

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 A.M. on January 19, 2005 in Room 514-S of the Capitol.

All members were present except:

Representative Weber- excused

Committee staff present:

Alan Conroy, Legislative Research Department
 J. G. Scott, Legislative Research Department
 Amy VanHouse, Legislative Research Department
 Reagan Cussimano, Legislative Research Department
 Michele Alishahi, Legislative Research Department
 Amy Deckard, Legislative Research Department
 Audrey Dunkel, Legislative Research Department
 Julian Efird, Legislative Research Department
 Debra Hollon, Legislative Research Department
 Susan Kannarr, Legislative Research Department
 Becky Krahl, Legislative Research Department
 Carolyn Rampey, Legislative Research Department
 Leah Robinson, Legislative Research Department
 Matt Spurgin, Legislative Research Department
 Robert Waller, Legislative Research Department
 Jim Wilson, Revisor of Statutes
 Mike Corrigan, Revisor of Statutes
 Nikki Feuerborn, Administrative Analyst
 Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Barb Hinton, Auditor, Legislative Post Audit

Others Attending:

See Attached List.

- Attachment 1 Fiscal Analyst Staff, Legislative Research
- Attachment 2 Committee Rules
- Attachment 3 Overview of Legislative Post Audit, Barb Hinton
- Attachment 4 Appropriations Update, Alan Conroy, Legislative Research Department

Chairman Neufeld welcomed the new and returning members of the Appropriations Committee and introduced his personal staff including intern Lucas Cosens. J. G. Scott, Legislative Research Department, introduced the members of the Fiscal Analyst Staff (Attachment 1). Jim Wilson, Revisor of Statutes, introduced Mike Corrigan, also from the Revisor of Statutes office; both of whom will assist the Committee with legal matters. Chairman Neufeld presented the Committee Rules (Attachment 2).

Representative Landwehr moved to introduce legislation requested by the Department of Social and Rehabilitation Services allowing the Secretary to restrict patient access to prescription-only drugs pursuant to a program of prior authorization or a restrictive formulary. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Landwehr moved to introduce legislation requested by the Water Office pertaining to payment of operation and maintenance costs associated with the State's conservation water supply capacity based on estimated costs for the upcoming year. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Bethell moved to introduce legislation requested by the Department of Health and Environment (KDHE) pertaining to the tenure of the director of the Division of Health. The motion was

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on January 19, 2005, in Room 514-S of the Capitol.

seconded by Representative Light. Motion carried.

Representative Gatewood moved to introduce legislation pertaining to employees of the State Fire Marshal's office. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Powell moved to introduce legislation to permit the Department of Transportation (KDOT) to solicit bids pertaining to advertising for the state map. The motion was seconded by Representative Schwartz. Motion carried.

Chairman Neufeld recognized Barb Hinton, Legislative Post Audit, who presented a briefing on audit-related issues, including key findings and audit issues since the last legislative session; audits issued during the last three years; audits currently under way; and possible future topics for audits (Attachment 3). Responding to a question from the Committee regarding the audit of the State Fire Marshal's office and their projected cash shortfall in early 2006, Ms. Hinton noted that part of the problem arises from the expiration of some federal grants, the decrease in fire premium levies, and the decline of year-end surplus funds.

The Chair thanked Ms. Hinton for her testimony.

Chairman Neufeld recognized Alan Conroy, Legislative Research Department, who presented an overview of the Governor's Budget Report and recommendations for FY 2006 (Attachment 4).

Representative Light invited Committee members to accompany the Public Safety Budget Committee on a tour of the Lansing Correctional Facility on Thursday, January 20th.

HB 2020, HB 2021 and HB 2025 were referred to the Education Budget Committee.

Representative McCreary introduced his intern, Dan Einert, noting that he had just finished two tours of duty in Iraq. Representative Bethell introduced his intern, Joshua Bender, from Sterling.

The meeting was adjourned at 10:25 a.m. The next meeting will be held on January 26, 2005, with an update by the Attorney General regarding the Colorado lawsuit and a presentation by the Water Office and the Water Authority on related issues.



Melvin Neufeld, Chair

HOUSE APPROPRIATIONS COMMITTEE

January 19, 2005

9:00 A.M.

NAME	REPRESENTING
Joshua Bender	Intern is Rep. Bethell
Earl Lewis	Kansas Water Office
Vicki Hessel Ethan Crickson	Budget
Lucas Bell	Kearney and Associates
Josie Torrey	SILCK
Angure Miller	Dammion & Assoc.
SUE PETERSON	Kansas State University

LEGISLATIVE FISCAL ANALYST ASSIGNMENTS—FY 2006

J. G. SCOTT (6-4397)

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 422 Legislative Coordinating Council
 425 Legislative Research Department
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 540 Division of Post Audit
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 319 Topeka Juvenile Correctional Facility
 325 Beloit Juvenile Correctional Facility
 355 Atchison Juvenile Correctional Facility
 412 Larned Juvenile Correctional Facility
 352 Kansas Juvenile Correctional Facility
 523 Parole Board
 028 Accountancy Board
 204 Mortuary Arts Board
 100 Board of Barbering
 149 Board of Cosmetology

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 710 Department of Wildlife and Parks
 365 Kansas Public Employees Retirement System
 450 Kansas Lottery
 553 Racing and Gaming Commission

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 177 Ellsworth Correctional Facility
 195 El Dorado Correctional Facility
 313 Hutchinson Correctional Facility
 400 Lansing Correctional Facility
 408 Larned Correctional Facility
 581 Norton Correctional Facility
 660 Topeka Correctional Facility
 712 Winfield Correctional Facility

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 055 Animal Health Department
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 634 State Conservation Commission
 700 Board of Vet. Medical Examiners
 694 Comm. Veterans Affairs/Soldiers Home/Veterans Home
 Coordinator, Water Plan Fund

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 446 Lieutenant Governor
 Budget Data Coordinator

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 122 Citizen Utility Ratepayer Board
 247 Governmental Ethics Commission
 604 School for the Blind
 610 School for the Deaf
 270 Health Care Stabilization Board of Governors
 663 Board of Technical Professions
 482 Board of Nursing
 102 Behavioral Sciences Regulatory Board
 016 Abstracters Board

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 246 Fort Hays State University
 379 Emporia State University
 367 Kansas State University
 367 KSU-Veterinary Medical Center
 367 KSU-Agricultural Extension
 385 Pittsburg State University
 682 University of Kansas
 683 University of Kansas Medical Center
 715 Wichita State University
 Coordinator, Joint Committee on State Building Construction

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 082 Attorney General
 677 Judicial Branch

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 034 Adjutant General
 206 Emergency Medical Services Board
 280 Highway Patrol
 626 Sentencing Commission
 083 Attorney General-Kansas Bureau of Investigation

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 296 Department of Labor
 622 Secretary of State
 331 Insurance Department
 562 Board of Tax Appeals
 359 Kansas Arts Commission
 434 State Library
 625 Securities Commissioner
 094 Bank Commissioner
 159 Department of Credit Unions
 543 Real Estate Appraisal Board
 549 Real Estate Commission

AUDREY DUNKEL (6-3183)

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 410 Larned State Hospital
 494 Osawatomie State Hospital
 555 Rainbow Mental Health Facility
 363 Kansas Neurological Institute
 507 Parsons State Hospital
 Coordinator, Children's Initiatives Fund

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 300 Department of Commerce
 360 Kansas Inc.
 371 Kansas Technology Enterprise Corp.
 234 Fire Marshal
 176 Kansas Development Finance Authority
 Coordinator, Economic Development Initiatives Fund

MATT SPURGIN (6-4442)

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 670 State Treasurer
 328 Board of Indigents' Defense Services
 349 Judicial Council
 288 State Historical Society
 058 Commission on Human Rights
 261 Kansas Guardianship Program
 105 Board of Healing Arts
 167 Dental Board
 488 Optometry Board
 531 Board of Pharmacy
 266 Hearing Aid Examiners

AGENCY NUMBER LISTED NEXT TO
 AGENCY NAME

HOUSE APPROPRIATIONS

DATE 1-19-2005
 ATTACHMENT 1

LEGISLATIVE FISCAL ANALYST ASSIGNMENTS—FY 2006

Abstracters Board **AMY DECKARD (6-4429)**
Accountancy Board **REAGAN CUSSIMANIO (6-4418)**
Adjutant General **ROBERT WALLER (6-4181)**
Administration, Department of **LEAH ROBINSON (6-4447)**
Aging, Department on **AMY DECKARD (6-4429)**
Agriculture, Department of **AMY VANHOUSE (6-4443)**
Animal Health Department **AMY VANHOUSE (6-4443)**
Arts Commission, Kansas **MICHELE ALISHAHI (6-4409)**
Atchison Juvenile Correctional Facility **REAGAN CUSSIMANIO (6-4418)**
Attorney General **CAROLYN RAMPEY (6-4404)**

Bank Commissioner **MICHELE ALISHAHI (6-4409)**
Barbering, Board of **REAGAN CUSSIMANIO (6-4418)**
Behavioral Sciences Regulatory Board **AMY DECKARD (6-4429)**
Beloit Juvenile Correctional Facility **REAGAN CUSSIMANIO (6-4418)**

Citizen Utility Ratepayer Board **AMY DECKARD (6-4429)**
Commerce and Housing, Department of **SUSAN KANNARR (6-3923)**
Corrections, Department of **BECKY KRAHL (6-3184)**
Cosmetology, Board of **REAGAN CUSSIMANIO (6-4418)**
Credit Unions, Department of **MICHELE ALISHAHI (6-4409)**

Dental Board **MATT SPURGIN (6-4442)**

Education, State Department of **CAROLYN RAMPEY (6-4404)**
El Dorado Correctional Facility **BECKY KRAHL (6-3184)**
Ellsworth Correctional Facility **BECKY KRAHL (6-3184)**
Emergency Medical Services Board **ROBERT WALLER (6-4181)**
Emporia State University **DEBRA HOLLON (6-4396)**

Fair Board, Kansas State **AMY VANHOUSE (6-4443)**
Fire Marshal, State **SUSAN KANNARR (6-3923)**
Fort Hays State University **DEBRA HOLLON (6-4396)**

Governmental Ethics Commission **AMY DECKARD (6-4429)**
Governor **LEAH ROBINSON (6-4447)**
Guardianship Program, Kansas **MATT SPURGIN (6-4442)**

Healing Arts, Board of **MATT SPURGIN (6-4442)**
Health and Environment, Department of **SUSAN KANNARR (6-3923)**
Health Care Stabilization Bd. of Gov. **AMY DECKARD (6-4429)**
Hearing Aid Examiners **MATT SPURGIN (6-4442)**
Highway Patrol **ROBERT WALLER (6-4181)**
Human Rights, Commission on **MATT SPURGIN (6-4442)**
Hutchinson Correctional Facility **BECKY KRAHL (6-3184)**

Indigents' Defense Services, Board of **MATT SPURGIN (6-4442)**
Insurance Department **MICHELE ALISHAHI (6-4409)**

Judicial Branch **CAROLYN RAMPEY (6-4404)**
Judicial Council **MATT SPURGIN (6-4442)**
Juvenile Justice Authority **REAGAN CUSSIMANIO (6-4418)**

Kansas Bureau of Investigation (Attorney Gen.) **ROBERT WALLER (6-4181)**
Kansas Corporation Commission **AMY DECKARD (6-4429)**
Kansas Development Finance Authority **SUSAN KANNARR (6-3923)**
Kansas Juvenile Correctional Facility **REAGAN CUSSIMANIO (6-4418)**
Kansas Inc. **SUSAN KANNARR (6-3923)**
Kansas Lottery **JULIAN EFIRD (6-3535)**
Kansas Neurological Institute **AUDREY DUNKEL (6-3183)**
Kansas Public Employees Retirement System **JULIAN EFIRD (6-3535)**
Kansas State University **DEBRA HOLLON (6-4396)**
KSU-Agricultural Extension **DEBRA HOLLON (6-4396)**
KSU-Veterinary Medical Center **DEBRA HOLLON (6-4396)**
Kansas Technology Enterprise Corp. **SUSAN KANNARR (6-3923)**

Labor, Department of **MICHELE ALISHAHI (6-4409)**
Lansing Correctional Facility **BECKY KRAHL (6-3184)**
Larned Correctional Facility **BECKY KRAHL (6-3184)**
Larned Juvenile Correctional Facility **REAGAN CUSSIMANIO (6-4418)**
Larned State Hospital **AUDREY DUNKEL (6-3183)**
Legislative Coordinating Council **J. G. SCOTT (6-4397)**
Legislative Research Department **J. G. SCOTT (6-4397)**
Legislature **J. G. SCOTT (6-4397)**
Lieutenant Governor **LEAH ROBINSON (6-4447)**

Mortuary Arts Board **REAGAN CUSSIMANIO (6-4418)**

Norton Correctional Facility **BECKY KRAHL (6-3184)**
Nursing, Board of **AMY DECKARD (6-4429)**

Optometry Board **MATT SPURGIN (6-4442)**
Osawatomie State Hospital **AUDREY DUNKEL (6-3183)**

Parole Board **REAGAN CUSSIMANIO (6-4418)**
Parsons State Hospital **AUDREY DUNKEL (6-3183)**
Pharmacy, Board of **MATT SPURGIN (6-4442)**
Pittsburg State University **DEBRA HOLLON (6-4396)**
Post Audit, Division of **J. G. SCOTT (6-4397)**

Racing and Gaming Commission **JULIAN EFIRD (6-3535)**
Rainbow Mental Health Facility **AUDREY DUNKEL (6-3183)**
Real Estate Appraisal Board **MICHELE ALISHAHI (6-4409)**
Real Estate Commission **MICHELE ALISHAHI (6-4409)**
Regents, Board of **DEBRA HOLLON (6-4396)**
Revenue, Department of **JULIAN EFIRD (6-3535)**
Revisor of Statutes **J. G. SCOTT (6-4397)**

School for the Blind **AMY DECKARD (6-4429)**
School for the Deaf **AMY DECKARD (6-4429)**
Secretary of State **MICHELE ALISHAHI (6-4409)**
Securities Commissioner **MICHELE ALISHAHI (6-4409)**
Sentencing Commission **ROBERT WALLER (6-4181)**
Social and Rehabilitation Services, Dept. of **AUDREY DUNKEL (6-3183)**
State Conservation Commission **AMY VANHOUSE (6-4443)**
State Historical Society **MATT SPURGIN (6-4442)**
State Library **MICHELE ALISHAHI (6-4409)**
State Treasurer **MATT SPURGIN (6-4442)**

Tax Appeals, Board of **MICHELE ALISHAHI (6-4409)**
Technical Professions, Board of **AMY DECKARD (6-4429)**
Topeka Correctional Facility **BECKY KRAHL (6-3184)**
Topeka Juvenile Correctional Facility **REAGAN CUSSIMANIO (6-4418)**
Transportation, Department of **ROBERT WALLER (6-4181)**

University of Kansas **DEBRA HOLLON (6-4396)**
University of Kansas Medical Center **DEBRA HOLLON (6-4396)**

Veterans Affairs/Soldiers Home/Veterans Home **AMY VANHOUSE (6-4443)**
Veterinary Medical Examiners, Board of **AMY VANHOUSE (6-4443)**

Water Office, Kansas **AMY VANHOUSE (6-4443)**
Wichita State University **DEBRA HOLLON (6-4396)**
Wildlife and Parks, Department of **JULIAN EFIRD (6-3535)**
Winfield Correctional Facility **BECKY KRAHL (6-3184)**

Kansas Legislative Research Department
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COMMITTEE RULES
2005
KANSAS HOUSE APPROPRIATIONS COMMITTEE

1. In any case where committee rules do not apply, House Rules shall govern. All powers, duties and responsibilities not addressed herein are reserved to the Chairman.
2. Cellular phones are prohibited in the House Appropriations Committee room, unless audible tones or ringers are disabled.
3. A substitute motion is in order, but no additional substitute motion shall be in order until the prior substitute motion is disposed of.
4. Amendments to motions are not in order except upon consent of the member making the motion and his or her second.
5. A motion to table or take from the table shall be in order only when such item is on the agenda or is taken up by the Chairman. The motion requires a simple majority and is, unless otherwise determined by the Chairman, non-debatable.
6. The intent of all motions regarding provisos or policy shall be submitted in writing with copies available for Committee members and staff.
7. Adjournment is reserved to the Chairman.
8. Calling for the question is reserved to the Chairman.

HOUSE APPROPRIATIONS

DATE 1-19-2005
ATTACHMENT 2

**Briefing Memo on Audit-Related Issues for the
House Appropriations Committee**
Barb Hinton, Legislative Post Auditor
January 19, 2005

1. **Performance Audits of Interest to the Committee**
 - a. Key findings / audit-related issues since the last session (A)
 - b. Audits issued during the last 3 years (B)

2. **Audits Currently Under Way / Approved**
 - a. Performance audits (C)
 - b. FY 2004 Statewide Audit

3. **Audit Topics**
 - a. Solicitation from Committee / Budget Committees
 - b. K-GOAL Audits for 2006
 - Corporation Commission
 - Department of Labor

HOUSE APPROPRIATIONS

DATE 1-19-2005
ATTACHMENT 3

**Summary of Recent Legislative Post Audit Reports
As of January 18, 2005**

3-2

Audit Title	Key Findings for This Committee	Legislative Actions Needed
<p>Taxation of Contractor Equipment: Determining Whether Kansas' System of Taxes and Fees Is Similar to Surrounding States (April 2004; 04PA20)</p>	<p>Kansas' fees for oversize / overweight permits aren't in-line with the majority of surrounding states. For example,</p> <ul style="list-style-type: none"> ● Kansas' base fee for a <u>single trip oversize/overweight permit</u> is \$5, and hasn't been adjusted in 20 years. In other states, the fee ranged from \$10-\$20. A \$15 fee in Kansas would generate about \$400,000 in additional revenue. ● Kansas doesn't have <u>additional overweight permit fees</u>, like 3 of 4 surrounding states. These additional fees can substantially increase the amount of money out-of-State contractors have to pay when hauling equipment into or through those states. For example, considering overweight <u>and</u> base fees, a contractor moving an earth scraper into or through Missouri would pay \$117, in Oklahoma would pay \$540, and in Kansas would pay \$5. If Kansas had fees like Colorado, it would have received \$250,000 in additional revenue in 2003. ● Kansas doesn't charge for bridge studies (which help determine whether bridges can handle the movement of large loads without incurring damage) like Missouri and Colorado. KDOT officials told us they spent \$104,000 on 756 bridge studies in FY 2003, or \$137 each. If Kansas set a bridge study fee of \$350, like Missouri, it would receive about \$265,000 in additional revenues. 	<p>We recommended that the House and Senate Transportation Committees consider proposing amendments to State law to do the following:</p> <ul style="list-style-type: none"> ● Increase the single trip oversize/overweight base permit fee from its current rate of \$5 ● Implement an additional single-trip overweight permit fee, based on the number of pounds in a load or the number of axles per load ● Implement a bridge study fee, which <u>at a minimum</u> should cover the \$104,000 of annual costs KDOT incurred to conduct such studies <p>KDOT provided a response suggesting that, if Kansas's fees were to be more in-line with other states, single-trip permit fees would be raised to \$15, overweight permit fees would be established at \$25 per 10,000 pounds over the legal limit, and bridge study fees for "super loads" would be set at \$250.</p>
<p>State Prescription Drug Plan: Reviewing the Accuracy of Payments Made Under the Program (April 2004, 04PA10)</p>	<p>In 2003, the State prescription drug plan paid 1.5 million claims totaling \$55 million. For the most part, payments made to Kansas' pharmacy benefits manager, AdvancePCS, appeared to be accurate and in accordance with the terms of the contract. We identified only minor problems relating to paying claims for ineligible people (also identified as a problems in a 2001 audit), and inaccurate dispensing fees. We also identified a number of ad hoc or routine checks that would strengthen the State's oversight of the Program, such as periodic audits, and routine checks to ensure the claim is accurate and the claimant is eligible.</p>	<p>No legislative recommendations.</p> <p>Even though we found relatively few problems, we recommend that the Division of Personnel Services improve its routine oversight and monitoring of the claims payments. Given the amount of money involved, better monitoring reduces the likelihood that the State will lose significant amounts to inappropriate claims payments.</p>

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<p>Kansas Fire Marshal: Reviewing the Funding and Administration of the Agency (June 2004; 04PA09)</p>	<p>Issues related to the Office's structure and organization:</p> <ul style="list-style-type: none"> ● As an independent agency that doesn't report to an oversight board or commission, the Fire Marshal's Office receives less direct oversight than most Kansas agencies and most fire safety agencies in other states. We could find no compelling reason for this. ● Reorganization of the Office in 2003 resulted in a top-heavy management structure. The Office created 2 deputy positions where we found only 1 was needed. Also, one of the division chiefs had significantly reduced responsibilities after the reorganization, but still was drawing the same salary as before. <p>Issues related to the Office's operations: The Office didn't conduct all the annual inspections required by law (19% of schools and 24% of healthcare facilities hadn't received their required annual inspection), notified facilities in advance about when their inspections would take place, did a poor job of overseeing the handling of complaints, and took inadequate enforcement efforts against facilities that didn't correct violations.</p> <p>Issues related to the Office's funding: If the Office's projections for receipts and expenditures hold true, it could experience a cash shortfall in early 2006.</p>	<p>We recommended that the House Appropriations Committee or Senate Ways and Means Committee introduce legislation to amend State law to provide the same level of oversight and accountability for the operations of the Fire Marshal's Office as most other agencies have. At a minimum, consideration should be given to placing the Fire Marshal's Office under an oversight board or commission. Other options could include placing the Office under an existing State agency (a number of states have placed their fire safety functions within their insurance or state police departments), or even consolidating the public safety agencies into a single agency (a common organizational structure for other states' public safety functions).</p> <p>Note: SB 252 was introduced during the 2003 session that would have placed the Fire Marshal's Office under an oversight board, but it didn't pass.</p>
<p>Medicaid: Reviewing Factors Affecting the Amount of Attendant Care Services Certain Medicaid Clients Receive (October 2004; 04PA25)</p>	<p>Although the opportunity exists for independent living centers and some home health agencies to benefit financially by authorizing more hours of attendant care services for their clients when they also serve as the payroll agent, we found no evidence that was occurring. These agencies actually authorized fewer hours of service for clients in these situations. These clients were more likely to live with someone or have friends or family who could help them out, which could explain why fewer hours of paid services were needed.</p>	<p>No legislative recommendations.</p>
<p>Topeka School District: Determining What Factors Led to Delays in the District's Detection of a Check Fraud (October 2004; 05PA01)</p>	<p>Between June 2001 and April 2003, the Topeka school district lost more than \$500,000 to fraudulent checks. Those losses went on so long without being detected primarily because the district's bank reconciliation process wasn't done properly, and management oversight wasn't adequate. Several times, district management could have seen indications the reconciliations weren't done properly, but apparently didn't. Had those things been noticed and pursued, the fraudulent checks could have been discovered earlier, and the district's losses could have been lessened.</p>	<p>No legislative recommendations.</p> <p>We did recommend that school districts across the State should review their financial practices for preventing and detecting check fraud, as well as their oversight procedures for ensuring those financial practices are being followed.</p>

4
3-4

<p>Tax Enforcement: A K-GOAL Audit Determining Whether the Department of Revenue Is Collecting the Delinquent Trust Taxes Owed the State (October 2004; 04PA24)</p>	<p>Most businesses voluntarily remit the trust taxes they collect on behalf of the State (\$4.2 billion in FY 2004), but about \$191 million in delinquent trust taxes was referred for collection that year. Collections from delinquent accounts had increased in recent years for a variety of reasons: earlier efforts had been put on hold during a computer conversion, collections staffing levels were increased, and the Department offered a tax amnesty. Although timely and aggressive actions are needed to maximize the State's chances of collecting the trust taxes businesses owe, that hasn't always happened. Among our findings for 40 sample cases:</p> <ul style="list-style-type: none">● delinquent accounts were identified immediately, but most weren't referred to collections for 60-120 days. During the two-year computer conversion, businesses that missed filing a tax return in 2000 weren't referred to the collections process for up to 2 years● companies that didn't file a tax return received the lowest collections effort. Some may be out of business, but others may owe significant amounts.● many cases in our sample churned within the automated tax collection system for years, sometimes getting dozens of computer-generated tax bills and letters; many didn't respond, or broke promises to pay● for a typical case, it took 2.2 years for the Department to assess a final tax liability. Its only then that more aggressive enforcement actions can be taken.● the Department hadn't taken aggressive enforcement actions against most businesses in our sample. More timely efforts may have made enforcement easier. <p>Increasing the resources devoted to delinquent tax collection efforts would appear to be cost-effective; in FY 2004, the Department collected more than \$625,000 in delinquent taxes per full-time collections employee. Doubling the field staff (adding 24 employees) might result in \$15 million in additional taxes being collected.</p>	<p>To ensure that businesses regulated by the State are registered and current with all applicable trust taxes, the House or Senate Taxation Committee should amend State law to give State agencies the authority to deny, suspend, or revoke the license of any business that is not registered for all applicable State taxes or that is delinquent on its taxes.</p>
<p>Faculty Teaching Loads at Kansas Universities: A K-GOAL Audit of the Board of Regents (December 2004; 04PA26)</p>	<ul style="list-style-type: none">● Faculty teaching loads: During Fall 2003, full-time faculty in selected departments at the 7 universities overseen by the Board of Regents typically taught about 3 classes each, spent about 9 hours per week in the classroom, and taught a total of 80 students. Teaching loads hadn't changed significantly since our 1985 audit, but the average number of hours faculty spent teaching, and the average number of students they taught, were somewhat lower.	<p>No legislative recommendations.</p>

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	<ul style="list-style-type: none">● Faculty salaries: they generally stayed well ahead of inflation, but salary disparities in the same departments across universities have grown significantly.● Use of GTAs: Universities are placing somewhat less reliance now on using graduate teaching assistants to teach classes than in the past. GTA salaries generally haven't kept pace with inflation.● English proficiency: The Board requires prospective faculty and graduate teaching assistants to be interviewed, and tested if necessary, to determine whether they are proficient in spoken English, but it hasn't monitored the policy's effectiveness. For our sample candidates, most universities didn't follow all applicable requirements, but 69% of the candidates had been through some type of proficiency screening process. Still, in the classroom students made negative comments about the English proficiency of 5 (14%) of the people whose evaluations we reviewed.	
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Legislative Post Audit Summary of Performance Audits Currently Under Way or Approved (January 18, 2005)
(Italics show changes from previous summary)

3-6

Audit Title	Main Concerns	Questions Asked	Estimated Date Available
<p>Foster Care: Determining Whether Adoptions Are Being Finalized as Quickly as Possible, Once an Adoptive Family Is Located</p> <p>(Reps. Newton and Landwehr)</p>	<p>Legislators, judges, and others have expressed concerns that some of the “easier” adoption cases may be taking longer than necessary because of financial incentives for the adoption contractor to delay those cases to help subsidize some of the more difficult cases.</p>	<ol style="list-style-type: none"> 1. Have there been unreasonable or unexplainable delays in finalizing adoptions of foster care children in Kansas? 2. Are there any financial incentives in the current system that could encourage delays in issuing the final adoption decree? 	<p>Mid February</p>
<p>Property Valuation in Kansas: Reviewing the Valuation of Certain Agricultural and Commercial Properties</p> <p>(Rep. Schwartz and the Post Audit Committee)</p>	<p>Legislators and some landowners have expressed concerns that certain farm-related structures and commercial properties in rural areas may be valued inconsistently or too highly, or that some land may be valued as agricultural use when it is being used for other purposes.</p>	<ol style="list-style-type: none"> 1. Are county appraisers in Kansas valuing farm and commercial properties according to the law and guidelines established by the Division of Property Valuation? 	<p>Mid-late February</p>
<p>Wyandotte County: Reviewing the Use of Star Bond Moneys Associated with the Kansas Speedway and the Village West Tourism District</p> <p>(Sen. Steineger)</p>	<p>Concerns have been raised about the use of bond moneys, including the reasonableness of prices, fees, and commissions paid to acquire the land, appraise and develop property, issue bonds, and provide marketing, engineering, and architectural services. Other concerns relate to perks being provided to local government employees, and to the costs of a new movie theater project that will be built and operated by the Unified Government of Wyandotte County.</p>	<ol style="list-style-type: none"> 1. Were cost associated with issuing bonds to finance the development of the Speedway and the tourism district reasonable? 2. Were the bond proceeds spent for allowable purposes, and were the costs associated with the items purchased reasonable? 3. What types of discounts or other perks have the Kansas Speedway or other businesses in the tourism district made available to Unified Government and Board of Public Utilities employees? 	<p>Mid-late February</p>
<p>KDOT: Reviewing the Costs Associated with Recent Bond Issues (Limited-scope audit)</p> <p>(Post Audit Committee Chair)</p>	<p>Two bonds KDOT recently sold (totaling \$347 million) call for the interest rate to be recalculated and paid weekly. KDOT reportedly will pay about \$2,500 per week over the 20-year life of these bonds to each of 4 re-marketing agents involved, raising questions about the reasonableness of those fees and the results of any cost-benefit analyses KDOT performed.</p>	<ol style="list-style-type: none"> 1. What functions do the re-marketing agents perform for the fees they receive, and are the fees KDOT is paying for these services in line with what other bond issuers are paying? 2. Why did KDOT take this approach to issuing the bonds, and did officials do a cost-benefit analysis that would justify paying the fees to the re-marketing agents? 	<p>Mid-late February</p>

<p>Regents Information Systems: Reviewing Computer Security at Various Universities</p> <p>(Legislative Post Audit Committee)</p>	<p>Each year State agencies become more dependent on their computer systems and on the data those systems contain to make decisions, communicate with the public, provide services, and conduct business. While these advances are positive, they also can present significant risks. For example, over the last two years there have been several high-profile computer intrusions at Regents' institutions that resulted in sensitive student and staff data being stolen. This audit is one in an on-going series of audits looking at the security of agencies' computer systems.</p>	<p>1. How well do universities manage the security of their information systems? 2. How well do the universities carry out their security policies? NOTE: The first question will look at KU, KSU, and ESU, and will be issued as a separate report. The second question will look in greater detail at how various policies are carried out at one or more of these three universities, and will be issued in a subsequent report.</p>	<p>First report: early March</p>
<p>SRS: Reviewing the Recent Restructuring of Area Offices and Its Impact on Employees and Clients</p> <p>(Reps. Mays and Gordon, with additional cost question by LPAC)</p>	<p>In response to State revenue shortfalls, in October 2004 SRS announced plans to close area offices and restructure the way services are provided. The plans called for immediately closing 23 rural offices to save \$400,000 in FY 2005, and closing 46 additional offices Statewide over a 3-year period. This plan has led to concerns about the effects of these closures and the related restructuring on staff and clients, and questions about whether the reorganization has resulted in the projected savings.</p>	<p>3. Has SRS adopted and followed a consistent model for restructuring service delivery in those areas of the State where offices are being closed? 4. What impact has the reorganization had on SRS staff? 5. What impact has the reorganization had on client services in the areas affected by the office closures? 6. Has the reorganization resulted in savings?</p>	<p>Not yet started; will attempt to complete by the end of the 2005 session.</p>
<p>Unemployment Benefit Payments: Reviewing Benefit Pay-outs and Changes in the Number of Employees Determined To Be Eligible (Limited-scope audit)</p> <p>(Post Audit Committee Chair)</p>	<p>Benefits paid under the Unemployment Insurance Program can vary widely depending on the economy, but concerns have been raised about the high sustained level of benefit pay-outs since 2002, and the extent to which administrative law judges may be deciding cases in favor of employees who may not be eligible. This 200-hour audit will help determine whether more in-depth audit work may be needed.</p>	<p>1. How has the number of employees applying for and receiving unemployment benefits changed over time?</p>	<p>Not yet started; estimated completion late March</p>
<p>Larned State Hospital: Reviewing the Growth in the Sexual Predator Program</p> <p>(House Social Svcs Budget Comm.)</p>	<p>Larned's Sexual Predator Treatment Program must accept whomever the courts commit. The number of people in the Program is increasing rapidly—from 103 in January 2004 to an estimated 177 by January 2006. This growth has raised a number of questions about the Program's staffing and budget needs, the factors contributing to the growth, changes that might be needed to curb the Program, and experiences in other states' programs.</p>	<p>1. What factors have contributed to the rapid growth in the Sexual Predator Program at Larned State Hospital, and what options exist for controlling that growth? 2. Are budgeted staffing and funding needs for the Program realistic? 3. How do other states' programs compare re: staffing, funding, and people committed?</p>	<p>Not yet started</p>

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<p>Medicaid Waivers: Reviewing Differences in Rates and Hours of Usage for Self-Directed and Agency-Directed Care Under the Frail Elderly and Physical Disability Waivers</p> <p>(Senate Ways & Means Subcommittee. on Aging)</p>	<p>The Senate budget subcommittee reviewing Aging's FY2005 budget request noted that clients on the Frail Elderly waiver with self-directed care accounted for only 42% of the people served but 61% of total costs. Other information showed that clients using self-directed care received an average of 68 hours of service per month, compared with 38 hours for clients using agency-directed care. Legislative questions have been raised about such discrepancies.</p>	<ol style="list-style-type: none"> 1. What factors explain the differences in the cost and hours of service for clients receiving self-directed versus agency-directed services under the Frail Elderly or Physical Disability waivers? 2. What is the opportunity cost to the State of those differences? 	<p>Not yet started</p>
<p>Regulation of Credit Unions: Reviewing the Department of Credit Unions' Procedures for Ensuring Institutions' Safety, Soundness, and Compliance with the Law</p> <p>(Rep. Cox and Sen. Teichman)</p>	<p>In recent years, credit unions have expanded beyond their original range of services, spurred in part by regulatory changes and the advent of online services. Questions have been raised about the adequacy of the Department's oversight and procedures for protecting consumers and regulating expansions or mergers. Questions also have been raised about the extent to which out-of-State credit unions are being allowed to operate branches in Kansas without reciprocity agreements, which could put Kansas-based credit unions at a competitive disadvantage.</p>	<ol style="list-style-type: none"> 1. How have Kansas credit union services changed in recent years, and to what extent have credit unions grown in comparison with other segments of the financial-services industry? 2. Does the Department of Credit Unions have adequate procedures for ensuring the safety and soundness of credit unions, and how do they compare to oversight procedures for other financial institutions? 3. Are the Department's actions in relation to credit unions' expanded services consistent with State law? 4. Is the Department effectively regulating the influence of out-of-State credit unions? 	<p>Not yet started</p>
<p>Department of Labor: Reviewing the Effectiveness of Workplace Safety Programs Required Under the Workers Compensation Law (Limited-scope audit)</p> <p>(Sen. Schmidt)</p>	<p>Insurance companies or plans that provide workers comp insurance coverage are required to maintain and provide accident prevention programs for the businesses they insure, and to report that information to the Department of Labor. The Department is authorized to inspect these programs to determine whether they are adequate, and to investigate employer complaints. Legislators are concerned that the Department's oversight efforts are too lax.</p>	<ol style="list-style-type: none"> 1. Is the Department of Labor's oversight of accident prevention programs sufficient to ensure that workers compensation insurers are providing the type of programs the law envisioned? 	<p>Not yet started</p>

Appropriations Update
January 11, 2005

The *Governor's Budget Report for FY 2006* was presented to the 2005 Legislature on Tuesday, January 11, 2005. The recommendations will be incorporated into appropriations bills for consideration by the Legislature. If you have any questions about any information in this report, please contact Alan Conroy, Director, J.G. Scott, Chief Fiscal Analyst, or Leah Robinson, Principal Fiscal Analyst, at (785) 296-3181.

Overview of FY 2006 Recommendation

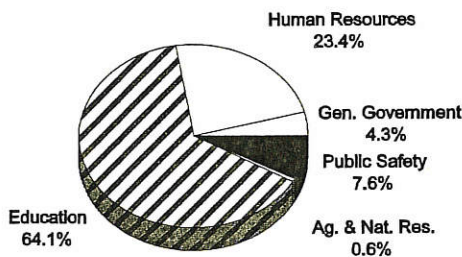
The Governor recommends expenditures of **\$11.3 billion** from all funding sources in FY 2006, including expenditures of **\$4.8 billion** from the State General Fund:

- ◆ State General Fund expenditures **increase** by 3.4 percent, or \$160.3 million.
- ◆ Expenditures from all funding sources **increase** by \$454.6 million, or 4.2 percent.
- ◆ The Governor's budget provides for an FY 2006 State General Fund **ending balance** totaling 4.3 percent of expenditures (\$206.1 million), \$156.9 million less than the 7.5 percent ending balance required by statute. (Note: The Governor does include a "statutory budget" which complies with the required 7.5 percent ending balance law in Volume 1 of the *Governor's Budget Report*. The statutory budget reduces the Governor's recommended State General Fund budget for most agencies by a total of \$146.0 million, or 8.9 percent.)
- ◆ Recommended State General Fund **expenditures exceed revenues** by \$73.6 million.
- ◆ The recommendations include a **2.5 percent base salary increase** for state employees (estimated to cost \$49.8 million from all funding sources, including \$23.8 million from the State General Fund). Included in the salary increase are statewide elected officials, state legislators, judges and Regents employees. (This amount assumes that the Regents will elect to provide the same salary increases provided to other state employees. Funding for the Regents salary increase, which totals \$24.1 million from all funding sources including \$11.8 million from the State General Fund, is included in the Regents operating grant increase recommended by the Governor.)
- ◆ The recommendation also includes a total of \$15.5 million, including \$7.1 million from the State General Fund, to fund the **Kansas Public Employees Retirement System (KPERs) Death and Disability contribution rate** at 1.0 percent of salaries. This is an increase in the rate from the 0.6 percent of salaries funded in the FY 2005 budget. (This amount also assumes that the Regents will elect to provide the institutions with funding for this adjustment. Funding for the Regents portion of the increase which totals \$2.8 million, including \$1.3 million from the State General Fund, is included in the Regents operating grant increase recommended by the Governor.) This amount does not include KPERs-School.
- ◆ The recommendation also includes funding of \$64.4 million, including \$32.6 million from the State General Fund, to finance **the 27th pay period** which happens to occur in FY 2006. The Governor proposes to finance the cost over a period of 11 years through an advance of funds from the Pooled Money Investment Board (PMIB) to the State General Fund to cover the State General Fund portion of the cost. Under the Governor's recommendation, beginning in FY 2006, an annual \$3.0 million transfer will be made from the State General Fund back to the PMIB.

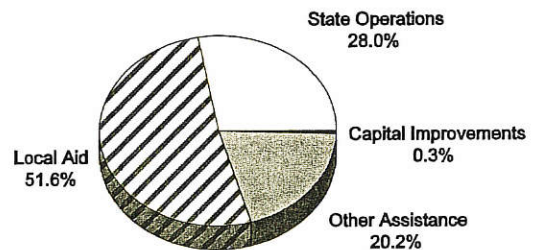
- ◆ State General Fund expenditures for the **Department of Education** increase by \$12.0 million or 0.5 percent. General and supplemental state aid expenditures decrease by \$17.3 million. The Governor's recommendation maintains Base State Aid Per Pupil (BSAPP) at \$3,863. Funding for KPERs-School employer contributions (including death and disability) increases \$24.6 million in FY 2006 from \$139.2 million to \$163.8 million. The recommendation also includes \$1.0 million for a mentor teacher program, and \$2.5 million for inservice education.
- ◆ State General Fund expenditures for the **Board of Regents and the Regents Institutions** increase by \$43.0 million or 6.1 percent. The recommendation includes: \$18.0 million to increase the operating grant to the Regents; \$8.9 million for the second year of a three-year effort to complete the original estimate (excluding performance funding) of the Higher Education Reform Act (1999 SB 345). In addition, \$13.1 million of the increase is to address the 27th pay period. The \$18.0 million operating grant increase includes funding totaling \$11.8 million for the 2.5 percent pay increase, and \$1.3 million for KPERs Death and Disability.
- ◆ State General Fund expenditures for the **Department of Social and Rehabilitation Services** increase \$37.6 million, or 4.5 percent, largely for caseload increases.
- ◆ The recommendation increases **FTE positions** by 7.9 from FY 2005 to FY 2006.
- ◆ For FY 2006, there are no **State General Fund transfers** to the State Highway Fund, the Local Ad Valorem Tax Reduction Fund, or the City County Revenue Sharing Fund. The recommendation includes transfers to the Special City County Highway Fund (\$10.1 million); the School District Capital Improvements Fund (\$56.2 million); the State Water Plan Fund (\$6.0 million), the Regents Faculty of Distinction Program (\$0.4 million), and the State Fair Capital Improvements Fund (\$0.3 million).

The following pie charts illustrate the Governor's recommended State General Fund expenditures by function of government and by category of expenditure. Education (including local school aid and Regents universities) receives 64.1 percent of the State General Fund budget in the Governor's recommendations. Aid to local units comprises the largest category of expenditure in the Governor's budget with over half of the FY 2006 State General Fund budget (51.6 percent) distributed to local units of government, primarily through local school aid.

**SGF Expenditures by Function
FY 2006 Governor's Recommendation**



**SGF Expenditures by Major Purpose
FY 2006 Governor's Recommendation**



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Recommended Current Year Budget Changes

The Governor's revised FY 2005 recommendation is an increase of \$514.9 million from all funding sources, and an increase of \$22.0 million from the State General Fund from the amount approved by the 2004 Legislature. The *Governor's Budget Report* identifies several current year adjustments including:

- An increase of \$309.9 million in the budget of the **Kansas Department of Transportation**, largely reflecting capital improvement expenditures carried forward from FY 2004.
- An increase of \$151.8 million (including \$42.9 million from the State General Fund), in the budget of the **Department of Social and Rehabilitation Services**, largely to reflect caseload increases, and full funding for the Health Care Access Improvement Act.
- An increase of \$96.1 million, including \$2.1 million from the State General Fund, in the budgets of the **State Board of Regents and the Regents institutions**. The increase is primarily the result of larger than anticipated receipts from federal and other research grant funding sources.

The status of the State General Fund, based on the recommendations of the Governor, is reflected in the following profile.

State General Fund Profile-Governor's Recommendation			
Non-Statutory Budget			
In Millions			
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Beginning Balance	\$ 122.7	\$ 327.5	\$ 279.7
Released Encumbrances	2.4	0.0	0.0
Receipts (Nov. 04 Consensus)	4,518.9	4,630.9	4,840.9
Tech. Adj. to Nov. 04 Consensus	0.0	0.0	(35.2)
Governor's Recommended Receipt Adj.	<u>0.0</u>	<u>1.6</u>	<u>(38.7)</u>
Adjusted Receipts	<u>\$ 4,518.9</u>	<u>\$ 4,632.5</u>	<u>\$ 4,767.0</u>
Total Available	4,644.0	4,960.0	5,046.7
Expenditures	<u>4,316.5</u>	<u>4,680.3</u>	<u>4,840.6</u>
Ending Balance	<u>\$ 327.5</u>	<u>\$ 279.7</u>	<u>\$ 206.1</u>
Ending Balance as a % of Expenditures	7.6%	6.0%	4.3%
Adjusted Receipts in Excess of Expenditures	\$ 202.4	\$ (47.8)	\$ (73.6)
% Change from Prior Year:			
Adjusted Revenues	6.4%	2.5%	2.9%
Expenditures	4.3%	8.4%	3.4%

Additional information on the Governor's budget recommendation and the requests made by state agencies will be presented in the Legislative Budget Analysis to be presented to the Legislature after the legislative fiscal staff completes its analysis.