

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 A.M. on February 15, 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 Cussimano, Legislative Research Department
Amy Deckard, Legislative Research Department
Julian Efird, Legislative Research Department
Leah Robinson, 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:

Others attending:

See attached list.

- Attachment 1 Budget Committee report on Department of Administration and Governmental Ethics Commission
- Attachment 2 Budget Committee report on Department on Aging

SB 8 was referred to Education Budget Committee.

SB 46 was referred to General Government and Commerce Budget Committee.

HB 2468 was referred to Retirement Subcommittee.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Department of Administration for FY 2005 and moved for the adoption of the Budget Committee recommendation for FY 2005 (Attachment 1). 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 Administration for FY 2006 and moved for the adoption of the Budget Committee recommendation for FY 2006 (Attachment 1). The motion was seconded by Representative Lane. Motion carried.

The Budget Committee referred to Item 4 and stated that because of the continual increase in FTE positions in the office of the Long-Term Care Ombudsman, the Budget Committee chose to review this item at Omnibus.

Representative Lane, member of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Governmental Ethics Commission for FY 2005 and moved for the adoption of the Budget Committee recommendation for FY 2005 (Attachment 1). The motion was seconded by Representative Schwab. Motion carried.

Representative Lane, member of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Governmental Ethics Commission for FY 2006 and moved for the adoption of the Budget Committee recommendation for FY 2006 (Attachment 1). The motion was seconded by Representative Pottorff. Motion carried.

Representative Lane, member of the General Government and Commerce Budget Committee, presented the

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on February 15, 2005 in Room 514-S of the Capitol.

Budget Committee report on the Governmental Ethics Commission for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 1). The motion was seconded by Representative Schwab. Motion carried.

The Budget Committee noted that the FY 2007 budget for the Governmental Ethics Commission is presented because the Commission is on a two-year budget cycle. The Budget Committee stated that the reason for the \$11,365 increase in FY 2007, is primarily due to the fact that 2007 is an election year.

Representative Bethell, member of the Social Services Budget Committee, presented the Budget Committee report on the Department on Aging for FY 2005 and moved for the adoption of the Budget Committee recommendation for FY 2005 (Attachment 2). The motion was seconded by Representative Henry. Motion carried.

Because of the decrease in the requested funding for the Frail/Elderly (FE) Waiver, the Budget Committee noted that they had asked the Department on Aging to review the funding for this program before Omnibus to insure that this decrease will not create a waiting list.

Representative Bethell, member of the Social Services Budget Committee, presented the Budget Committee report on the Department on Aging for FY 2006 and moved for the adoption of the Budget Committee recommendation for FY 2006 (Attachment 2). The motion was seconded by Representative Henry.

In reference to Item No. 13, the Budget Committee noted the importance of the nutritional program for seniors. The Budget Committee has requested that the Department on Aging provide additional detailed information on this program before Omnibus. Responding to a question from the Committee, the Budget Committee stated that the Program for All-inclusive Care for the Elderly (PACE) works very well for urban areas. The Budget Committee is encouraging the Department on Aging to request grant funds from the federal government to do a pilot PACE program in the rural areas. In regard to the Senior Care Act, the Budget Committee noted that needs of this program will continue to grow for the aging population. Referencing the Senior Care Act, the Budget Committee noted that they were assured by the agency that adequate funding is available within the existing funds.

The staff turnover rate in the agency, according to Marty Kennedy, Budget Director for the Department on Aging, is 9.5 percent, with approximately twenty vacant positions at the present time.

The Committee expressed concern that regulations within the new Medicaid proposals will have an impact on the amount of federal funds flowing to the state for case management.

Representative Bethell moved to amend the Budget Committee report on the Department on Aging for FY 2006 by adding language requesting the Department on Aging to continue to monitor the flow of federal funds to the agency for case management and report to the Budget Committee. The motion was seconded by Representative Landwehr. Motion carried.

Representative Bethell renewed the motion for the adoption of the Budget Committee recommendation on the Department on Aging for FY 2006 as amended. The motion was seconded by Representative Ballard. Motion carried.

The meeting was adjourned at 9:55 a.m. The next meeting of the Committee will be held at 9:00 a.m. on February 16, 2005.



Melvin Neufeld, Chair

HOUSE APPROPRIATIONS COMMITTEE

February 15, 2005

9:00 A.M.

NAME	REPRESENTING
Marilyn Jacobson	DOA
MARK MCCAIN	ILPBA
Vickilyn Hessel	Budget
Amy Salisbury	Budget
Shannon Jones	SILCK
Osie Torres	SILCK
Carolyn Muddendorf	Ks St Vs Assn
Paul J. Bell	KDOA
Juan S. Sobr	KDOA
Barb Coart	KDOA
Martine Kennedy	KDOA
MARIE SULLIVAN	DISC
Pat DeW	DISC
Ernie Fogge	AARF
CRAIG KASERLINE	K4A
Kelly Spante	KDOA
Pat Higgins	DOA
Jennifer Newman	KACIL

Budget Committee Reports

FY 2005

FY 2006

FY 2007

on

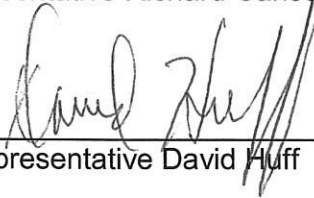
Department of Administration
Governmental Ethics Commission



Representative JoAnn Pottorff, Chairperson



Representative Richard Carlson



Representative David Huff



Representative Annie Kuether



Representative Harold Lane



Representative Scott Schwab



Representative Clark Shultz

HOUSE APPROPRIATIONS

DATE 2-15-2005

ATTACHMENT 1

House Budget Committee Report

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

Analyst: Robinson **Analysis Pg. No.** **Budget Page No. 13**

Expenditure Summary	Agency Estimate FY 05	Governor's Recommendation FY 05	Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 16,145,854	\$ 16,145,854	\$ 0
Other Funds	8,259,814	8,259,814	0
Subtotal-Operating	\$ 24,405,668	\$ 24,405,668	\$ 0
Capital Improvements:			
State General Fund	\$ 4,607,119	\$ 4,607,119	\$ 0
Other Funds	142,746	142,746	0
Subtotal-Cap. Impr.	\$ 4,749,865	\$ 4,749,865	\$ 0
TOTAL	\$ 29,155,533	\$ 29,155,533	\$ 0
FTE Positions:			
Reportable	210.3	210.3	0.0
Nonreportable	594.3	594.3	0.0
Subtotal - FTE Positions	804.6	804.6	0.0
Non FTE Uncl. Perm. Pos.	28.1	28.1	0.0
TOTAL	832.7	832.7	0.0

Agency Estimate/Governor's Recommendation

The **agency's** current year estimate of **reportable** expenditures is \$24.4 million, a net reduction of \$2.1 million from the approved budget. The agency estimates FY 2005 State General Fund expenditures of \$16.1 million, or \$334,589 above the amount approved by the 2004 Legislature. The differences between the approved amount and the agency's revised estimate are:

- An **unlimited reappropriation** of FY 2004 State General Fund savings which exceeded the anticipated reappropriation by \$237,890 and is available for expenditure without any further legislative action; and
- Additional funding of \$96,699 under the **Kansas Savings Incentive Program**.
- Miscellaneous net adjustments in requested expenditures from other funds totaling a reduction of \$2.5 million. The reduction is largely the result of lower than budgeted expenditures from the Wireless Enhanced 911 grant fund.

The Governor concurs with the agency's revised FY 2005 reportable operating request.

Nonreportable Budget. The **agency** estimates current year nonreportable operating expenditures of \$94.8 million, a reduction of \$5.2 million from the amount approved by the 2004 Legislature. **The Governor concurs.**

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor, with the following observation:

1. **Change from FY 2005 Approved.** The Budget Committee notes that the Governor's FY 2005 revised recommendation is a State General Fund increase of \$334,589 or 2.1 percent above the FY 2005 State General Fund amount approved by the 2004 Legislature.

House Budget Committee Report

Agency: Department of Administration **Bill No.** _____ **Bill Sec.** _____
Analyst: Robinson **Analysis Pg. No.** _____ **Budget Page No.** 13

Expenditure Summary	Agency Estimate FY 06	Governor's Recommendation FY 06	Budget Committee Adjustments*
Operating Expenditures:			
State General Fund	\$ 29,580,589	\$ 25,003,416	\$ (105,000)
Other Funds	7,828,882	7,941,334	0
Subtotal-Operating	<u>\$ 37,409,471</u>	<u>\$ 32,944,750</u>	<u>\$ (105,000)</u>
Capital Improvements:			
State General Fund	\$ 47,556,999	\$ 5,490,000	0
Other Funds	167,732	147,732	0
Subtotal-Cap. Impr.	<u>\$ 47,724,731</u>	<u>\$ 5,637,732</u>	<u>\$ 0</u>
TOTAL	<u>\$ 85,134,203</u>	<u>\$ 38,582,482</u>	<u>\$ (105,000)</u>
FTE Positions:			
Reportable	210.3	172.3	(3.0)
Nonreportable	594.3	633.3	0.0
Subtotal - FTE Positions	<u>804.6</u>	<u>805.6</u>	<u>(3.0)</u>
Non FTE Uncl. Perm. Pos.	27.1	27.1	0.0
TOTAL	<u>831.7</u>	<u>832.7</u>	<u>(3.0)</u>

*Reportable budget adjustments only. The Budget Committee also recommends reductions totaling \$158,400 from the Governor's recommended FY 2006 nonreportable budget.

Agency Request/Governor's Recommendation

The agency requests an FY 2006 **reportable** operating budget of \$37.4 million, an increase of \$13.0 million (53.3 percent) from the revised current year estimate.

- The request includes operating enhancements totaling \$3.5 million from the State General Fund. The request also includes \$10.0 million from the State General Fund for the first year of debt service payments on the KPERs pension obligation bonds authorized by the 2003 Legislature. **Absent those requests**, the agency's request would be a reduction of \$0.5 million, or 2.1 percent, from the revised current year estimate.

The Governor recommends an FY 2006 reportable operating budget of \$32.9 million, an increase of \$8.5 million (35.0 percent) from the revised current year recommendation, and a reduction of \$4.5 million from the amount requested by the agency. The Governor's recommendations include the following:

- The transfer of \$1.9 million from the State General Fund and 2.0 FTE positions from the Department of Administration to the Kansas Highway Patrol. Currently, by contract, the **Capitol Area Security Patrol (CASP)** provides security for buildings operated by the Department of Administration. The Department of Administration pays the Highway Patrol for CASP services. To avoid double-counting of expenditures, the Department of Administration includes these expenditures in its budget, and they are considered nonreportable expenditures in the budget of the Highway Patrol. For FY 2006, the Governor recommends moving the funding and 2.0 FTE from the Department of Administration to the Highway Patrol. This would shift the funding from the Department of Administration's budget to the Highway Patrol's reportable budget.
- The addition of \$250,000 from the State General Fund for increased operating grants to the Public Broadcasting Council.
- The addition of \$0.2 million, including \$0.1 million from the State General Fund, and 3.0 new FTE positions for the **Long-Term Care Ombudsman's** office.
- The shift of \$0.5 million from the State General Fund and 17.0 FTE positions in the **Division of Accounts of Reports** to the Division's nonreportable budget.

(**Staff Note:** On January 12, 2005, the Governor issued Executive Reorganization Order (ERO) No. 33. Under the provisions of this ERO, the Governor reorganizes the state's major health care programs into a new division within the Department of Administration, the Division of Health Policy and Finance. Medical services including Medicaid, MediKan, and HealthWave will be transferred from the Department of Social and Rehabilitation Services to the Division of Health Policy and Finance. The Governor's FY 2006 recommendation for the Department of Administration does not include any funding to reflect the transfer of these programs. Should the ERO become effective, the transfer of funds would take place during the Omnibus session.)

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 \$2,722,854.**

The **agency** requests an FY 2006 **nonreportable** operating budget of \$98.9 million, an increase of \$4.0 million (4.3 percent) from the revised current year estimate.

- The agency's request includes **operating enhancements** totaling \$366,800. **Absent the requested enhancements**, the agency's request would be \$98.5 million, an increase of \$3.5 million, or 3.7 percent.

The Governor recommends a total of \$101.0 million in FY 2006, an increase of \$6.1 million from the revised FY 2005 recommendation. The Governor recommends the shift of \$0.5 million and 17.0 FTE from the reportable budget of the Division of Accounts and Reports to the Division's

nonreportable budget. The Governor also recommends the transfer of 3.0 additional FTE positions from the reportable budget to the nonreportable budget (2.0 FTE in the Division of Facilities Management) and 1.0 FTE in the Division of Purchases.

House Budget Committee Recommendation

The Budget Committee concurs with the recommendations of the Governor, with the following adjustments and observations:

1. **Change from FY 2005 Approved.** The Budget Committee notes that the Governor's FY 2006 State General Fund recommendation for the agency totals \$30.5 million, an increase of \$10.2 million, or 50.2 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 (\$125,147), the 27th payroll period (\$155,371), and the Kansas Public Employees Retirement System (KPERs) death and disability increase (\$20,301), the recommendation is an increase of \$9.9 million, or 48.8 percent above the approved amount.
2. **New Debt Service Payments.** The Budget Committee notes that the Governor's FY 2006 State General Fund recommendation for the agency includes a total of \$12.4 million in new debt service obligations for the Kansas Public Employees Retirement System (KPERs) pension obligation bonds authorized by the 2003 Legislature (\$10.0 million), and for phase 3 of the Statehouse renovation project (\$2.4 million). Excluding these amounts and the salary plan amounts listed above, the Governor's recommendation would be a net decrease of \$2.5 million, or 12.1 percent below the FY 2005 approved amount.
3. **Transfer of Capitol Area Security Patrol (CASP) Expenditures.** The Budget Committee notes that the FY 2006 Governor's recommendation transfers \$1.9 million from the State General Fund and 2.0 FTE positions from the Department of Administration to the Kansas Highway Patrol. Currently, by contract, CASP provides security for buildings operated by the Department of Administration. The Department of Administration pays the Highway Patrol for CASP services. To avoid double-counting of expenditures, the Department of Administration includes these expenditures in its budget, and they are considered nonreportable expenditures in the budget of the Highway Patrol. For FY 2006, the Governor recommends moving the funding and 2.0 FTE from the Department of Administration to the Highway Patrol. This would shift the funding from the Department of Administration's budget to the Highway Patrol's reportable budget.
4. Delete a total of \$205,000 (\$105,000 from the State General Fund in the reportable budget and \$105,000 from nonreportable federal funds) and 3.0 FTE positions recommended by the Governor in the office of the Long-Term Care Ombudsman for review at Omnibus.
5. Delete a total of \$53,400 from nonreportable funds of the Division of Information Systems and Communications recommended by the Governor for the purchase of three new vehicles. The Budget Committee intends to reconsider the recommendation at Omnibus.

6. The Budget Committee notes that the Public Broadcasting Council has been offered a grant of \$1.4 million from the Corporation for Public Broadcasting to assist it with digital conversion of public radio. The grant requires a state match of \$1.2 million. Because of the timing of the notice regarding the availability of the grant, it is unclear whether the Governor was aware of the existence of the grant when making her recommendations. The Budget Committee recommends that the Council convey this information to the Governor and ask for consideration of a Governor's Budget Amendment for the matching funds which the Budget Committee could review at Omnibus.

House Budget Committee Report

Agency: Governmental Ethics Commission **Bill No.**

Bill Sec.

Analyst: Deckard

Analysis Pg. No.

Budget Page No. 485

Expenditure Summary	Agency Estimate FY 05	Governor's Recommendation FY 05	House Budget Committee Adjustments
State General Fund	\$ 493,771	\$ 493,771	\$ 0
Special Revenue Funds	135,954	135,954	0
TOTAL	\$ 629,725	\$ 629,725	\$ 0
FTE Positions	9.0	9.0	0.0
Non FTE Uncl. Perm. Pos.	0.5	0.5	0.0
TOTAL	9.5	9.5	0.0

Agency Estimate/Governor's Recommendation

The **agency's** estimate for FY 2005 is \$629,725, an increase of \$19,602 or 3.2 percent above the approved amount. The increase is all State General Fund, for an increase in State General Fund expenditures of 4.1 percent. The increase is attributable to the reappropriation of State General Fund amounts which were not utilized in FY 2004 and carried over into FY 2005. The funds will be utilized for one-time capital outlay expenditures.

The **Governor** recommends \$629,725 for FY 2005 operating expenditures, including \$493,771 State General Fund, this is the same as the agency's estimate.

House Budget Committee Recommendation

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

1. **Change from FY 2005 Approved.** The Budget Committee notes that the Governor's FY 2005 revised recommendation is a State General Fund increase of \$19,602 or 4.1 percent above the FY 2005 State General Fund amount approved by the 2004 Legislature.

House Budget Committee Report

Agency: Governmental Ethics Commission **Bill No.**

Bill Sec.

Analyst: Deckard

Analysis Pg. No.

Budget Page No. 485

Expenditure Summary	Agency Request FY 06	Governor's Recommendation FY 06	House Budget Committee Adjustments
State General Fund	\$ 475,219	\$ 496,973	\$ 0
Special Revenue Funds	134,728	142,799	0
TOTAL	\$ 609,947	\$ 639,772	\$ 0
FTE Positions	9.0	9.0	0.0
Non FTE Uncl. Perm. Pos.	0.5	0.5	0.0
TOTAL	9.5	9.5	0.0

Agency Request/Governor's Recommendation

The **agency** requests FY 2006 operating expenditures of \$609,947, a decrease of \$19,778 or 3.1 percent below the FY 2005 revised estimate. The request includes \$475,219 from the State General Fund, a decrease of \$18,552 or 3.8 percent below the FY 2005 revised request. Without the \$19,602 State General Fund reappropriation in FY 2005, there is an increase of \$1,050 or 0.2 percent above the FY 2005 estimate.

The **Governor** recommends FY 2006 operating expenditures of \$639,772, including \$496,973 from the State General Fund. The recommendation is an increase of \$10,047 all funds or 1.6 percent including \$3,202 State General Fund or 0.6 percent above the FY 2005 recommendation. The recommendation is an increase of \$29,825 all funds or 4.9 percent including \$21,754 State General Fund or 4.6 percent above the agency request. The increase is attributable to the addition of \$29,825 all funds for salary adjustments. The salary adjustments include: \$1,448 all funds, \$1,056 State General Fund for KPERS death and disability payments; \$16,942 all funds, \$12,357 State General Fund to fund the 27th payroll period; and \$11,435 all funds, \$8,341 State General Fund for the 2.5 percent base salary adjustment for state employees.

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 \$44,376.**

1-9

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor, with the following observations:

1. **Change from FY 2005 Approved.** The Budget Committee notes that the Governor's FY 2006 State General Fund recommendation for the agency totals \$496,973, an increase of \$22,804 above the FY 2005 State General Fund amount approved by the 2004 Legislature. Absent amounts recommended for the 2.5 percent base salary adjustment (\$8,341), the 27th payroll period (\$12,357), and the Kansas Public Employees Retirement System (KPERS) death and disability increase (\$1,056), the recommendation is an increase of \$1,050, or 0.2 percent above the approved amount.
2. The Budget Committee notes that the agency continues to find ways to be responsive to the public's needs and also notes that during calendar year 2004, the agency's website, www.accesskansas.org/ethics received 399,810 hits.

House Budget Committee Report

Agency: Governmental Ethics Commission **Bill No.**

Bill Sec.

Analyst: Deckard

Analysis Pg. No.

Budget Page No. 485

Expenditure Summary	Agency Request FY 07	Governor's Recommendation FY 07	House Budget Committee Adjustments
State General Fund	\$ 485,534	\$ 494,708	\$ 0
Special Revenue Funds	137,000	140,407	0
TOTAL	\$ 622,534	\$ 635,115	\$ 0
FTE Positions	9.0	9.0	0.0
Non FTE Uncl. Perm. Pos.	0.5	0.5	0.0
TOTAL	9.5	9.5	0.0

Agency Request/Governor's Recommendation

The **agency** requests an FY 2007 operating expenditure limitation of \$622,534, an increase of \$12,587 or 2.1 percent above the FY 2006 request. The request includes \$485,534 in State General Fund expenditures, an increase of \$10,315 or 2.2 percent above the FY 2006 request. The increase is attributable to increases in fringe benefit costs and increased contractual services due to the election cycle.

The **Governor** recommends FY 2007 operating expenditures of \$635,115, including \$494,708 from the State General Fund. The recommendation is a decrease of \$4,657 all funds or 0.7 percent including \$2,265 State General Fund or 0.5 percent below the FY 2006 recommendation. The recommendation is an increase of \$12,581 all funds or 2.0 percent including \$9,174 State General Fund or 1.9 percent above the agency's request. The increase is attributable to the addition of \$12,581 all funds for salary adjustments. The salary adjustments include: \$1,448 all funds, \$1,056 State General Fund for KPERs death and disability payments; and \$11,133 all funds, \$8,118 State General Fund for the 2.5 percent base salary adjustment for state employees.

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor, with the following adjustments and observations:


1. **Change from FY 2005 Approved.** The Budget Committee notes that the Governor's FY 2007 State General Fund recommendation for the agency totals \$494,708, an increase of \$20,539 above the FY 2005 State General Fund amount approved by the 2004 Legislature. Absent amounts recommended for the continuation of the 2.5 percent base salary adjustment recommended in FY 2006 (\$8,118) and the Kansas Public Employees Retirement System (KPERs) death and disability increase (\$1,056), the recommendation is an increase of \$11,365, or 2.4 percent above the approved amount.

HOUSE BUDGET COMMITTEE

FY 2005 and FY 2006

on

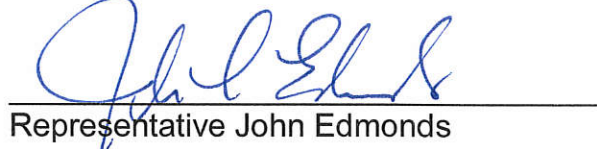
Department on Aging

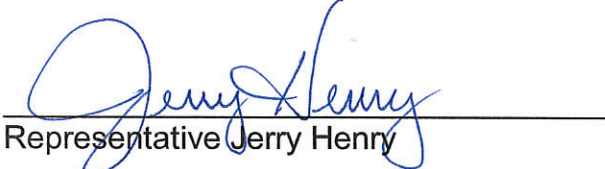

Representative Brenda Landwehr, Chairperson


Representative Barbara Ballard


Representative Bob Bethell


Representative Willa DeCastro


Representative John Edmonds


Representative Jerry Henry


Representative Peggy Mast


Representative Louis Ruiz


Representative Arlan Seigfried

HOUSE APPROPRIATIONS

DATE 2-15-2005
ATTACHMENT 2

House Budget Committee Report

Agency: Department on Aging

Bill No.

Bill Sec.

Analyst: Deckard

Analysis Pg. No.

Budget Page No. 37

<u>Expenditure Summary</u>	<u>Agency Estimate FY 05</u>	<u>Governor's Recommendation FY 05</u>	<u>House Budget Committee Adjustments</u>
All Funds:			
State Operations	\$ 16,017,421	\$ 14,506,165	\$ 0
Aid to Local Units	7,097,185	6,702,951	0
Other Assistance	412,138,884	408,517,238	0
TOTAL	<u>\$ 435,253,490</u>	<u>\$ 429,726,354</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 6,431,166	\$ 5,878,048	\$ 0
Aid to Local Units	2,746,942	2,352,708	0
Other Assistance	160,917,746	159,505,304	0
TOTAL	<u>\$ 170,095,854</u>	<u>\$ 167,736,060</u>	<u>\$ 0</u>
FTE Positions	208.0	208.0	0.0
Non FTE Uncl. Perm. Pos.	2.5	2.5	0.0
TOTAL	<u>210.5</u>	<u>210.5</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The **Department** estimates FY 2005 operating expenditures of \$435,253,490 all funds, including \$170,095,854 State General Fund, an increase of \$5,492,277 all funds or 1.3 percent above the approved amount. The Department included in its estimate the lapse of \$13,392,171 State General Fund reappropriation in FY 2005 and requests to carry forward the remaining \$5,427,917 of the State General Fund reappropriation into FY 2006.

The **Governor** recommends FY 2005 operating expenditures of \$429,726,354 all funds, including \$167,736,060 State General Fund, a decrease of \$34,859 all funds, or 0.0 percent below the approved amount. The recommendation is a decrease of \$5,527,136 all funds or 1.3 percent below the Department's estimate. The Governor recommends lapsing \$20,402,529 of the State General Fund reappropriation from FY 2004.

The Governor recommends increasing the Department's shrinkage rate from 7.5 percent to 9.45 percent, for a State General Fund savings of \$79,506, and a reduction to all funds of \$206,515. The Governor did not change the nursing facility caseload estimates which were left at the FY 2005 approved amounts during the October 2004 consensus estimating process. The Governor recommends reducing contractual services by \$1,304,741 to a level consistent with the approved amount.

The Governor's recommendation reduces Senior Care Act expenditures by \$394,234 to bring it in line with FY 2004 actual expenditures for the program. Additionally, the Governor recommends reducing funding for the HCBS/FE waiver by \$3,621,646 to be consistent with revised estimates. This includes a reduction of \$1,412,442 in State General Fund moneys.

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor, with the following observations:

1. **Change from FY 2005 Approved.** The Budget Committee notes that the Governor's FY 2005 revised recommendation is a State General Fund increase of \$139,830 or 0.01 percent above the FY 2005 State General Fund amount approved by the 2004 Legislature.
2. The Budget Committee notes that the Governor's recommendation includes an increase in the agency's shrinkage rate from 7.5 percent to 9.45 percent for an associated State General Fund savings of \$79,506, and a reduction to all funds of \$206,515.
3. The Budget Committee notes its concern regarding the Governor's recommendation for a \$3,621,646 reduction in funding for the HCBS/FE waiver. The Budget Committee also notes that there is currently no waiting list for the HCBS/FE waiver. The Budget Committee requests that prior to Omnibus the agency provide additional information regarding the reduction. The Budget Committee cites the following information provided by the agency last year indicating a need for additional funds for this program that adds to the concern of the Budget Committee:

	FY 2002 Actual	FY 2003 Actual	FY 2004 Gov. Rec	FY 2005 Gov. Rec.
Number of unduplicated customers	8,137	6,678	7,400	8,000
Average cost per client per month	\$ 800	\$ 896	\$ 920	\$ 952
Total (All Funds)	\$ 58.2 million	\$ 53.5 million	\$ 60.7 million	\$ 61.7 million
Total (SGF)*	\$ 5.0 million	\$ 2.6 million	\$ 22.1 million	\$ 24.1 million

* In FY 2002 and FY 2003, the Department had access to IGT funds to offset State General Fund moneys for the HCBS/FE waiver. These funds are not available for either FY 2004 or FY 2005.

- *Wait List for HCBS/ FE waiver, as of 12/31/2003: 625*
- *Projected average wait list for HCBS/ FE waiver under FY 2005 Gov. Rec.: 899*
- *Cost to sustain the ending FY 2004 wait list: addition of \$6,835,380 All Funds (\$2,689,722 SGF)*
- *Cost to eliminate the projected FY 2005 wait list, Department enhancement request: addition of \$10,262,580 All Funds (\$4,038,590 SGF)*

The Budget Committee notes the following is the information provided this year in the Department's budget submission:

	<u>FY 2004 Actual</u>	<u>FY 2005 Estimate</u>	<u>FY 2006 Estimate</u>
<i>Number of unduplicated customers</i>	6,818	8,832	9,330
<i>Average cost per client per month</i>	\$820	\$893	\$920
<i>Total (All Funds)</i>	<i>\$45.1 million</i>	<i>\$63.1 million</i>	<i>\$68.7 million</i>
<i>Total (SGF)*</i>	<i>\$16.4 million</i>	<i>\$24.1 million</i>	<i>\$29.9 million</i>

House Budget Committee Report

Agency: Department on Aging

Bill No.

Bill Sec.

Analyst: Deckard

Analysis Pg. No.

Budget Page No. 37

Expenditure Summary	Agency Request FY 06	Governor's Recommendation FY 06	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 15,269,570	\$ 15,243,089	\$ 0
Aid to Local Units	7,163,780	7,275,208	0
Other Assistance	442,488,104	418,364,470	0
TOTAL	<u>\$ 464,921,454</u>	<u>\$ 440,882,767</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 5,877,959	\$ 5,772,675	\$ 0
Aid to Local Units	2,883,121	2,885,499	0
Other Assistance	175,249,398	158,989,099	0
TOTAL	<u>\$ 184,010,478</u>	<u>\$ 167,647,273</u>	<u>\$ 0</u>
FTE Positions	208.0	208.0	0.0
Non FTE Uncl. Perm. Pos.	2.5	2.5	0.0
TOTAL	<u>210.5</u>	<u>210.5</u>	<u>0.0</u>

Agency Request/Governor's Recommendation

The **Department** requests FY 2006 operating expenditures of \$464,921,454 all funds, including \$184,010,478 from the State General Fund. This is an increase of \$29,667,964 all funds or 6.8 percent above the FY 2005 revised estimate. The request includes eleven enhancement packages totaling \$29,367,328 all funds, \$12,697,614 State General Fund. Without the enhancement packages, the Department's request is an increase of \$30,636 or 0.1 percent above the FY 2005 revised estimate.

The **Governor** recommends FY 2006 operating expenditures of \$440,882,767 all funds, including \$167,647,273 from the State General Fund. This is an increase of \$11,156,413 all funds or 2.6 percent above the FY 2005 recommendation. The recommendation is a decrease of \$24,038,687 all funds or 5.2 percent below the Department's request.

The Governor's recommendation includes \$588,930 in salary and wage adjustments including the addition of: \$33,074 for KPERs death and disability payments; \$331,811 in funding for the 27th payroll period; and \$224,045 for the 2.5 percent base salary adjustment for state employees, partially offset by an reduction of \$208,098 associated with increasing the Department's shrinkage rate from 7.5 percent to 9.45 percent.

The Governor does not fully recommend any of the Department's enhancement requests. The Governor's recommendation does include the addition of \$8,238,054 all funds, including

\$1,854,236 from the State General Fund, for nursing facilities caseload adjustments. The recommendation also includes the reduction of \$3,505,245 all funds, including \$1,656,856 State General Fund for the HCBS/FE waiver to remove a rate increase included in the base request by the Department. The Governor replaces State General Fund moneys of \$4.5 million with Senior Services Block Grant moneys for Senior Care Act expenditures to enable the Department of Social and Rehabilitation Services to utilize the State General Fund moneys to draw down additional federal funds. The Governor's recommendation also includes the addition of \$485,000 from the State General Fund to bring Senior Care Act expenditures to the FY 2004 actual level.

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor, with the following observations:

1. **Change from FY 2005 Approved.** The Budget Committee notes that the Governor's FY 2006 State General Fund recommendation for the agency totals \$167,647,273, an increase of \$51,403 above the FY 2005 State General Fund amount approved by the 2004 Legislature. Absent amounts recommended for the 2.5 percent base salary adjustment (\$89,410), the 27th payroll period (\$132,553), and the Kansas Public Employees Retirement System (KPERs) death and disability increase (\$13,196), the recommendation is an decrease of \$183,756, or 0.1 percent below the approved amount.
2. The Budget Committee notes that the Governor's recommendation includes an increase in the agency's shrinkage rate from 7.5 percent to 9.45 percent for an associated State General Fund savings of \$83,130, and a reduction to all funds of \$208,098.
3. The Budget Committee expresses concern for the health of rural Nursing Facilities. Testimony before the budget committee indicated that approximately 40 nursing facilities that have less than 40 beds are located in rural areas and function as the major employers in the community. The Budget Committee recognizes that these long-term care facilities are crucial to small communities and their economies, particularly in western Kansas.

The Budget Committee recommended during the 2004 Legislative Session that the Kansas Department on Aging (KDOA), along with representatives from the Kansas Health Care Association and the Kansas Association of Homes & Services for the Aging, work to create a formal appeal or hearing process to grant variance from the current 85 percent occupancy rate rule for fixed costs to help address the needs of these facilities.

The Budget Committee was informed that the Kansas Department on Aging convened the Nursing Facility Reimbursement group, which discussed the process and decided against creating such a policy and decided to pursue other incentive methods. The Budget Committee requests that the Kansas Department on Aging report back prior to Omnibus regarding the details of the consensus agreement that was reached by the Nursing Facility Reimbursement group on this topic.

4. The Budget Committee notes the Department on Aging was directed by the 2004 Legislature to provide an update on the security and integrity of the Department's

computer systems to the 2005 Legislature. The Budget Committee notes this has not yet been provided and requests that the agency do so prior to Omnibus.

5. The Budget Committee notes that concern was expressed last session regarding the spend down procedure required before individuals qualify for financial eligibility for the waiver system. Additionally, the Budget Committee encouraged the Department to evaluate the spend down procedure for the Frail Elderly (FE) Waiver and encourage individuals to spend down on their care. The Budget Committee notes that the Kansas Department on Aging (KDOA) indicated that the Department of Social and Rehabilitation Services (SRS) has the responsibility to determine financial eligibility. Additionally, the KDOA indicated that there had been discussions during the Interim with SRS regarding this issue. The Budget Committee requests that both KDOA and SRS report back prior to Omnibus as to the current status of the procedure.
6. The Budget Committee notes the success of PACE (Program for All-inclusive Care for the Elderly) in Wichita. The Budget Committee recognizes the need for this model of care that targets the dual eligible population and serves to meet all the medical needs of the individual as well as the psychosocial and supportive care needs to keep them in their homes. The Budget Committee cites testimony that the program provides comprehensive one-stop care for program participants with an interdisciplinary team of providers, which allows the participants to avoid many expensive hospital and nursing home stays and instead remain in their own homes.

The Budget Committee recommends an expansion of this program by 150 slots to be divided between the existing program in Wichita and a new Topeka location to be funded within existing resources. The Budget Committee recommends that the agency look at other possible funding mechanism for this expansion, including money follows the person, and requests a waiver be considered to move individuals who might eventually be served in a nursing facility to the PACE program. The Budget Committee requests the Department report back as to the status of other funding prior to Omnibus.

Additionally, the Budget Committee requests that the Department review the potential for a rural site for a PACE program within the next two years and the potential for additional federal funds for a pilot program and report back prior to Omnibus.

7. The Budget Committee requests that the Department report back prior to Omnibus regarding any action that has been taken in the past year in regards to the Assistive Technology for Kansans Project (ATK). The project has five access sites across the state for people with disabilities, their families, and service providers to provide access to information and services that they may need. The project, funded through a federal grant awarded to the Kansas University Center on Developmental Disabilities, helps coordinate recycled and refurbished assistive technology equipment.
8. The Budget Committee notes its concern with the current level of reimbursements for services provided by nursing facilities and directs the Department to review and present to the Budget Committee prior to Omnibus the potential fiscal impact of rebasing the every two years versus the current policy of not less than every

seven years. The Budget Committee cites concern about the extraordinary costs associated with liability insurance for the facilities.

9. The Budget Committee notes that the Department has not yet provided the reports specified in 2004 HB 2675 Section 100 (a) regarding actual expenditures for the Senior Care Act and the Nutrition programs. The Budget Committee is of the understanding that the Department will submit the reports prior to Omnibus.
10. The Budget Committee notes its concern that some seniors, for whom placement in the community is not appropriate, may be targeted for such placement by individuals who inadvertently may pressure the seniors or their families to make such a move. The Budget Committee notes that at times this causes a disruption in the life of that senior and others residing in that nursing facility. The Budget Committee requests that prior to Omnibus the Department provide a response concerning their policy on when and for whom access to seniors in nursing facilities is appropriate.
11. The Budget Committee notes that the Department has investigated what other states, specifically Washington and Colorado are doing in regards to a program where statewide case managers go into nursing facilities and develop transitions plans for residents to return to the community. The Budget Committee directs the Department to continue to study these models and also focus on potential conflicts of interest that may exist if a hospital has a connected long-term care unit.
12. The Budget Committee encourages the continuation of support throughout the state for culture changes in how the services are provided in the area of long-term care.
13. The Budget Committee notes that during the Interim the nutrition providers and the Kansas Area Agencies in Aging met to discuss the funding formula for nutrition grants. The Committee notes that the Department indicated that the group had reached a consensus agreement that grant funding would remain the same as in FY 2004.

The Budget Committee requests that prior to Omnibus the Department provide detailed breakdown regarding the number of meals served across the state by provided, the average costs of the meals, and the funding provided by the Kansas Department on Aging.

Additionally, prior to Omnibus the Kansas Department on Aging should prepare a plan for review that provide equal state funding for each meal served statewide. The Budget Committee directs that in the plan payments to the nutrition providers should be determined by actual meals served during the preceding year.