions			
Reportable Budget	66.0	67.0	(1.0)
Non FTE Perm. Uncl. Pos.	9.0	9.0	0.0
TOTAL	<u>75.0</u>	<u>75.0</u>	<u>(1.0)</u>

Agency Estimate/Governor's Recommendation

There is a net decrease in overall expenditures in the revised **agency** request, primarily due to a reduction of \$124,500 in the estimated payments for other assistance. Staffing requested is 1.0 FTE position less than the approved level. No expenditure limitation adjustment is requested for the State Racing Fund. The **Governor** concurs with the revised agency estimate and increases shrinkage by \$61,786 in part to address a new position added but never filled.

The **agency** estimates State Gaming Revenues Fund (SGRF) transfers totaling \$153,827 in FY 2004. The Governor recommends transfers from the State Racing Fund to the SGRF of \$265,613 in FY 2004. The **Governor's** recommendation includes \$61,786 for a shrinkage adjustment, \$50,000 to reduce the fund's cash balance, and \$153,827 from the revised agency estimate.

The 2003 Legislature approved transferring \$300,000 from the Horse Fair Racing Fund to the State General Fund (SGF) in FY 2004 and the agency includes that amount of \$300,000 in its revised FY 2004 request. The **Governor** concurs with the FY 2004 transfer of \$300,000 to the SGF.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation and makes the following adjustment:

1. Reduce the FTE positions for the State Gaming Agency by 1.0 in order to accurately reflect the correct number of staff as recommended in Governor's Budget Amendment No. 1 Item 2 that recommends the same change for FY 2005 as a technical correction to the State Gaming Agency's FTE limitation.

2. Note that transfers from the State Racing Fund in FY 2004 have totaled \$9,565 to date, and that the Governor recommends total FY 2004 transfers of \$265,613, a net difference of \$256,048. Because of possible cash flow problems in FY 2005, confirm that the appropriations bill makes the correct remaining transfer this fiscal year and, if necessary, correct the amount in the bill.

Senate Subcommittee Recommendation

The Committee concurs with the FY 2005 Subcommittee recommendation.

House Budget Committee Report

Agency: Kansas Racing and Gaming Commission

Bill No.

Bill Sec.

Analyst: Efird

Analysis Pg. No. 594

Budget Page No. 333

Expenditure	Agency Est. FY 04	Governor Rec. FY 04	House Budget Committee Recommendation
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	6,362,392	6,300,606	0
TOTAL	\$ 6,362,392	\$ 6,300,606	\$ 0
FTE Positions			
Reportable Budget	66.0	67.0	0.0
Non FTE Perm. Uncl. Pos.	9.0	9.0	0.0
TOTAL	75.0	75.0	0.0

Agency Estimate/Governor's Recommendation

There is a net decrease in overall expenditures in the revised **agency** request, primarily due to a reduction of \$124,500 in the estimated payments for other assistance. Staffing requested is 1.0 FTE position less than the approved level. No expenditure limitation adjustment is requested for the State Racing Fund. The **Governor** concurs with the revised agency estimate and increases shrinkage by \$61,786 in part to address a new position added but never filled.

The **agency** estimates State Gaming Revenues Fund (SGRF) transfers totaling \$153,827 in FY 2004. The Governor recommends transfers from the State Racing Fund to the SGRF of \$265,613 in FY 2004. The **Governor's** recommendation includes \$61,786 for a shrinkage adjustment, \$50,000 to reduce the fund's cash balance, and \$153,827 from the revised agency estimate. The 2003 Legislature approved transferring \$300,000 from the Horse Fair Racing Fund to the State General Fund (SGF) in FY 2004 and the agency includes that amount of \$300,000 in its revised FY 2004 request. The **Governor** concurs with the FY 2004 transfer of \$300,000 to the SGF.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation.

Senate Subcommittee Report

Agency: Kansas Racing and Gaming Commission

Bill No.

Bill Sec.

Analyst: Efird

Analysis Pg. No. 594

Budget Page No. 333

Expenditure	Agency Req. FY 05	Governor Rec. FY 05	Subcommittee Recommendation*
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	0
Other Funds	6,621,543	6,437,554	(95,624)
TOTAL	<u>\$ 6,621,543</u>	<u>\$ 6,437,554</u>	<u>\$ (95,624)</u>
FTE Positions			
Reportable Budget	67.0	68.0	(1.0)
Non FTE Perm. Uncl. Pos.	9.0	9.0	0.0
TOTAL	<u>76.0</u>	<u>76.0</u>	<u>(1.0)</u>

* The entire adjustment reflects deletion of the Governor's recommended pay plan adjustments.

Agency Request/Governor's Recommendation

Several enhancements, including 1.0 FTE position and general office moving expenses, result in a 4.1 percent increased budget request by the **agency**. Excluding \$244,817 associated with enhancements, the net budget request increase is \$14,334, or slightly more than 0.2 percent. Absent any enhancement financing, the expenditures from the State Racing Fund would be the same in the FY 2004 and FY 2005 requests. The **Governor** concurs with the agency requests, with the following adjustments in FY 2005. Salary plan financing of \$72,282 is added, and funds of \$53,562 and 1.0 FTE new position also are added. Shrinkage is increased by \$65,016 and BEST adjustments of \$23,342 also are reflected in the Governor's recommendations for FY 2005.

The **agency** estimates State Gaming Revenues Fund (SGRF) transfers of \$0 in FY 2005. The Governor recommends transfers from the State Racing Fund to the SGRF at \$115,016 in FY 2005. The Governor's recommendation includes \$65,016 for a shrinkage adjustment and \$50,000 to reduce the fund's cash balance.

The **Governor's** BEST adjustments total \$23,342, and the Governor recommends transferring \$11,845 of the savings to the SGF in FY 2005, including \$308 from the Racing Reimbursable Expense Fund, \$565 from the Horse Fair Racing Benefit Fund, and \$10,972 from the State Racing Fund. Excluded from the transfers is \$11,497 from the Tribal Gaming Fund.

Senate Subcommittee Recommendation

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

1. Delete \$95,624, of which none is from the State General Fund, \$32,501 from the State Gaming Operations, and \$63,123 from Racing Operations, to remove pay plan funding recommended by the Governor (a 3.0 percent base salary adjustment for all state employees) for consideration in a separate bill.
2. Concur with the Governor to add funding for an attorney, but recommend a bill to amend current law in order to authorize the new position as a third Assistant Attorney General. Adding a third attorney in the Racing and Gaming Commission will allow the State Gaming Agency its own legal counsel. However, since the other two attorneys who work for the Racing Agency are authorized in KSA 74-8809 as Assistant Attorney General positions and the statute limits the agency to "no more than two such unclassified attorneys who shall be assigned to the Commission to assist in all matters, including enforcement of the Tribal Gaming Act," the Subcommittee believes amending current law is prudent in this case. Under the Governor's recommendation, the State Gaming Agency attorney would be hired as an unclassified staff, but the agency did not seek a statutory amendment in order to employ that attorney as a third Assistant Attorney General.
3. Reduce the FTE positions for the State Gaming Agency by 1.0 in order to accurately reflect the correct number of staff as recommended in Governor's Budget Amendment No. 1 Item 2 as technical correction to the State Gaming Agency's FTE limitation.
4. Concur with the Governor on total expenditures of \$1,650,753 for the Tribal Gaming Fund, but change a no limit account to an account with an expenditure limitation on the Tribal Gaming Fund. Currently, only the State Racing Fund in this agency is recommended to be appropriated with an expenditure limitation and all other funds in the agency have "no limit" appropriations. The Subcommittee notes that the Governor recommends BEST adjustments in FY 2005, but no funds are transferred to the SGF from the Tribal Gaming Fund. An expenditure limitation provides a means of adjustment to enforce the Governor's BEST expenditure recommendations to parallel the adjustments to the State Racing Fund which has both its expenditure limitation reduced by BEST adjustments in FY 2005 and the savings transferred to the SGF. In the case of the Tribal Gaming Fund where no transfer of BEST savings is recommended in FY 2005, the tribes will have a reduced assessment in FY 2006 if all the money collected is not spent in FY 2005. The Subcommittee notes an unbudgeted FY 2003 and FY 2004 expenditure for information technology of \$48,965 for a server based computer network with high speed internet access. FY 2003 expenses were \$40,714 and FY 2004 expenses were \$8,250 for hardware, software and DISC materials and labor. The Subcommittee does not object to the expenditure, but cites it as an example of the flexibility enjoyed previously by the State Gaming Agency with no limit on its expenditures from the Tribal Gaming Fund.
5. Note the State Racing Fund FY 2004 and FY 2005 ending balances are decreasing from the historical ending balance of \$300,000. Previously, the Legislature since the 1980s had authorized a \$300,000 ending balance in order to provide a cash balance sufficient to cover costs of closing out racing operations in an orderly manner if one or more tracks were to close. Such a situation arose when Camptown Race Track closed and the Commission had expenses for a number of months as those operations were terminated. The following fee fund analysis shows the impact on net receipts and ending balances of the Governor's

recommendations which anticipate transferring \$265,613 in FY 2004 and \$115,016 in FY 2005 to the SGRF.

State Racing Fund					
Resource	Actual	Agency	Gov. Rec.	Agency	Gov. Rec.
Estimate	FY 2003	Estimate	FY 2004	Request	FY 2005
		FY 2004		FY 2005	FY 2005
Beginning Balance	\$ 563,935	\$ 448,822	\$ 448,822	\$ 291,538	\$ 244,995
Net Receipts	2,652,445	2,909,273	2,797,487	3,063,100	2,937,112
Total Funds Available	\$ 3,216,380	\$ 3,358,095	\$ 3,246,309	\$ 3,354,638	\$ 3,182,107
Less: Expenditures	2,767,558	3,066,557	3,001,314	3,063,100	3,047,161
Ending Balance	<u>\$ 448,822</u>	<u>\$ 291,538</u>	<u>\$ 244,995</u>	<u>\$ 291,538</u>	<u>\$ 134,946</u>
Ending Balance as Percent of Expenditures	16.2%	9.5%	8.2%	9.5%	4.4%

Senate Subcommittee Recommendation

The Committee concurs with the FY 2005 Subcommittee recommendation.

House Budget Committee Report

Agency: Kansas Racing and Gaming Commission

Bill No.

Bill Sec.

Analyst: Efird

Analysis Pg. No. 594

Budget Page No. 333

Expenditure	Agency Req. FY 05	Governor Rec. FY 05	House Budget Committee Recommendation*
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	6,621,543	6,437,554	0
TOTAL	\$ 6,621,543	\$ 6,437,554	\$ 0
FTE Positions			
Reportable Budget	67.0	68.0	(1.0)
Non FTE Perm. Uncl. Pos.	9.0	9.0	0.0
TOTAL	76.0	76.0	(1.0)

Agency Request/Governor's Recommendation

Several enhancements, including 1.0 FTE position and general office moving expenses, result in a 4.1 percent increased budget request by the **agency**. Excluding \$244,817 associated with enhancements, the net budget request increase is \$14,334, or slightly more than 0.2 percent. Absent any enhancement financing, the expenditures from the State Racing Fund would be the same in the FY 2004 and FY 2005 requests. The **Governor** concurs with the agency requests, with the following adjustments in FY 2005. Salary plan financing of \$72,282 is added, and funds of \$53,562 and 1.0 FTE new position also are added. Shrinkage is increased by \$65,016 and BEST adjustments of \$23,342 also are reflected in the Governor's recommendations for FY 2005.

The **agency** estimates State Gaming Revenues Fund (SGRF) transfers of \$0 in FY 2005. The Governor recommends transfers from the State Racing Fund to the SGRF at \$115,016 in FY 2005. The Governor's recommendation includes \$65,016 for a shrinkage adjustment and \$50,000 to reduce the fund's cash balance.

The **Governor's** BEST adjustments total \$23,342, and the Governor recommends transferring \$11,845 of the savings to the SGF in FY 2005, including \$308 from the Racing Reimbursable Expense Fund, \$565 from the Horse Fair Racing Benefit Fund, and \$10,972 from the State Racing Fund. Excluded from the transfers is \$11,497 from the Tribal Gaming Fund.

House Budget Committee Recommendation

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

1-15

1. Reduce the FTE positions for the State Gaming Agency by 1.0 in order to accurately reflect the correct number of staff as recommended in Governor's Budget Amendment No. 1 Item 2 as technical correction to the State Gaming Agency's FTE limitation.

House Budget Committee Recommendation for SB 306

The bill would repeal the current statutory requirement for a yearly financial compliance audit of the Kansas Racing and Gaming Commission.

The Subcommittee recommends passage of this bill.

Background

During the 2003 Session, SB 6 addressed the same subject matter and passed both the House and Senate. It became the mega appropriations bill in conference and the audit provisions were dropped from the final version.

The bill was recommended by the Legislative Post Audit Committee. The financial compliance audit consists of an analysis of the Commission's financial activity in the state accounting system. The compliance audit is performed under a contract that the Racing and Gaming Commission has 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 Legislative Post Auditor, enactment of SB 306 as introduced would save approximately \$7,000 (all funds) in FY 2005. The funding of the contract is equally split between the Tribal Gaming Fund and the State Racing Fund. The Legislative Post Auditor testified that elimination of the yearly financial audit would not increase the risk to the State since other compliance and control audit work would continue to monitor the financial compliance activities of the Commission. The Legislative Post Auditor also pointed out that the race tracks and casinos will continue to have their own separate audits.

House General Government and Human Resources Budget Committee

Department of Human Resources

FY 2004 and FY 2005



Representative JoAnn Pottorff, Chair



Representative Joe Shriver



Representative Patricia Barbieri-Lightner



Representative Tom Sloan



Representative Andrew Howell



Representative Dan Thimesch



Representative Annie Kuether

HOUSE APPROPRIATIONS

DATE 2-24-2004
ATTACHMENT 2

House Budget Committee Report

Agency: Department of Human Resources **Bill No.** HB 2900

Bill Sec. 27

Analyst: Alishahi

Analysis Pg. No. Vol. II, p. 1164

Budget Page No. 91

Expenditure Summary	Agency Estimate FY 04	Governor's Recommendation FY 04*	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 66,171,498	\$ 66,171,498	\$ 0
0Aid to Local Units	2,548,418	2,548,418	0
Other Assistance	446,558,290	446,558,290	0
Subtotal-Operating	\$ 515,278,206	\$ 515,278,206	\$ 0
Capital Improvements	680,300	680,300	0
TOTAL	\$ 515,958,506	\$ 515,958,506	\$ 0
State General Fund:			
State Operations	\$ 1,852,029	\$ 1,852,029	\$ 0
Aid to Local Units	64,586	64,586	0
Other Assistance	289,164	289,164	0
Subtotal-Operating	\$ 2,205,779	\$ 2,205,779	\$ 0
Capital Improvements	8,400	8,400	0
TOTAL	\$ 2,214,179	\$ 2,214,179	\$ 0
FTE Positions	940.4	938.4	0.0
Non FTE Uncl. Perm. Pos.	42.0	42.0	0.0
TOTAL	982.4	980.4	0.0

* Includes Governor's Budget Amendment No. 1, Item 7 which reduces the agency's FTE limitation for FY 2004, adjusting it from 940.4 to 938.4 FTE positions. The agency's FY 2004 budget includes a shift of \$186,017 in federal Reed Act funds from salaries and wages to contractual services to finance a Needs Assessment and Feasibility study on how to upgrade the Unemployment Insurance Benefits System. The Governor's Budget Amendment reflects a deletion for FY 2004 and FY 2005 of the 2.0 FTE positions the Reed Act funds had originally been appropriated for by the 2003 Legislature.

Agency Estimate/Governor's Recommendation

The **agency's** estimate for FY 2004 operating expenditures of \$515,278,206 is an increase of \$169,884,640 (49.2 percent) from the approved budget. The State General Fund estimate of \$2,205,779 is an increase of \$322,588 (17.1 percent) from the approved budget. Differences between the approved amount and the agency's revised estimate are mainly attributable to:

State General Fund:

- An additional \$109,902 in KSIP funding; and
- An additional \$211,006 in state funds match of the federal Welfare to Work grant that was not included in the approved budget.

All Other Funds:

- An additional \$166,859,126 in unemployment insurance benefits that is the result of a heavier demand for unemployment benefits than originally projected;
- An additional \$1,076,717 is KSIP funding from the Worker's Compensation Fee Fund; and
- An additional \$900,000 in Unemployment Administration funding.

The **Governor's** recommendation for FY 2004 operating expenditures of \$515,278,206 is an increase of \$169,884,640 (49.2 percent) from the approved budget. The State General Fund recommendation of \$2,205,779 is an increase of \$322,588 (17.1 percent) from the approved budget. The Governor's recommendation for current year operating expenditures is consistent with the agency's revised estimate. However, the Governor's Budget Amendment eliminates 2.0 FTE positions, reducing the agency's total number of FTE positions from 940.4 FTE to 938.4 FTE.

In addition, the Governor recommends the agency separate the Advisory Council on Native American Affairs from the Administration program. The Governor's recommendation reflects the separation, which does not have a net effect upon the agency's budget.

House Budget Committee Recommendations

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

1. It was brought to the attention of the Budget Committee that a technical error was made inadvertently when the Department of Human Resources submitted its budget request concerning the type of positions to be eliminated with the transfer of federal Reed Act funds from salaries and wages to contractual services. As a result of the technical error, the Division of Budget was under the impression that the agency had gained 2.0 FTE positions when it had originally received the federal Reed Act funds that was shifted in the FY 2004 budget to finance the Unemployment Insurance Benefits System feasibility study; and therefore the Governor's Budget Amendment reflects the reduction of the 2.0 FTE positions for FY 2004 and FY 2005. However, the Department of Human Resources never actually gained 2.0 FTE positions with the federal Reed Act funds. Instead, the 2003 Legislature appropriated the funds for four non-FTE temporary Information Technology positions. The Budget Committee does not take a position on GBA 1, Item 7; and recommends the agency resolve the FTE error with the Governor's Office.

House Budget Committee Report

Agency: Department of Human Resources

Bill No. HB 2900

Bill Sec. 27

Analyst: Alishahi

Analysis Pg. No. Vol. II, p. 1164

Budget Page No. 91

Expenditure Summary	Agency Request FY 05	Governor's Recommendation FY 05*	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 65,932,950	\$ 66,938,577	\$ 10,000
Aid to Local Units	1,850,000	1,850,000	0
Other Assistance	400,639,430	400,643,874	229,430
Subtotal-Operating	\$ 468,422,380	\$ 469,432,451	\$ 239,430
Capital Improvements	830,000	830,000	0
TOTAL	\$ 469,252,380	\$ 470,262,451	\$ 239,430
State General Fund:			
State Operations	\$ 1,712,653	\$ 1,042,893	\$ 10,000
Aid to Local Units	0	0	0
Other Assistance	229,430	4,444	229,430
Subtotal-Operating	\$ 1,942,083	\$ 1,047,337	\$ 239,430
Capital Improvements	8,400	8,400	0
TOTAL	\$ 1,950,483	\$ 1,055,737	\$ 239,430
FTE Positions	940.4	938.4	0.0
Non FTE Uncl. Perm. Pos.	42.0	42.0	0.0
TOTAL	982.4	980.4	0.0

* Includes Governor's Budget Amendment No. 1, Item 7 which reduces the agency's FTE limitation for FY 2005, adjusting it from 940.4 to 938.4 FTE positions. The agency's FY 2004 budget included a shift of \$186,017 in federal Reed Act funds from salaries and wages to contractual services to finance a Needs Assessment and Feasibility study on how to upgrade the Unemployment Insurance Benefits System. The Governor's Budget Amendment reflects for FY 2004 and FY 2005 a deletion of the 2.0 FTE positions the Reed Act funds had originally been appropriated for by the 2003 Legislature.

Agency Request/Governor's Recommendation

The **agency's** request for FY 2005 operating expenditures of \$468,422,380 is a decrease of \$46,855,826 (9.1 percent) from the FY 2004 estimate. The State General Fund request of \$1,942,083 is a decrease of \$263,696 (12.0 percent) from the FY 2004 estimate. The agency's request includes an enhancement package of \$21,965 from the State General Fund to pay for a

surcharge recommended by the Governor to be levied against state agencies that lease property in Shawnee County. The agency can not pay the surcharge with federal funds.

The **Governor's** recommendation for FY 2005 operating expenditures of \$469,432,451 is a decrease of \$45,845,755 (8.9 percent) from the FY 2004 recommendation. The State General Fund recommendation of \$1,047,337 is a decrease of \$1,158,442 (52.5 percent) from the FY 2004 recommendation. The recommendation is \$1,010,071 (0.2 percent) more than the agency's FY 2005 request; and does not include the enhancement request. The Governor recommends:

- A 3.0 percent base salary increase of \$1,176,914, including \$15,030 from the State General Fund; and
- A BEST reduction of \$149,322, including \$6,575 from the State General Fund.

In addition, the Governor recommends that no transfer be made from the Workers Compensation Fee Fund to the State General Fund in FY 2005. The agency is recommended to use the funds instead to offset expenditures that were budgeted originally from the State General Fund. The Governor's Budget Amendment eliminates 2.0 FTE positions, reducing the agency's total number of FTE positions from 940.4 FTE to 938.4 FTE.

Under the Governor's FY 2005 **statutory budget recommendation**, the Governor's recommendation for the agency's budget would have to be reduced by an additional \$156,357.

House Budget Committee Recommendations

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

1. Add \$239,430 from the State General Fund to finance the Older Kansans Employment Program (OKEP). The Governor's recommendation for FY 2005 eliminated state funding of OKEP, yet it did not discontinue the program. Instead, the Department of Human Resources was instructed to find alternative funding sources. The Budget Committee recognizes the importance of OKEP for many older Kansans and recommends the \$229,430 from the State General Fund for OKEP grants be added back to the agency's FY 2005 budget as well as the \$10,000 from the State General Fund for the administration of program.

In addition, the Budget Committee recommends an interim study be done by a Legislative committee to determine which state agency can most effectively administer OKEP and meet the needs of older Kansans. While it recognizes that if the Governor's Executive Reorganization Order (ERO) No. 31 becomes effective, Older Kansas Employment Program will be transferred to the Department of Commerce, the Budget Committee feels that a study is necessary to better understand where the program belongs; and it looks favorably on the Department of Aging as a possible relocation site for OKEP.

2. The Budget Committee realizes that should ERO No. 31 become effective, it will have a tremendous impact on the agency's budget. The reorganization of the agency includes:

- Transferring the Division of Employment and Training to the Department of Commerce where it will be known as the Division of Workforce Development;
- Moving the Kansas Commission on Disability Concerns to the Department of Commerce as well; and
- Renaming the Department of Human Resources as the Kansas Department of Labor.

Currently, the two agencies involved in the reorganization are in the process of preparing the transfer of approximately 280.0 employees, and \$39 million in mainly federally funded job training and labor exchange programs. The House Committee on Commerce and Labor held a hearing on ERO No. 31 on February 5, as did the Senate Committee on Commerce on February 4. Neither Committee made a recommendation by the February 14 deadline. The ERO was returned to the Senate and the House of Representatives without recommendations; and each house has until March 14 to take up the matter. ERO No. 31 will become effective when no action is taken by either house; approval by one house and no action by the other house; or approval by both houses. It will not become effective should either house adopt a resolution disapproving the ERO.

3. It was brought to the attention of the Budget Committee that a technical error was made inadvertently when the Department of Human Resources submitted its budget request concerning the type of positions to be eliminated with the transfer of federal Reed Act funds from salaries and wages to contractual services. As a result of the technical error, the Division of Budget was under the impression that the agency had gained 2.0 FTE positions when it had originally received the federal Reed Act funds that was shifted in the FY 2004 budget to finance the Unemployment Insurance Benefits System feasibility study; and therefore the Governor's Budget Amendment reflects the reduction of the 2.0 FTE positions for FY 2004 and FY 2005. However, the Department of Human Resources never actually gained 2.0 FTE positions with the federal Reed Act funds. Instead, the 2003 Legislature appropriated the funds for four non-FTE temporary Information Technology positions. The Budget Committee does not take a position on GBA 1, Item 7; and recommends the agency resolve the FTE error with the Governor's Office.