Approved: March 2, 2005
Date

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 A.M. on February 8, 2005 in Room 514-S of the Capitol.

All members were present.

Committee staff present:
Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Amy VanHouse, Legislative Research Department
Reagan Cussimanio, Legislative Research Department
Michele Alishahi, Legislative Research Department
Audrey Dunkel, 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:
Jerry Slaughter, Kansas Medical Society
Pat Hurley, HealthyKansans Coalition
Tom Bell, Kansas Hospital Association
Dr. Bob Day, Governor's Health Policy

Others attending:
See attached list.

- Attachment 1 State General Fund (SGF) Receipts, July, 2004 through January, 2005
- Attachment 2 Briefing on Homeland Security Funding
- Attachment 3 Budget Committee report on Department of Labor for FY 2005 & FY 2006
- Attachment 4 Addendum to Budget Committee report on Department of Labor
- Attachment 5 Testimony on **ERO 33** by Jerry Slaughter, Kansas Medical Society
- Attachment 6 Testimony on **ERO 33** by Pat Hurley, HealthyKansans Coalition
- Attachment 7 Testimony on **ERO 33** by Tom Bell, Kansas Hospital Association
- Attachment 8 Written testimony on **ERO 33** from Alliance for Kansans with Developmental Disabilities
- Attachment 9 Organizational Chart on **ERO 33** by Dr. Bob Day, Governor's Health Policy
- Attachment 10 Summary of Provisions of **ERO 33**, Dr. Bob Day

Information, prepared by Legislative Research Department, on State General Fund (SGF) Receipts for the period July 2004 through January 2005, was distributed to the Committee (Attachment 1).

Representative Feuerborn moved to introduce legislation for three bills to incorporate the Governor's recommended budgets. The motion was seconded by Representative Bethell. Motion carried.

Representative Hutchins moved to introduce legislation to authority the State Board of Regents to convey a certain tract of real estate on behalf of Fort Hays State University. The motion was seconded by Representative McLeland. Motion carried.

Representative Schwartz moved to introduce legislation to increase fees for the animal health agency. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Powell moved to introduce legislation to remove guide licenses from the State of Kansas. The motion was seconded by Representative Schwartz. Motion carried.

HB 2293 is referred to Retirement Sub-Committee.
HB 2294, **HB 2301**, **HB 2306** are referred to Social Services Budget Committee

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

HB 2105 is re-referred from Revenue, Judicial, Transportation and Retirement Budget Committee to the Retirement Sub-Committee.

Chair Neufeld recognized Robert Waller, Legislative Research Department, who presented a briefing on Federal Homeland Security Funding (Attachment 2). Responding to questions from the Committee concerning the flow of money to local agencies and how much control the State has on how it is spent, Mr. Waller indicated that the Governor's Coordinating Council on Homeland Security outlines the percentages to be distributed to local units of government. The local unit can spend these funds on whatever their needs may be within the criteria as set forth by the Office for Domestic Preparedness (ODP). The state has no authority to directly advise local units of government on how they may spend the homeland security funds. The Highway Patrol maintains a database of qualified equipment, training and other items, from which the local units of government may draw pricing. Mr. Waller indicated that if the Committee chose, a proviso could be added to the appropriations bill indicating the percent of homeland security funds to be distributed to local units of government. Mr. Waller also stated that miscellaneous funds listed in the budgets are carry-over funds or unencumbered funds from the previous year and within the federal rules. The Committee expressed some concern that the State has no authority or control over how the homeland security funds are spent by the local units of government.

Chair Neufeld recognized Capt. Mark Bruce, Administrator of the Office for Domestic Preparedness (ODP) Grant Program, who responded to several Committee questions, explaining that per the guidance from the federal government, the state has no control or authority over what is purchased as long as it is within the program guidelines. The Adjutant General's office, Highway Patrol and Department of Health and Environment are working to move into a regional concept program by the FY 2006 budget year. Capt. Bruce stated that the database maintained by the Highway Patrol contains pricing and selection on a variety and type of equipment, primarily through a contract with Fisher Scientific Company, a company that has access to a large variety of brands of equipment, etc., indicating also that the company is working to add Kansas manufactured products to the line. At the present time, there are no state mandates concerning the types of radio equipment to be purchased that would allow communication between the various agencies within the state system. Federal government dictates policy that states purchases of equipment must be for new equipment as opposed to used or reconditioned equipment. Capt. Bruce stated that at the present time all state and local purchases are in compliance with the program guidelines.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee presented the Budget Committee's report and recommendation for the Department of Labor.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Department of Labor for FY 2005 and moved for the adoption of the Budget Committee recommendation for FY 2005 (Attachment 3). The motion was seconded by Representative Lane. Motion carried.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Department of Labor for FY 2006 and moved for the adoption of the Budget Committee recommendation for FY 2006 (Attachment 3). The motion was seconded by Representative Lane. Motion carried.

An addendum to the Budget Committee report on Department of Labor was distributed to the Committee (Attachment 4).

The Chair returned the Committee's attention to testimony on **ERO 33** and recognized Jerry Slaughter, Executive Director, Kansas Medical Society, who presented testimony in support of **ERO 33** (Attachment 5).

The Chair recognized Pat Hurley, who presented testimony on behalf of the HealthyKansans Coalition, in support of **ERO 33** (Attachment 6).

Chair Neufeld recognized Tom Bell, President, Kansas Hospital Association, who presented testimony in support of **ERO 33** (Attachment 7).

Written testimony from the Alliance for Kansans with Developmental Disabilities in support of **ERO 33** was distributed to the Committee (Attachment 8).

Chair Neufeld recognized Dr. Bob Day, Governor's Health Policy, who presented an organizational chart, including the general budget and number of full-time equivalent (FTE) staff (Attachment 9); plus a summary of provisions contained in **ERO 33,** information as requested by the Committee (Attachment 10). In response to a question concerning the Fraud Auditing Division of the Department of Social and Rehabilitation Services (SRS), Dr. Day stated that this division will move into the new department with the expectation of strengthening the group. Responding to a question from the Committee with regard to reasons for the reorganization, Dr. Day stated that (1) healthcare is the fastest growing element in state government and this reorganization will allow for a single agency to develop and implement policy for healthcare; (2) modernize Medicaid as an insurance program; and (3) allow purchasing of healthcare to drive a better value for the dollar. Responding to a question concerning the discrepancies in the number of staff to be transferred to the new agency between different testimony, Dr. Day stated that the 183.5 staff members included in the organization chart, include the Medicaid staff housed with SRS, staff who work with the state employee health insurance program, and 34 staff who are housed off-site working for a vendor who does determination of eligibility.

The Chair announced that the Appropriations Retirement Subcommittee will meet at 7:00 a.m., February 9, 2005, in Room 514-S. The next Appropriations Committee meeting will be held at 9:00 a.m. on February 9, 2005. The meeting was adjourned at 10:35 a.m.

Melvin Neufeld, Chair

HOUSE APPROPRIATIONS COMMITTEE

Guest Roster

February 8, 2005

9:00 A.M.

NAME	REPRESENTING
Tom Brown	Motorola
Michael Steinle	Clarence M. Kelley + Associates
Dan Murray	Federico Consulting
Debra Duncan	Ks Animal Health Dept
Kyle Kessler	STG
Mike Huttles	Alliance
D. Finazer	KBI
GORDON LANSFORD	KCJIS
DAN HERMES	KADSPA

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

Rm. 545N–Statehouse, 300 SW 10th Ave.
Topeka, Kansas 66612-1504
(785) 296-3181 ◆ FAX (785) 296-3824

kslegres@klrd.state.ks.us
http://www.kslegislature.org/klrd

February 7, 2005

To: Legislative Budget Committee

STATE GENERAL FUND (SGF) RECEIPTS
July, 2004 through January, 2005

This is the third month of experience under the revised estimate of SGF receipts in FY 2005 made by the Consensus Estimating Group on November 3, 2004. The figures in both the "Estimate" and "Actual" columns under FY 2005 on the following table include actual amounts received in July-October. That means that this report deals mainly with the difference between estimated and actual receipts in November through January.

Total receipts through January of FY 2005 were $46.3 million or 1.7 percent above the estimate. The component of SGF receipts from taxes only was $38.7 million or 1.5 percent above the estimate. Total SGF taxes only at the end of December were $0.3 million or 0.0 percent above the estimate. Total receipts at the end of December were $6.2 million or 0.3 percent above the estimate.

Taxes that **exceeded** the estimate by more than $1.0 million were individual income ($14.1 million or 1.2 percent), corporation income ($10.7 million or 12.8 percent), insurance premiums ($6.6 million or 18.3 percent), compensating use ($5.7 million or 4.1 percent), and estate ($3.7 million or 11.7 percent). Individual income receipts for estimated payers this January exceeded January 2004 by $16 million, while individual income tax withholding payments exceeded last year's payments by $38 million. Perhaps as much as one-half of that amount might be related to the impact of three bi-weekly payrolls being paid in December, and the resulting withholding tax paid in January.

Taxes that **fell below** the estimate by more than $1.0 million were financial institutions ($1.5 million or 15.3 percent), and corporation franchise ($1.4 million or 9.5 percent).

Agency earnings, interest earnings, and net transfers all exceeded the estimate. The amounts above the estimate were $4.1 million, $0.9 million, and $2.6 million, respectively.

Total SGF receipts through January of FY 2005 were $75.9 million or 2.9 percent above FY 2004 receipts for the same period. Tax receipts only for the same period exceeded FY 2004 by $112.6 million or 4.4 percent.

This report excludes the July 1 deposit to the SGF of $450 million, pursuant to issuance of a certificate of indebtedness. This certificate will be discharged prior to the end of the fiscal year.

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HOUSE APPROPRIATIONS

DATE 2-08-2005

ATTACHMENT 1

STATE GENERAL FUND RECEIPTS
July-January, FY 2005
(dollar amounts in thousands)

	Actual	FY 2005			Percent increase relative to:	
	FY 2004	Estimate*	Actual	Difference	FY 2004	Estimate
Property Tax:						
Motor Carriers	$ 12,877	$ 12,000	$ 12,951	$ 951	0.6%	7.9%
General Property	7,834	800	484	(316)	(93.8)	(39.4)
Motor Vehicle	999	1,100	1,258	158	25.9	14.3
Total	$ 21,711	$ 13,900	$ 14,693	$ 793	(32.3)%	5.7%
Income Taxes:						
Individual	$ 1,109,089	$ 1,156,000	$ 1,170,115	$ 14,115	5.5%	1.2%
Corporation	73,759	83,300	93,950	10,650	27.4	12.8
Financial Inst.	13,674	9,550	8,089	(1,461)	(40.8)	(15.3)
Total	$ 1,196,522	$ 1,248,850	$ 1,272,154	$ 23,304	6.3%	1.9%
Estate/Succ Tax	$ 31,998	$ 31,600	$ 35,296	$ 3,696	10.3%	11.7%
Excise Taxes:						
Retail Sales	$ 971,221	$ 982,000	$ 982,081	$ 81	1.1%	0.0%
Comp. Use	126,866	138,000	143,661	5,661	13.2	4.1
Cigarette	70,445	69,100	68,610	(490)	(2.6)	(0.7)
Tobacco Prod.	2,782	3,050	3,016	(34)	8.4	(1.1)
Cereal Malt Bev.	1,329	1,350	1,269	(81)	(4.5)	(6.0)
Liquor Gallonage	9,498	9,500	9,499	(1)	0.0	(0.0)
Liquor Enforce.	23,949	25,200	25,363	163	5.9	0.6
Liquor Drink	4,177	4,400	4,285	(115)	2.6	(2.6)
Corp. Franchise	13,438	14,300	12,947	(1,353)	(3.7)	(9.5)
Severance	47,658	58,800	59,533	733	24.9	1.2
Gas	37,464	43,500	43,778	278	16.9	0.6
Oil	10,194	15,300	15,754	454	54.5	3.0
Total	$ 1,271,362	$ 1,305,700	$ 1,310,264	$ 4,564	3.1%	0.3%
Other Taxes:						
Insurance Prem.	$ 40,586	$ 36,000	$ 42,594	$ 6,594	4.9%	18.3%
Miscellaneous	2,383	2,400	2,161	(239)	(9.3)	(9.9)
Total	$ 42,969	$ 38,400	$ 44,755	$ 6,355	4.2%	16.6%
Total Taxes	$ 2,564,561	$ 2,638,450	$ 2,677,162	$ 38,712	4.4%	1.5%
Other Revenue:						
Interest	$ 7,761	$ 11,200	$ 12,098	$ 898	55.9%	8.0%
Transfers (net)	$ (13,121)	$ (30,200)	$ (27,602)	$ 2,598	-	(8.6)
Agency Earnings and Misc.	$ 82,208	$ 51,500	$ 55,609	$ 4,109	(32.4)	8.0
Total	$ 76,849	$ 32,500	$ 40,105	$ 7,605	(47.8)%	23.4%
TOTAL RECEIPTS	$ 2,641,410	$ 2,670,950	$ 2,717,267	$ 46,317	2.9%	1.7%

* Consensus estimate as of November 3, 2004.
Excludes $450 million to State General Fund due to issuance of a certificate of indebtedness.

NOTE: Details may not add to totals due to rounding.

.ANSAS LEGISLATIVE RESEARCH DEPARTMENT
Rm. 545N–Statehouse, 300 SW 10th Ave.
Topeka, Kansas 66612-1504
(785) 296-3181 ◆ FAX (785) 296-3824
kslegres@klrd.state.ks.us
http://www.kslegislature.org/klrd

February 7, 2005

To: House Appropriations

From: Robert Waller, Senior Fiscal Analyst

Re: Federal Homeland Security Funding

The following is information requested regarding federal "homeland security" funds. To aid in providing the Legislature with those answers, 2004 SB 387 was passed. The bill directs the following" . . . each agency's budget estimates shall include:

> *a listing of the sources and amounts of all federal funds received or budgeted for by a state agency for the purpose of homeland security or for the purpose of sustaining, enhancing or improving the safety and security of the state, the amount of such funds budgeted for expenditure on administrative cost and the amount of such funds budgeted for expenditure on aid to each unit of local government*."

The Fiscal Year (FY) 2005 Homeland Security Grant Program (HSGP) integrates the State Homeland Security Program (SHSP), the Urban Areas Security Initiative (UASI), the Law Enforcement Terrorism Prevention Program (LETPP), the Citizen Corps Program (CCP), the Emergency Management Performance Grants (EMPG), and the Metropolitan Medical Response System (MMRS) Program Grants into a single grant. The Governor of each state designates a State Administrative Agency (SAA) (for the State of Kansas that agency is the Kansas Highway Patrol), to apply for and administer the funds under HSGP. ***The SAA is the only agency eligible to apply for HSGP funds and is responsible for obligating HSGP funds to local units of government and other designated recipients*.**

State Homeland Security Program
Office of Domestic Preparedness (ODP) Funds

Homeland Security Grant Program

A. Program Overview

Homeland Security Grant Program funds are provided to enhance the capability of state and local units of government to prevent, deter, respond to, and recover from incidents of terrorism involving the use of chemical, biological, radiological, nuclear, and explosive (CBRNE) weapons and cyber attacks. These funds support costs related to homeland security and emergency operations planning activities; the purchase of specialized equipment; costs related to the design, development, and conduct of state CBRNE and cyber security training programs and attendance at ODP-sponsored courses; the design, development, conduct, and evaluation of CBRNE and cyber security exercises; and other costs associated with implementing the State Homeland Security Strategies (SHSS). Funding may be used in any of five categories: (1) planning; (2) equipment acquisitions; (3) training; (4) exercise; and (5) management and administrative (M & A). Other than a 3 percent cap on M & A funds, there are no restrictions on allocation of funds a

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addition, SHSP supports the implementation of NIMS, Homeland Security Presidential Directive (HSPD) 8: *National Preparedness*, and the National Response Plan (NRP).

Staff Note: In Federal Fiscal Years (FFY) 1999, 2000, and Part 1 of 2003, the agency was not required to distribute any funding to local units of government.

Law Enforcement Terrorism Prevention Program (LETPP)

B. Program Overview

LETPP seeks to provide law enforcement communities with funds to support the following prevention activities: information sharing to preempt terrorist attacks; target hardening to reduce vulnerability of selected high value targets; recognition and mapping of potential or developing threats; counterterrorism and security planning; interoperable communications; and, interdiction of terrorists before they can execute a threat or intervention activities that prevent terrorists from executing a threat. These funds may be used for planning, organization, training, exercises, and equipment, and are administered by the respective SAA.

Citizen Corps Program

C. Program Overview

Citizen Corps is the Department's grass-roots initiative to actively involve all citizens in hometown security through personal preparedness, training, and volunteer service. CCP funds will be used to support Citizen Corps Councils with efforts to engage citizens in preventing, preparing for, and responding to all hazards, including planning and evaluation, public education and communication, training, participation in exercises, providing proper equipment to citizens with a role in response, and management of Citizen Corps volunteer programs and activities. This funding is administered by the respective SAA in coordination with the state Citizen Corps point of contact.

Emergency Management Performance Grant

D. Program Overview

The EMPG program has a 50 percent federal and 50 percent non-federal cost-share cash or in-kind match requirement. Unless otherwise authorized by law, federal funds cannot be matched with other federal funds. EMPG funds will be used to support comprehensive emergency management at the state and local levels and to encourage the improvement of mitigation, preparedness, response, and recovery capabilities for all hazards. DHS is responsible for leading and supporting the nation in a comprehensive, risk-based, all-hazards emergency management program. A primary means of ensuring the development and maintenance of such a program is funding to states through EMPG. Funds provided under EMPG may also be used to support activities that contribute to the capability to manage consequences of acts of terrorism. This funding program is administered by the respective SAA.

Staff Note: Before FFY 2005 (State Fiscal Year 2005-2006) Emergency Management Performance Grants were directly allocated to the Adjutant General's Department.

Metro Medical Response System (MMRS)

E. Program Overview

MMRS funds will support MMRS jurisdictions in further enhancement and sustainment of their integrated, systematic mass casualty incident preparedness to respond to mass casualty events during the first hours of a response, the time crucial to lifesaving and population protection, until significant external assistance can arrive. MMRS provides the planning, organizing, training, and equipping concepts, principles, and techniques, which enhances local jurisdictions' preparedness to respond to the range of mass casualty incidents – from chemical, biological, radiological, nuclear, and explosive events to epidemic outbreaks, natural disasters, and large-scale hazardous materials incidents. This funding program is administered by the respective SAA. Those jurisdictions are Kansas City and Wichita.

Urban Areas Security Initiative

F. Program Overview

Urban Areas Security Initiative (UASI). This program is available for the enhancement of local emergency, prevention, and response agencies, and the ability to prepare for and respond to threats or incidents of terrorism involving weapons of mass destruction (WMD). The program also is intended to enhance selected mass transit authorities' protection of critical infrastructure and emergency preparedness activities. Funds provided under this grant are designed to address the unique needs of large urban areas and mass transit authorities. Funds can be used for equipment, training, exercises, and planning. This funding will be provided to identified urban areas through the SAAs. Funds under FY 2005 UASI are also available to protect nonprofit organizations located within designated urban areas.

Staff Note: There are no cities within the State of Kansas that qualify under this portion of the grant. The closest city is Kansas City, Missouri.

Critical Infrastructure

G. Program Overview

Critical infrastructure includes any system or asset that, if attacked, would result in catastrophic loss of life/or catastrophic economic loss. Those being:

- Public water systems serving large population centers;
- Primary data storage and processing facilities, major stock exchanges, and major banking centers;
- Chemical facilities located in close proximity to large population centers;
- Major power generation facilities that exceed 2000MW and if successfully attacked would disrupt the regional electric grid;
- Hydroelectric facilities and dams that produce power in excess of 2000MW or could result in catastrophic loss of life if breached;
- Nuclear power plants;
- Electric substations 500KV or larger, and substations 345 KV or larger, that are part of a critical system supporting populations in excess of one million people;
- Rail and highway bridges over major waterways that, if destroyed, would cause catastrophic loss of life or catastrophic economic impact;

- Major natural gas transmission pipelines in excess of 3000 bcf throughput;
- Natural Gas and Liquid Natural Gas Storage facilities;
- Major petroleum handling facilities such as pipelines, ports, refineries, and terminals;
- Major mass transit subway systems and the supporting ventilation systems; and
- Telecommunications, internet, and cyber facilities.

Program Guidance

Program Guidance: SHSP, UASI, LETPP, and MMRS: Each state shall obligate ***not less than 80 percent*** of the total grant program amount to local units of government, identified urban area jurisdictions, or MMRS subgrantees within ***60*** days of the grant award date.

- **UASI**: Any funds retained by the state must be used to directly support the urban area. The state must also issue a solicitation within 60 days of the award date for organizations to apply for funds allocated for nonprofit organizations.

- **MMRS**: In states with MMRS jurisdictions, SAA's are encouraged to pass 100 percent of the MMRS program funding allocation directly to their MMRS jurisdictions. For MMRS jurisdictions representing multiple states, each SAA involved is also encouraged to pass 100 percent of the funding to the designated fiduciary/coordinating entity. However, states may retain up to 20 percent of the MMRS program funding allocation to facilitate strategy assessment and capability integration between the state and MMRS jurisdictions. Any funds retained by the state must be documented in a written agreement between the SAA and Chair of the MMRS Steering Committees.

- **CCP:** There are no minimum pass-through requirements for CCP. However, states are expected to work with county, local, and/or tribal Citizen Corps Councils and to expend funds that support local efforts to educate, train, and involve citizens. If the state chooses to subgrant funds to a local unit of government, the recipient must have an existing Citizen Corps Council or establish a Citizen Corps Council as a condition of receiving the assistance.

- **EMPG:** Each state shall obligate ***100 percent*** of the total grant program amount to the designated state-level Emergency Management Agency (EMA). If the SAA is also the EMA, this requirement is automatically met. If the SAA is separate, or has separate budget processes, then these funds must be obligated to the EMA within ***15*** days of the grant award date. State EMAs are encouraged to pass EMPG funds through to local EMAs, as appropriate.

- 50 percent of funds from the Critical Infrastructure Protection (CIP) allocation must be obligated to local communities. States are required to certify that funds were obligated to local jurisdictions within 45 days of the grant award date. If states have already obligated 50 percent of funds, then they have met the obligation requirement. If at least 50 percent of CIP funds have not been obligated to local jurisdictions, SAAs must complete these obligations as soon as possible.

Department of Health and Human Services (HHS)

Public Health Preparedness and Response for Bioterrorism (through the Centers for Disease Control). The grant provides funding for continuation of the cooperative agreement on public health preparedness and response for bioterrorism. Funds are intended to upgrade state and local public health jurisdictions' preparedness for and response to bioterrorism, other outbreaks of infectious disease, and other public health threats and emergencies. The grant also includes activities that need to be integrated with those funded by the hospital preparedness cooperative agreement administered by the Health Resources and Services Administration (HRSA). The funds focus on 7 focus areas, those being:

- Preparedness Planning and Readiness Assessment;
- Surveillance and Epidemiology Capacity;
- Laboratory Capacity - Biologic Agents;
- Laboratory Capacity - Chemical Agents;
- Health Alert Network/Communications and Information Technology;
- Risk Communication and Health Information Dissemination; and
- Education and Training.

Health Resources and Services Administration (HRSA) National Bioterrorism Hospital Preparedness Program. The mission of the National Bioterrorism Hospital Preparedness Program is to ready hospitals and supporting health care systems to deliver coordinated and effective care to victims of terrorism and other public health emergencies. The prime focus is to further develop, implement, and intensify terrorism preparedness plans and protocols for hospitals, outpatient facilities, EMS systems (both freestanding and fire-based), and poison control centers in collaborative statewide or regional models. CDC (HRSA). The HRSA (hospital) guidelines include six priority areas: governance, regional surge capacity to handle terrorism victims, emergency medical services, hospital linkages to health departments, education and preparedness training, and terrorism preparedness exercises.

Program Guidance: HHS and HRSA state that due to the variability in financing, organization, and governance of state and local health departments across the United States, there is no single best approach for achieving such consensus; however, documentation must be provided to attest that capacity is to be developed at both the local and state levels. Local capacity can be built through direct allocation of funds to local levels and through funding of state or sub-state regional activities that directly benefit local communities. Funding allocations should focus on the benefits to be provided either directly or indirectly to local jurisdictions.

National Animal Identification System
Kansas Animal Health Department

The National Animal Identification System (NAIS) is a national program intended to identify specific animals in the United States and record their movement over their lifespans. It is being developed by the U.S. Department of Agriculture and state agencies, in cooperation with industry, to enable 48-hour traceback of the movements of any diseased or exposed animal. This will help to ensure rapid disease containment and maximum protection of America's animals.

Program Guidance: Funds are provided to finance the costs of setting up the NAIS.

HOMELAND SECURITY FUNDING

(Figures as of February 1, 2004)

	FY 2004 Actual	FY 2005 Est	FY 2006 Est
State Homeland Security (SAA: Kansas Highway Patrol)			
Local Portion			
Local Units	$3,910,825	$20,516,383	$16,958,584
800 Mhz Interoperability Project (KDOT)	$0	$1,467,109	$2,532,891
Subtotal	$3,910,825	$21,983,492	$19,491,475
State Portion			
KDOT	$432,257	$114,111	$0
Shawnee County (K-9)	$17,270	$0	$0
Kansas Highway Patrol (KHP)	$472,596	$375,325	$502,808
Kansas Bureau Investigation (KBI)	$0	$12,500	$37,500
Fire Marshal	$0	$118,973	$356,918
Department of Administration (DISC)	$0	$250,000	$750,000
Animal Health	$0	$52,500	$157,500
Department of Agriculture (DOA)	$0	$92,500	$277,500
Kansas Department of Health and Environment (KDHE)	$0	$375,854	$475,646
Adjutant General-Emergency Management (KDEM)	$1,733	$2,320,069	$1,762,774
Subtotal	$923,856	$3,711,831	$4,320,646
Training	$0	$890,000	$500,000
Miscellaneous (carryover)	$0	$385,986	$1,033,628
TOTAL	$4,834,681	$26,971,309	$25,345,750
Critical Infrastructure Protection			
Local Portion			
Local Units	--	$817,738	$528,255
High Threat Level Protection	$10,432	--	--
Subtotal	$10,432	$817,738	$528,255
State Portion			
High Threat Level Protection	$135,121	$0	$0
Infrastructure Projects			
KDHE Lab	$0	$34,000	$102,000
Kansas State University (KSU)	$0	$25,000	$75,000
Kansas Department of Labor (KDOL)	$0	$16,250	$48,750
Department of Administration (DofA)	$0	$40,000	$120,000
Kansas Department of Corrections (DOC)	$0	$25,000	$75,000
University of Kansas Medical Center (KUMED)	$0	$58,750	$176,250
Unversity of Kansas - Public Safety (KU)	$0	$25,000	$75,000
Subtotal	$135,121	$224,000	$672,000
Miscellaneous (carryover)	$0	$56,613	$169,840
TOTAL	$145,553	$1,098,352	$1,370,095
Citizen Corps Program			
Local Portion			
Local Units	$0	$364,000	$154,726
State Portion			
KDEM	$2,690	$91,827	$28,132
TOTAL	$2,690	$455,827	$182,858
Law Enforcement Terrorism Prevention Program (LETPP)			
Local Portion			
Local Units	$0	$0	$2,308,014
State Portion			
KHP	$0	$0	$78,050
KBI	$0	$0	$17,340
Fire Marshal	$0	$0	$26,410
Miscellaneous (carryover)	$0	$0	$201,454
Subtotal	$0	$0	$323,254
TOTAL	$0	$0	$2,631,268
Emergency Management Performance Program (EMPG)			
Local Portion			
Local Units	$0	$550,000	$1,100,000
State Portion			
KDEM	$0	$1,287,607	$1,813,447
Metro Medical Response			
Local Portion (100 percent)	$0	$45,518	$364,147
STATE HOMELAND SECURITY TOTAL	**$4,982,924**	**$30,408,613**	**$32,807,565**

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HOMELAND SECURITY FUNDING

(Figures as of February 1, 2004)

	FY 2004 Actual	FY 2005 Est	FY 2006 Est
Kansas Department of Health and Environment (SAA: KDHE)			
Hospital Readiness	$4,459,957	$5,057,171	$4,968,565
Preparedness Planning	$3,200,165	$5,510,350	$5,563,943
Surveillance & epidemiology	$2,206,891	$1,096,027	$961,878
Laboratory Capacity-Biological Agents	$375,363	$537,109	$450,953
Laboratory Capacity	$480,983	$581,904	$421,924
Health Alert Network	$2,635,202	$1,349,656	$774,619
Risk Communication	$573,360	$210,032	$189,534
Education & Training	$1,135,829	$592,759	$400,018
Miscellaneous	$0	$0	$8,489
KDHE TOTAL	**$15,067,750**	**$14,935,008**	**$13,739,923**
Emergency Medical Services Board (SAA: EMS)			
Rural Access to Emergency Devices	**$210,465**	**$424,178**	**$0**
Adjutant General (SAA: Adjutant General)			
Emergency Management Performance Grant			
Local Portion	$1,179,999	$940,389	$0
State Portion	$2,202,127	$391,493	$0
Citizen Corps Program			
Local Portion	$38,278	$0	$0
State Portion	$24	$0	$0
ADJUTANT GENERAL TOTAL	**$3,420,428**	**$1,331,882**	**$0**
Animal Health Department (SAA: Animal Health Department)			
National Animal Idenfication System	**$0**	**$805,000**	**$0**
Kansas Bureau of Investigation (SAA: KBI)			
Department of Justice			
Agroterrorism Response	$233,832	$0	$0
Intelligence System	$37,500	$55,411	$0
KANSAS BUREAU OF INVESTIGATION TOTAL	**$271,332**	**$55,411**	**$0**

*SAA - State Administrating Agency

Footnotes:

Due to the variation in the figures, estimated year may not coincide with amounts included in the Budget Management System due to the time in which a report is being prepared

Actual figures are based off of the amount of cash expended in that particular year

Estimated figures are based off of the amount of funding estimated IN TOTAL to be received by the agency in a particular year

For the 800 Mhz Interoperability Project the state takes "collective credit" for the project which counts toward the portion to be distributed to local units of government

Amounts in State Portions are transfers from the Kansas Highway Patrol as the administrator of Department of Homeland Security Office of Domestic Preparedness Grants to other state agencies. To prevent from double counted those funds within the state's accounting system, the transferred amounts are accounted for "off budget" with the Kansas Highway Patrol's budget, and account for "on budget" within the receiving agency's budget.

Figures for Adjutant General (Emergency Management), KDHE, and KHP included expenditures for all four categories (Equipment, Planning, Exercises, and Training) approved by ODP funds

FY 2005 estimated figures are based on a year to date total as of Tuesday, February 1, 2004, with the remaining figures based on an estimate for the remaining fiscal year

Emeregency Management Performace Grant was previously directly granted to the Adjutant General's Office to finance salaries and wages and other operating expenses previous to FY 2006. Beginning in FY 2005, the grant will now be included within the administration of the Homeland Security Funding received by the Kansas Highway Patrol. Adjutant General figures include state matching monies

2-7

House Department of Labor Budget Committee Report

FY 2005-FY 2006

General Government and Commerce Budget Committee

Representative Jo Ann Pottorff, Chairperson	Representative Richard Carlson
Representative David Huff	Representative Annie Kuetter
Representative Harold Lane	Representative Scott Schwab #119
Representative Clark Shultz	

HOUSE APPROPRIATIONS

DATE 2-08-2005

ATTACHMENT 3

HOUSE BUDGET COMMITTEE REPORT

Agency: Department of Labor **Bill No.** ---- **Bill Sec.** ----

Analyst: Alishahi **Analysis Pg. No.** **Budget Page No.** 257

Expenditure Summary	Agency Estimate FY 05	Governor's Recommendation FY 05	House Budget Committee Adjustments
All Funds:			
State Operations	$ 38,212,560	$ 38,212,560	$ 0
Aid to Local Units	0	0	0
Other Assistance	352,297,935	352,297,935	0
Subtotal-Operating	$ 390,510,495	$ 390,510,495	$ 0
Capital Improvements	205,000	205,000	0
TOTAL	$ 390,715,495	$ 390,715,495	$ 0
State General Fund:			
State Operations	$ 563,763	$ 563,763	$ 0
Aid to Local Units	0	0	0
Other Assistance	27,935	27,935	0
Subtotal-Operating	$ 591,698	$ 591,698	$ 0
Capital Improvements	0	0	0
TOTAL	$ 591,698	$ 591,698	$ 0
FTE Positions	634.2	634.2	0.0
Non-FTE Unclass. Perm. Pos.	36.5	36.5	0.0
TOTAL	670.7	670.7	0.0

Agency Estimate/Governor's Recommendation

The **agency** estimates a current year operating budget of $390,510,495, a decrease of $39,447,009 or 9.2 percent below the approved amount. The agency estimates FY 2005 State General Fund expenditures of $591,698, an increase of $269,271 or 83.5 percent above the approved amount. The estimate includes the elimination of 18.6 vacant FTE positions, and a shrinkage rate of 15.8 percent, an increase of 10.6 percent above the approved amount. The increase in shrinkage is mainly attributable to a $2.6 million or 12.9 percent reduction in federal funds for Unemployment Insurance administration costs in federal FY 2005.

The **Governor** concurs with the agency's revised estimate.

House Budget Committee Recommendation

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

1. **Agency Reorganization.** The Budget Committee notes that the agency's name and organizational structure changed on July 1, 2004, with the implementation of the Governor's 2004 Executive Reorganization Order (ERO) No. 31 and 2004 HB 2435.

   - **2004 ERO No. 31.** 2004 ERO No. 31 changed the name of the Kansas Department of Human Resources to the Kansas Department of Labor (KDOL); and transferred the Division of Employment and Training, the Kansas Commission on Disability Concerns, the Apprenticeship Program, and a portion of Support Services from KDOL to KDOC. The implementation of 2004 ERO No. 31 resulted in the transfer of $39,212,786, including $237,350 from the State General Fund and 280.6 FTE positions from KDOL to KDOC in FY 2005.

   - **2004 HB 2435.** The implementation of 2004 HB 2435 resulted in the transfer of $501,591, including $487,560 from the State General Fund, and 7.0 FTE positions from KDOL to the Governor's Office in FY 2005. HB 2435 created the Hispanic and Latin Affairs Commission, which is housed in the Governor's Office; repealed statutes concerning the Hispanic Affairs Advisory Committee, which was housed in KDOL; and moved the Advisory Committee on African-American Affairs and the Office of Native-American Affairs from KDOL to the Governor's Office.

2. **Unemployment Insurance Benefit (UIB) System Project Update.** The Budget Committee notes that the agency's Unemployment Insurance Benefit system project is moving forward. As directed by the 2004 Legislature, the Joint Committee on Information Technology (JCIT) reviewed the findings of a needs assessment and feasibility study on the UIB system in June 2004. In addition, the State Finance Council gave final approval for the agency to proceed with the project and granted $21.0 million in bonding authority in June 2004. The Budget Committee notes that the Department of Labor issued a Request for Proposals (RFP) for the first phase of the project at the end of 2004. The agency's goal is to begin Phase I of the UIB system project by March 2005.

HOUSE BUDGET COMMITTEE REPORT

Agency: Department of Labor **Bill No.** ---- **Bill Sec.** ----

Analyst: Alishahi **Analysis Pg. No.** **Budget Page No.** 257

Expenditure Summary	Agency Request FY 06	Governor's Recommendation FY 06	House Budget Committee Adjustments
All Funds:			
State Operations	$ 37,927,555	$ 39,818,758	$ 0
Aid to Local Units	0	0	0
Other Assistance	372,600,000	372,600,000	0
Subtotal-Operating	$ 410,527,555	$ 412,418,758	$ 0
Capital Improvements	185,000	218,255	0
TOTAL	$ 410,712,555	$ 412,637,013	$ 0
State General Fund:			
State Operations	$ 416,702	$ 345,330	$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal-Operating	$ 416,702	$ 345,330	$ 0
Capital Improvements	0	0	0
TOTAL	$ 416,702	$ 345,330	$ 0
FTE Positions	634.2	634.2	0.0
Non-FTE Unclass. Perm. Pos.	36.5	36.5	0.0
TOTAL	670.7	670.7	0.0

Agency Request/Governor's Recommendation

The **agency** requests a FY 2006 operating budget of $410,527,555, an increase of $20,017,060 or 5.1 percent above the revised current year estimate. The agency requests budget year State General Fund expenditures of $416,702, a decrease of $174,996 or 29.6 percent below the revised FY 2005 estimate. The request includes a shrinkage rate of 18.3 percent, an increase of 2.5 percent above the current year estimate. The increase in the shrinkage rate is attributable to a $2.6 million or 12.9 percent reduction in federal funds for Unemployment Insurance administration costs in federal FY 2005. The request also includes an enhancement totaling $85,000 from the State General Fund for a 50.0 percent match for a U. S. Department of Labor/Bureau of Statistics grant.

The **Governor** recommends a FY 2006 operating budget of $412,418,758, an increase of $21,908,263 or 5.6 percent above the current year recommendation. The Governor recommends budget year State General Fund expenditures of $345,330, a decrease of $246,368 or 41.6 percent below the FY 2005 recommendation. The recommendation is $1,891,203 or 0.5 percent more than the agency's request and includes:

- An additional $1,729,674, including $13,628 from the State General Fund, for the 2.5 percent salary increase, the 27th payroll period, and the increase in the Kansas Public Employees Retirement System (KPERS) death and disability contribution rate; and

- An additional $161,529, including $76,529 from the Workers Compensation Fee Fund, for the agency's enhancement request. The Governor does not recommend funding the enhancement request from the State General Fund.

Statutory Budget Submission

K.S.A. 75-6701 requires that the budget submitted by the Governor and the budget ultimately approved by the Legislature provide for a State General Fund ending balance of at least 7.5 percent of expenditures for FY 2006. To comply with this provision, Volume 1 of the Governor's Budget Report includes a "statutory budget" designed to provide for a 7.5 ending balance. In general, this requires a 8.9 percent reduction to the FY 2006 State General Fund executive branch budget recommendations submitted by the Governor. That reduction has not been applied to school finance funding in the Department of Education, to the Board of Regents and its institutions, or to the judicial or legislative branches. **For this agency, the reduction to the Governor's recommended FY 2006 State General Fund budget would total $30,836.**

House Budget Committee Recommendation

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

Kansas Legislative Research Department February 8, 2005

Department of Labor

FY 2005 State General Fund Revisions

The Governor's FY 2005 revised recommendation is a State General Fund increase of $260,871 or 78.9 percent above the FY 2005 State General Fund amount approved by the 2004 Legislature.

FY 2006 State General Fund Adjustments to the FY 2005 Approved Expenditures

The Governor's FY 2006 State General Fund recommendation for the agency totals $345,330, an increase of $14,503 or 4.4 percent above the FY 2005 State General Fund amount approved by the 2004 Legislature. Absent amounts recommended for the 2.5 percent base salary adjustment ($5,172), the 27th payroll period ($7,661), and the Kansas Public Employees Retirement System (KPERS) death and disability increase ($795), the recommendation is a decrease of $28 below the approved amount.

HOUSE APPROPRIATIONS

DATE 2-08-2005

ATTACHMENT 4

KANSAS MEDICAL SOCIETY
KMS

623 SW 10th Avenue
Topeka, KS 66612-1627
785.235.2383
800.332.0156
fax 785.235.5114

www.KMSonline.org

To: House Appropriations Committee

From: Jerry Slaughter
Executive Director

Subject: ERO 33; Concerning a new Division of Health Policy and Finance

Date: February 8, 2005

The Kansas Medical Society appreciates the opportunity to appear in support of Executive Reorganization Order 33. The intent of this ERO is to consolidate the state's health care purchasing functions into a single agency, and to thereby improve efficiency, reduce duplication, and enhance the responsiveness of the state as a business partner.

The growth, complexity and cost of health care programs administered by the state has been nothing short of astonishing in recent years. As this committee knows better than others, Medicaid is one of the fastest growing components of the state budget. As it has grown more costly and complex over the past thirty-plus years, however, it has largely remained unchanged in terms of its fundamental culture and administration. Despite its programmatic complexity, Medicaid is essentially a state-administered health insurance program which is housed in a social service agency. If the program were created new today, it is safe to say it would probably not be assigned to the state agency responsible for state-run mental health facilities, community support services for children and adults, and substance abuse programs. It would most likely be housed in an agency that was focused on the arranging for and purchasing of health insurance, either directly or through third party intermediaries.

We view ERO 33 as the first real effort on the part of the state to re-think how it carries out the functions of purchasing health care benefits from physicians, hospitals and other private care providers. We believe it gives the state the opportunity to approach this program with a new perspective, achieve efficiencies, and become a better business partner with the thousands of providers the state relies upon to care for individuals insured by the programs. Most everyone agrees the state simply can't afford to continue doing business as it has in the past, particularly with Medicaid costs increasing at such a rapid pace. We view this reorganization as a positive step in the right direction, one we hope will result in a better program for the population served, for the state, and for the providers who contract with the state to provide care for those individuals.

HOUSE APPROPRIATIONS

DATE 2-08-2005
ATTACHMENT 5

Testimony
of
Patrick J. Hurley
on behalf of
HealthyKansas Coalition

Presented to
House Appropriations
Committee

February 3, 2005

HOUSE APPROPRIATIONS

DATE 2-08-2005
ATTACHMENT 6

HealthyKansas Coalition

We the undersigned do hereby join the ***HealthyKansas Coalition*** and express our support for the elements of the HealthyKansas proposal announced by Governor Sebelius and Insurance Commissioner Praeger, which includes the following public policy goals:

1. Contain health care costs by streamlining the health care system through the work of the Health Care Cost Containment Commission and consolidating the state's health care purchasing in the Kansas Health Care Authority;

2. Provide small businesses with an affordable health insurance option to enable them to insure their employees by pooling resources through the Business Health Policy Committee;

3. Provide health care coverage and preventive care to uninsured Kansas children by enrolling them in HealthWave, through a process known as presumptive eligibility;

4. Establish and fund a Pilot Project to provide health care coverage to children of state employees who are income-eligible for HealthWave;

5. Provide Health Insurance Coverage for lower income working parents by increasing the HealthWave eligibility limit to 100% of the Federal Poverty Level;

6. Provide access to lower cost prescription drugs, name brand and generic, for seniors and low-wage working Kansans, including access to the 1-SAVE Rx Program;

7. Establish programs to help Kansans get and stay healthy in business, education, and community settings by increasing physical activity, avoiding tobacco use, healthier diets, and preventive care; and

8. Establish a health care assessment on cigarettes and other tobacco products for the purpose of funding these health care initiatives.

HealthyKansas Coalition Members

AARP
American Cancer Society
American Heart Association
American Lung Association of Kansas
Barber County Community Health Department
Barton County Health Department
Butler County Health Department
C.D.I. Head Start
Central Plains Area Agency on Aging
Clay County Health Department
Coffey County Health Department
Community Health Center of Southeast Kansas

Healthy KANSAS

1. Contain costs by streamlining the health care system

Approximately 30 percent of the $12 billion that Kansans spend on health care every year goes to pay for administrative overhead, such as paperwork, claims processing, and provider credentialing. To address the problem, a Health Care Cost Containment Commission will be established to work with doctors, hospitals, and health plans to streamline the health care system. In addition, virtually all of the state's health care purchasing will be combined in a new business division – the Kansas Health Care Authority – to allow the state to use its $1.6 billion in purchasing power to push for real cost-saving reforms.

Cost: None

2. Give small businesses an affordable health insurance option

Two-thirds of working Kansans who cannot afford health insurance are employed by small businesses. Though surveys indicate that many business owners would like to offer health coverage to their employees, most cannot afford it. Through the Business Health Policy Committee, which was created by the Legislature, small businesses that until now have not been able to offer coverage will be given an affordable new private insurance choice that will allow them to pool their resources.

Cost: $12 million

3. Provide coverage and preventative care to Kansas children

Kansans support the goal of providing health care coverage to all Kansas children. As a first step toward that goal, the HealthyKansas initiative will launch an aggressive campaign to enroll the more than 40,000 Kansas children who are eligible for HealthWave coverage but not receiving services. Through a process known as presumptive eligibility, a majority of these children will finally be enrolled. Providing coverage to these eligible children is not only the right thing to do, it will help lower health care costs. Often, children without coverage do not receive preventative care, which forces parents to seek expensive emergency room care when their children become ill.

Cost: $9.5 million

6-3

4. Establish pilot project for children of low-income state employees

The 2001 Kansas Legislature authorized, but never funded, a pilot project to provide health coverage to children of state employees with household incomes that qualified them for HealthWave but who federal rules prohibited from receiving the benefit. The HealthyKansas initiative will assist those state employees in obtaining coverage for their children.

Cost: $2.5 million

5. Provide coverage to low-wage, working parents

There are thousands of Kansas parents who work hard and play by the rules but who cannot afford health coverage. Currently, parents who make less than 37 percent of the federal poverty level (FPL) – approximately $7,000 annually for a family of four – are eligible for HealthWave coverage. The HealthyKansas initiative would set that eligibility limit at 100 percent FPL, which for a family of four is $18,850. Providing coverage to more than 30,000 low-wage working parents will significantly reduce the amount of uncompensated care that doctors and hospitals are forced to provide to uninsured Kansans, which in turn will lower everyone's health care costs.

Cost: $25 million

6. Provide access to lower-cost prescription drugs

To help Kansans save money on life-saving prescription drugs, the state will collaborate with Kansas pharmacies to provide low-cost, generic drugs to low-wage working Kansans. The state has also established a Web-based prescription drug resource center to assist Kansas seniors and the uninsured in accessing free and reduced price medications, including access to the I-Save Rx Program to purchase lower cost medication through Europe and Canada.

Cost: $500,000

7. Help Kansans get and stay healthy

No health care reform effort can be successful in containing costs if it does not address the growing epidemic of childhood and adult obesity and the documented health consequences of tobacco use. The Kansas Department of Health and Environment will work with business, education, and community leaders to implement an effective statewide program to help Kansans assume greater personal responsibility for their health and wellness. The program will provide Kansans with incentives to increase their physical activity, avoid tobacco use, follow healthy diets, and seek preventive care.

Cost: None

8. Dedicated health care assessment on tobacco products

A 50 cent per pack health care assessment on cigarettes and a 5 percent health care assessment on other tobacco products, from the current 10 to 15 percent, will be dedicated to funding the HealthyKansas initiative. In Kansas, health care costs related to smoking total more than $724 million annually. A health care assessment on tobacco products will not only raise the needed revenue for HealthyKansas, but is also proven to be the best method of reducing smoking among both youth and adults. Studies show that every 10 percent increase in the price of cigarettes reduces youth smoking by 7 percent and overall cigarette consumption by 3 to 5 percent.

REORGANIZING STATE HEALTH AGENCIES TO MEET CHANGING NEEDS

State Restructuring Efforts In 2003

6-6

Since 1908, the nation's governors have worked together through the National Governors Association (NGA) to deal collectively with issues of public policy and governance. The association's mission is to support the work of the governors by providing a nonpartisan forum to help shape and implement national policy, to implement domestic programs, and to solve state problems.

The NGA Center for Best Practices (NGA Center) is a nonprofit, nonpartisan organization that helps Governors and their policy advisors develop and implement innovative solutions to the policy challenges facing them in their states. The NGA Center tracks, evaluates, and disseminates information on state innovations and best practices on a variety of public policy issues.

The NGA Center is a nonprofit, tax-exempt 501(c)(3) corporation with its own board of directors. The work of the NGA Center is primarily funded through foundation grants, federal contracts and cooperative agreements, and a small endowment. As a 501(c)(3) corporation, the NGA Center does not participate in any lobbying activities.

National Governors Association
Center for Best Practices
Hall of States, Suite 267
444 North Capitol Street, N.W.
Washington, DC 20001-1512
(202) 624-5300
fax: (202) 624-5313
www.nga.org/center

EXECUTIVE SUMMARY

In 2003, most states began the year struggling to protect even their highest priority programs from budget reductions. The downturn in state tax revenue collections compounded by the rising cost of the Medicaid program and of health care in general forced states to cut $11.8 billion from their fiscal 2003 enacted budgets. These cuts represented the second largest budget shortfall after fiscal 2002, when 38 states cut their budgets by nearly $13.7 billion. The shortfalls in 2003 were severe enough to affect even priority programs traditionally spared budget cuts, such as K-12 education, higher education, public safety, and aid to towns and cities.[1]

As a result of fiscal pressures, almost every state sought to generate cost savings by allocating public resources more effectively. Because of the prominence of health care costs in most state budgets, health care was placed at the forefront of state cost-containment efforts. Moreover, many governors placed an emphasis on downsizing, reorganizing, and streamlining state government in order to achieve efficiencies and create cost-savings.[2]

This report provides a nationwide snapshot of state health agency organizational structures and examines state efforts to restructure these agencies during 2003. It also describes the focus, goals and overall outcomes of restructuring efforts. Because of Medicaid's prominence in state budgets, it places special emphasis on changes affecting the Medicaid program and its placement in state organizational structures. It also highlights the organizational placement of the State Children's Health Insurance Program (SCHIP) and the Title V Maternal and Child Health Services Block Grant (Title V MCH) program.

This report examines the broad spectrum of restructuring efforts during 2003. It is a snap-shot in time, exploring examples that arose between January and July of 2003, with some follow-up discussion in the fall of that year. NGA looks forward to the opportunity in the near future to go more in depth with some of the critical areas of reorganization, as well as outcomes from these efforts.

State Health Agency Restructuring Trends

During 2003, almost half of the states (22) considered, planned, or implemented structural changes to their state health agency. At least eight of these initiatives were part of broader statewide efforts to transform state government. The Medicaid program was a key component of restructuring efforts in over half of the 22 states—and yet, the Medicaid program was not the only driver of organizational change or state cost-containment efforts. Restructuring states sought to streamline programs and services, improve resource allocation, create cost-savings, enhance managerial oversight of programs, and improve the quality of services.

The 22 states that considered planned, or implemented state health agency restructuring initiatives in 2003 varied considerably in the roles and responsibilities they assigned to their state health agency, as well as in where they placed the agency within the executive branch. Over half of the restructuring states made *intra-agency* changes that affected departments and systems within the agency (e.g., consolidation or elimination of some components of an agency). Eight states implemented *interagency* changes among

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[1] National Association of State Budget Officers (NASBO) and National Governors Association (NGA), *Fiscal Survey of the States* (Washington, DC: December 2003). Available at http://www.nasbo.org/publications.php.

[2] T. Nodine, *Governors' State-of-the-State Addresses for 2003: A Summary of Prevalent Themes* (Washington, DC: National Governors Association. 2003).

6-8

agencies separate and independent of one another (e.g., the consolidation of five departments into one). Among the 22 states with state health agency restructuring initiatives in 2003, several trends emerged:

- **Clustering health and related human services programs.** At least 18 states considered clustering, collapsing, or otherwise consolidating their health-related activities into one or a smaller number of organizational entities. Several of these initiatives involved organizational change affecting multiple health programs (e.g., Medicaid, SCHIP, and the Title V MCH program).

- **Continuing shifts towards health and human services umbrella structures.** Since 1996, there has been a trend towards using an umbrella agency model to house all or most state health and human services programs. Entering 2003, 21 states reported that their health agency was a component of an umbrella structure, compared with 16 states in 1996. During 2003, no states dismantled umbrella structures where they already existed; in fact, several states considered forming *new* umbrella structures to house their health and human services programs.

- **Consolidating health-related functions.** Nearly all of the 22 restructuring states sought to consolidate their health programs around the core services they provide, functions they perform, and/or special populations they serve. Most abandoned structures that were organized categorically (i.e., a single program providing a core set of services). In fact, several states characterized their restructuring initiatives as an effort to move away from programmatic "silos"—i.e., programs that operate independently even though they may serve the same populations.

- **Centralizing program support functions.** Many state health agency restructuring initiatives involved consolidating various administrative systems and managerial functions (e.g., communications, human resources, legal services, budget and financing, and information technology functions). In many cases, states also sought to overhaul antiquated data systems, particularly as part of efforts to streamline eligibility and enrollment processes for Medicaid and other public programs.

- **Restructuring involving gubernatorial and legislative authority.** The impetus and authority for restructuring varied considerably from state to state, along with the mechanisms used for planning and implementation. To varying degrees, nearly all of the 22 restructuring initiatives involved gubernatorial and/or legislative approval. Only a few initiatives were authorized by the state's health secretary or commissioner alone, and those few were usually contained within divisions or branches of the state health agency. The most common mechanism used to plan and implement a health agency restructuring initiative was a state health agency work group or task force. Often such work groups were made up of members both internal and external to the health agency and were led by the secretary or commissioner of health. Governors in several states established an Office of Health Policy and Planning within the immediate office of the governor to advise their ongoing health care reform efforts.

6-9

Effects on Medicaid, SCHIP, and the Title V MCH Program

Although state Medicaid spending growth appeared to be slowing,[3] it remained a significant issue for states and a significant focus of state health agency restructuring initiatives in 2003. In 15 of the 22 states with health agency restructuring initiatives, the initiatives impacted the state Medicaid program. Several initiatives also affected SCHIP and state Title V MCH programs. Where Medicaid was affected, states implemented structural changes to contain Medicaid costs, maximize organizational efficiencies, leverage federal matching funds, and improve data collection. Many of the changes affecting Medicaid were also tied to broader plans for reforming the health care system as a whole. Among the changes were the following:

- **Elevating Medicaid within the state health agency or executive branch.** Because of the Medicaid program's size and scope, four states planned to elevate Medicaid in the executive branch of state government, and one state planned to elevate Medicaid within its existing state health agency structure. A few states even considered elevating Medicaid to report directly to the governor. (The Medicaid authority already reports directly to the governor's office in at least two states nationwide.)

- **Reorganizing SCHIP together with the Medicaid program.** Among the restructuring states with separate SCHIP programs, there were no states that sought to restructure SCHIP to the exclusion of Medicaid. In fact, organizational changes affecting Medicaid and SCHIP were often tied to broader plans for reforming the health care system as a whole.

- **Consolidating Title V MCH programs into a single entity focused on family health.** Title V MCH programs were affected in 13 of the 22 states with health agency restructuring initiatives. In many cases states were centralizing Title V MCH programs with other programs serving similar populations. At least 31 of the 50 states now organize their Title V MCH programs together with other child and family-related programs—e.g., the Special Supplemental Food and Nutrition Program for Women, Infants and Children (WIC), family planning, immunizations—into a division or organizational unit of family health.

Restructuring Challenges and Opportunities

Some of the most significant challenges facing restructuring states involved staffing changes and the complexities associated with merging divergent program philosophies and federal funding streams. Several states reported that challenges occurred most often during the implementation and transition phases of organizational change. However, proper planning and effective communication helped to minimize many of these challenges.

The top challenges identified by restructuring states during 2003 included the following:

- merging divergent service delivery models and philosophies into a common vision and system;
- overcoming internal and external resistance to change;
- maintaining staff morale during staffing changes and program relocation;
- ensuring smooth day-to-day operations and seamless service delivery;

[3] V. Smith, R. Ramesh, K. Gifford, and E. Ellis (Health Management Associates) and Victoria Wachino (Kaiser Commission on Medicaid and the Uninsured), States *Respond to Fiscal Pressure: State Medicaid Spending Growth and Cost Containment in Fiscal Years 2003 and 2004—Results from a 50 State Survey.* (Washington, DC: Kaiser Commission on Medicaid and the Uninsured, September 2003).

6-10

- addressing the complex legal questions that arise when merging public funding streams; and
- creating an integrated data system and coordinating a smooth transfer of electronic information.

Many states noted that restructuring their health agency along with broader efforts to transform state government provided an opportunity to improve the quality and efficiency of services. Officials in such states are hoping that restructuring initiatives will reduce costs, result in a better use of limited resources, and maximize existing funding streams.

6-11

KANSAS HOSPITAL
KHA
ASSOCIATION

February 3, 2005

TO: House Appropriations Committee

FROM: Thomas L. Bell, President

RE: **ERO 33**

Thank you for the opportunity to provide comments in support of ERO 33. This ERO would create The Office of Health Planning and Finance within The Department of Administration.

Our focus with regard to this discussion is the movement of the state's medical assistance program to this new office. We see this move as having the potential to reduce the bureaucracy within the Medicaid program. Right now, Medicaid is one layer in The Department of Social and Rehabilitation Services. The ERO would allow more focus on the Medicaid program specifically. Our hope is that such extra focus would allow the program to function more efficiently.

Thank you for your consideration of our comments.

HOUSE APPROPRIATIONS

DATE 2-08-2005
ATTACHMENT 7

The Alliance For Kansans with Developmental Disabilities

The Alliance for Kansans with Developmental Disabilities

2113 Delaware St. • Lawrence, Kansas • 66046-3149 • (785) 865-5520 x 119 • (785) 865-5695 (fax)
www.theddalliance.org

To: House Appropriations Committee
RE: Division of SRS into Two Administrations

Chairman Neufeld and members of the committee, thank you for the opportunity to provide comment on the proposed separation of Social & Rehabilitation Services into the Department of Human Services and the Division of Health Policy and Finance.

The Alliance for Kansans with Developmental Disabilities is an association of community service providers, consumers, family members and professionals of services to persons with developmental disabilities across the state of Kansas.

The Alliance supports the separation of SRS into two different administrations. SRS has become a very large entity. We believe that the separation will allow for a greater focus on the important aspects of both the services it provides and the financing of those services.

Mike Hutfles is available for questions.

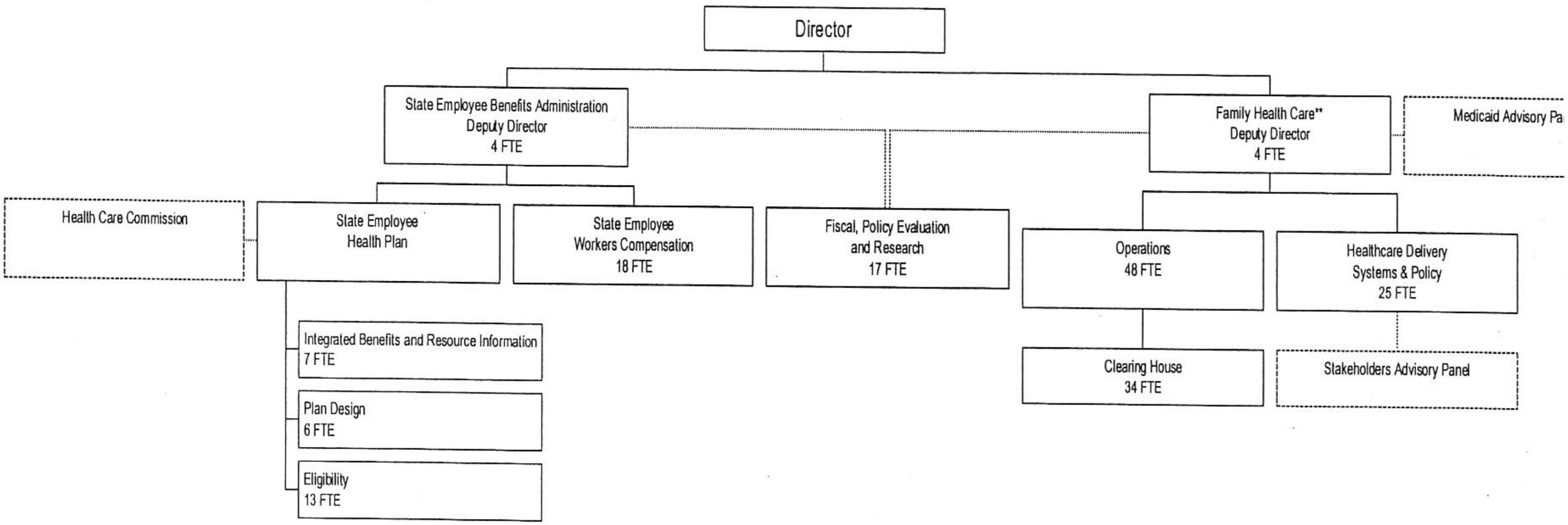
Thank you again for your consideration of our comments.

HOUSE APPROPRIATIONS

DATE 2-08-2005

ATTACHMENT 8

Division of Health Policy and Finance
183.5 FTE*



Estimated Health Care Purchases

- Medicaid $1.3 billion
- State Employees $300 million
- Workers Compensation $16.1 million

Salaries $8.2 million

Other Operating Expenditures $62.2 million

- includes MMIS contract
- includes Clearing House contract

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*Includes 5.5 FTE transferring from SRS to other Department of Administration divisions to support the programs transferring

**Formerly Medical Policy/Medicaid in SRS

*** Panel composed of the Secretaries of the Departments of Human Services, Aging, Health and Environment and Administration and the Commissioner of the Juvenile Justice Authority

HOUSE APPROPRIATIONS
DATE 2-08-2005
ATTACHMENT 9

ERO # 33: SUMMARY OF PROVISIONS

Section 1:
This section establishes the Division of Health Policy and Finance (HP&F) within the Department of Administration (DofA), with an unclassified director reporting to the governor. It authorizes the director to hire employees and to organize the division. Employees are classified, unless otherwise specifically provided by law. *(a) and (b)*

This section also sets out HP&F's powers, functions, and duties. *These duties are adapted from the general authorities given to the secretary of SRS under K.S.A. 39-708c.* Key provisions include the following:

(1) HP&F is responsible for Medicaid, Healthwave, and any other medical assistance or health insurance program for the needy or uninsured authorized by chapter 39 of the K.S.A's (federal or state funds or both). Other health care programs can be delegated to it by the governor or another state agency (through an Memorandum of Understanding (MOU)). It is to be the contact agency for federal health care reform measures. *(c)(1)*

(2) HP&F does **not** assume any responsibility for the following programs of SRS: mental health programs (K.S.A. 39-1601 *et seq.* and K.S.A. 75-3304a); the developmental disabilities reform act; addiction and prevention services; and state mental health and developmental disabilities institutions. *(c)(1)*

(3) HP&F is the single state agency (SSA) for Medicaid. *(c)(2)*

(4) HP&F is authorized to enter into agreements regarding administration of any of its programs through MOU's with state agencies. *(c)(4)(A)* The Governor's ERO message identifies a number of Medicaid waivers and other programs that will be delegated to SRS through such an MOU. However, as required by federal law, HP&F must retain overall administrative discretion and policy-making responsibilities for Medicaid. *(c)(4)(B)* This section further allows HP&F to enter into MOU's with local agencies for partnership in HP&F-administered programs.

Section 2:
This section renames the Department of Social and Rehabilitation Services (SRS) as the Department of Human Services (DHS). It also transfers to HP&F the following SRS functions:

- designation as the single state agency for Medicaid;
- SCHIP (Healthwave); and
- SRS's duties under chapter 39 of the K.S.A. relating to any other medical assistance, health insurance program for the needy or uninsured, or waivers of those programs (whether state or federally funded or both). *(As noted above, administration of many waivers will be delegated to DHS through an MOU.)*

Sections 3 through 7:
These are *standard boilerplate* provisions relating to the transfer of functions from SRS to HP&F and the renaming of SRS.

Section 8:
This is *standard boilerplate* regarding employee transfers. SRS employees performing the transferred functions transfer to DofA, as well as SRS employees providing administrative, technical or other support services essential to the transferred functions.

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ATTACHMENT 10

- The secretaries of DofA and SRS jointly determine which administrative employees are to transfer.
- Classified employees retain classified status. If a vacancy occurs in a transferred classified position, it can be converted to an unclassified position *only if otherwise provided by law.*

Section 9:
This section transfers one duty of the Department of Health and Environment (KDHE) to HP&F – serving as Kansas' contact agency on federal health care reform measures.

Sections 10 through 12:
These are *standard boilerplate* sections relating to transfer of one function from KDHE to the HP&F.

Sections 13 through 16:
These are *standard boilerplate* sections that apply to the ERO as a whole:

Note: Responsibilities related to staffing the Health Care Commission and administering state employee health-care related benefits are not addressed in the ERO. These duties are assigned by statute to the Secretary of Administration. Under K.S.A. 75-3702j, the secretary can delegate the secretary's powers and functions to DofA officers and employees. Therefore, it was not necessary to assign those duties to the director of HP&F through the ERO.