

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 A.M. on April 19, 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
Michele Alishahi, Legislative Research Department
Amy Deckard, Legislative Research Department
Audrey Dunkel, Legislative Research Department
Julian Efird, Legislative Research Department
Debra Hollon, Legislative Research Department
Susan Kannarr, Legislative Research Department
Becky Krahl, Legislative Research Department
Carolyn Rampey, Legislative Research Department
Leah Robinson, Legislative Research Department
Matt Spurgin, Legislative Research Department
Robert Waller, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Rae Anne Davis, Deputy Secretary of Operations, Department of Social and Rehabilitation Services (SRS)

Others attending:

See attached list.

- Attachment 1 Testimony on FY 2006 Federal Block Grants by Rae Anne Davis, SRS
- Attachment 2 Consensus Estimating State General Fund Memo for FY 2005 (revised) and FY 2006 (revised)
- Attachment 3 Consensus Caseload Estimate
- Attachment 4 Items for Omnibus Consideration
- Attachment 5 Comparison of FY 2005-FY 2006 Approved Expenditures, Governor's Recommendation and Currently Approved Budget
- Attachment 6 Governor's Budget Amendment No. 2
- Attachment 7 Children's Initiatives Fund, FY 2004-2005 and FY 2006
- Attachment 8 State Water Plan Fund: FY 2005 and FY 2006
- Attachment 9 Economic Development Initiatives Fund for FY 2005 and FY 2006

Hearing on FY 2006 Federal Block Grants.:

Chair Neufeld hereby opened the public hearing on the proposed use and distribution of funds required as a condition of receipt of funding for federal block grant programs administered by the following state agency: Department of Social and Rehabilitation Services.

Rae Anne Davis, Deputy Secretary of Operations, Department of Social and Rehabilitation Services (SRS), presented an overview of the following federal block grants (Attachment 1):

- Social Services Block Grant (SSBG) – SRS and Department on Aging budgets
- Prevention and Treatment of Substance Abuse (SAPT) Block Grant
- Community Mental Health Services Block Grant (CMHS)

CONTINUATION SHEET

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

- Low Income Energy Assistance Block Grant (LIEAP) - SRS and KS Housing Resources Corp.
- Projects for Assistance in Transition from Homelessness Block Grant (PATH)

Responding to questions from the Committee, Ms. Davis with the assistance of Lewis Kinsey, Department of Social and Rehabilitation Services, gave the following comments:

- Approximately \$4.3 million of TANF funds are included in the block grants.
- With regard to the delay in energy payments to applicants, the main reason is the delay by Congress to appropriate the funds. In addition, the program is staffed with temporary staff who primarily work during the three winter months.
- Rise in energy costs has caused an increase in energy assistance applications.
- Applicants for energy assistance are located by sending information to prior year applicants, recipients of food stamps and by sending applications to assistance agencies.
- The Department is allowed to carry-forward funds of 10 percent, resulting in a carry-forward of \$300,000 in FY 2004.

The Committee requested information on the measures used to determine the success of substance abuse preventive programs and community mental health programs.

Chair Neufeld hereby closed the public hearing on the proposed use and distribution of funds required as a condition of receipt of funding for federal block grant programs administered by the following state agency: Department of Social and Rehabilitation Services.

Alan Conroy, Legislative Research Department (KLRD), presented the Consensus Estimating State General Fund Memo for FY 2005 (revised) and FY 2006 (revised) ([Attachment 2](#)). Mr. Conroy noted that higher energy costs, particularly gasoline, has an impact on retail sales throughout the state. Other factors noted include positive signs for employment and an increase in the state income tax totals. The Committee requested a copy of information sent to retailers with reference to the change in the law on corporation franchise tax.

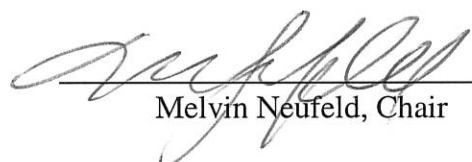
The Legislative Research Fiscal Analyst Staff presented and reviewed the following documents:

- Consensus Caseload Estimate ([Attachment 3](#))
- Items for Omnibus Consideration ([Attachment 4](#))
- Comparison of FY 2005-FY 2006 Approved Expenditures, Governor's Recommendation and Currently Approved Budget ([Attachment 5](#))
- Governor's Budget Amendment No. 2 ([Attachment 6](#))
- Children's Initiatives Fund, FY 2004-2005 and FY 2006 ([Attachment 7](#))
- State Water Plan Fund: FY 2005 and FY 2006 ([Attachment 8](#))
- Economic Development Initiatives Fund for FY 2005 and FY 2006 ([Attachment 9](#))

Chair Neufeld announced that the Committee would adjourn to allow the Budget Committees to meet for the purpose of working the Items for Omnibus Consideration with the intent to return to full Committee on the following day.

Representative Sharp moved to approve the minutes, as written, of March 15, March 16, March 17, March 18, March 22, March 23, March 25, March 30, March 31 and April 1. The motion was seconded by Representative Landwehr. Motion carried.

The meeting was adjourned at 11:20 a.m. The next meeting of the Committee will be held at 9:00 a.m. on April 20, 2005.


Melvin Neufeld, Chair

Kansas Department of

Social and Rehabilitation Services

Gary Daniels, Acting Secretary

House Appropriations Committee

April 19, 2005

FY 2006 Federal Block Grants

Office of the Secretary

Rae Anne Davis, Deputy Secretary of Operations
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For additional information contact:

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HOUSE APPROPRIATIONS

DATE 4-19-2005
ATTACHMENT 1

Kansas Department of Social and Rehabilitation Services
Gary Daniels, Acting Secretary

House Appropriations
April 19, 2005

FY 2006 Federal Block Grants

Chairman Neufeld and members of the Committee, I am Rae Anne Davis, Deputy Secretary of Social and Rehabilitation Services Operations. Thank you for holding this hearing and for the opportunity to provide you information on the Federal Block Grant programs administered by the Department of Social and Rehabilitation Services and to meet our Federal requirements.

Summary information on the following individual federal block grant programs is included in this document.

Federal Block Grant Programs	FY 2006 GBR
Social Services Block Grant (SSBG) -- SRS and Aging budgets	\$ 23,199,814
Block Grant for the Prevention and Treatment of Substance Abuse (SAPT)	12,025,399
Community Mental Health Services Block Grant (CMHS)	3,466,789
Low Income Energy Assistance Block Grant (LIEAP) – SRS and KS Housing Resources Corp.	14,982,549
Projects for Assistance in Transition from Homelessness Block Grant (PATH)	300,000
Total	\$ 53,974,551

The total amount of federal dollars appropriated for these block grant programs is \$54 million in FY 2006 or less than 3 percent of SRS' total federal funding of \$1.6 billion.

1-2

SOCIAL SERVICES BLOCK GRANT

The Social Services Block Grant supports a variety of social service programs that SRS administers. It provides a flexible federal funding stream that can be used in a similar manner to State General Fund dollars in the SRS budget, with the exception that it is not available for match for other federal dollars or to be counted as state financial participation. For FY 2006, the GBR includes nearly \$23.2 million from Social Services Block Grant funds. The estimated expenditures are as follows:

Services	FY 2006 GBR
Child Care Services	\$ 493,912
Developmental Disability Community Support Services	6,242,851
Adoption Services	7,114,087
Adult Protective Services	182,829
Field Operations - Child and Adult Protective Services	4,666,135
Department on Aging – Senior Care Act	4,500,000
Total	\$ 23,199,814

Services are provided to individuals who are deemed eligible based on two criteria: 1) personal need; and 2) financial need. Personal need is based on one of the five national goals: 1) helping individuals to become economically self-supporting; 2) helping individuals to reduce dependency and become self-sufficient; 3) providing protective services for those in need (regardless of income); 4) providing services to help persons to remain in their own homes; and 5) when no other alternatives exist, providing services to help persons receive the most appropriate institutional care (i.e., adult care homes, state institutions, private institutions, etc.).

Financial need is based upon an individual's income. The state's established maximum income level for SSBG is 185.0 percent of the federally established poverty guideline. A two-person family may not have a gross income exceeding \$1,926 per month. This scale is graduated upward according to family size.

The social services block grant funds will continue to be used on a statewide basis to purchase services, to fund direct grants, and to provide direct services by SRS employees.

Beginning in FY 2006, \$4.5 million of SSBG will be transferred to the Department on Aging, Senior Care Act. This will allow \$4.5 million SGF previously used in the Senior Care Act to be used as certified match for Community Mental Health Center (CMHC) and Community Developmental Disability Organization (CDDO) payments in the SRS budget.

1-3

BLOCK GRANT FOR THE PREVENTION AND TREATMENT OF SUBSTANCE ABUSE

The Governor's Budget Recommendation includes \$12 million in Substance Abuse Block Grant funds. The funds will be utilized as indicated below:

Services	FY 2006 GBR
Administration	\$ 400,516
Substance Abuse Prevention Services	2,243,702
Substance Abuse Treatment Services	9,381,121
TOTAL	\$ 12,025,339

In our prevention efforts, SRS utilizes a regional approach. Within each of the regions, or SRS Management Areas, data concerning families, youth, and schools is used to target prevention services to communities with high risk factors for substance abuse.

Our treatment approach is to fund programs that provide the least restrictive environment for recovery from alcohol and other drug addictions. The use of five regional assessment centers to accurately assess the level of care needed for each client allows the client to receive the most appropriate and cost effective form of treatment available to the majority of Kansans. Priority populations served are pregnant women, women with children, anyone who has been exposed to or is at high risk for TB and/or HIV, and lastly, those who would not be able to afford treatment otherwise. While clinically sound treatment for all who seek those services is our goal, we also place great emphasis on treatment outcomes and improvement in the delivery system. Treatment services funded by the Block Grant for the Prevention and Treatment of Substance Abuse are projected to provide services for 15,000 persons who seek treatment. In addition, our prevention centers are projected to reach over one million persons during FY 2005.

1-4

COMMUNITY MENTAL HEALTH SERVICES BLOCK GRANT

The Community Mental Health Service Block Grant is distributed via a performance based system of contracting to the 27 Community Mental Health Centers (CMHCs).

For FY 2006 SRS is budgeted to expend \$3.4 million under this grant.

Services	FY 2006 GBR
Administration	\$ 195,812
Community Mental Health Services	3,270,977
TOTAL	\$ 3,466,789

CMHCs funded under these contracts provide an organized and comprehensive community-based system of supports and services for individuals with severe and persistent mental illness and for children with serious emotional disturbances. CMHCs have a combined staff of over 2,000 and provide mental health services to every county in the state. These independent and locally-operated centers foster a quality system of services for the benefit of citizens needing mental health care and treatment.

A portion of the block grant funds are used by the CMHCs to provide services to the target population of adults with severe and persistent mental illness and children with serious emotional disturbances. Services are provided based on each individual's strengths and needs. Three universal programs funded by the block grant are (1) community support services, (2) community based services, and (3) 24-hour emergency services. The services for the target population also may include: case management, residential programs, vocational programs, drop-in centers, medication management, partial hospitalization, psycho-social rehabilitation programs, mental health services to the homeless, consumer/self-help programs, compeer, and attendant care

The focus of this federal block grant in recent years has turned toward enhancing the state service system for persons with mental health issues. To that end, the other portion of the block grant funds is dedicated to filling service gaps in the Kansas system which have been identified by the Governor's Mental Health Services Planning Council. SRS issues Requests for Proposals (RFPs) to CMHCs to provide specialized services designed to fill the service gaps. Currently the federal block grant money is funding programs across the state focusing on: cultural diversity, forensic services (in partnership with the substance abuse service system, the Department of Corrections and the Juvenile Justice Authority), consumer-run organizations, children's 24-hour crisis mobile response, and services for youth transitioning to adulthood.

1-5

LOW INCOME ENERGY ASSISTANCE PROGRAM (LIEAP) BLOCK GRANT

The federally funded Low Income Home Energy Assistance Program (LIEAP) Block Grant helps households pay energy costs. Congress has approved the FFY 2005 appropriation and Kansas will receive nearly \$17.4 million. SRS proposes utilization in the following manner:

Services	FY 2006 GBR	FFY 2005 Federal Grant
SRS Energy Assistance - Block Grant	12,602,990	13,484,166
SRS Energy Assistance - Federal Emergency Funds	0	1,513,503
Weatherization	2,379,559	2,379,559
Total	14,982,549	17,377,228

Energy Assistance - The GBR includes \$12.6 million to provide utility or fuel assistance to qualifying households whose income is under 130.0 percent of poverty and associated administrative costs. For a one-person household, the income limit is \$1,009 monthly. At this level, households typically have difficulty paying for basic living costs such as housing, fuel, utilities, food, and medicine. Their vulnerability is worsened by medical conditions, disabilities and other problems. Most LIEAP recipients are older persons with "low-end" Social Security benefits, single parent families living on the minimum wage, or disabled individuals.

As a condition of eligibility, applicants must also demonstrate recent utility payments. This state-added requirement emphasizes the household's responsibility for paying its own fuel costs, promotes the importance of maintaining a regular payment history, and provides positive reinforcement. By supplementing the household's own payments, LIEAP helps elderly and disabled persons continue to stay in their homes, and protects vulnerable families who are at risk.

Applications are mailed to targeted groups of individuals who may need assistance. Completed applications may be mailed without need to visit the SRS Office. About 300 volunteer organizations help distribute outreach information to households who are unaware of the assistance. SRS verifies income by accessing data bases e.g., Social Security, worker's compensation and other systems.

Once the household is determined eligible, benefits are applied to the household's fuel or utility account to ensure that the benefit is used for energy purchases. Benefit levels vary according to household income and size, fuel type, dwelling type, and the household's utility rates. The recipient may split the benefit between two vendors (e.g., natural gas, electric, propane, or wood vendors).

About 56,243 households are expected to receive assistance in FY 2006 with a projected annual benefit averaging \$215.

Weatherization Assistance (15.0 percent of the block grant) - Federal regulations allow States to use up to 15.0 percent of the LIEAP grant for weatherization improvements. If funding permits, the Department proposes transferring \$2.4 million to the Weatherization Program administered by the Kansas Housing Resources Corporation.

BLOCK GRANT FOR PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)

Kansas is a minimum allotment state under this federal formula grant program. Since 1993, \$300,000 has been received each year.

All funds are distributed to homeless programs at five community mental health centers (CMHCs). The current allocations are as follows:

Program	FY 2006 GBR
Valeo Behavioral Health Care	\$ 80,000
ComCare	95,306
Wyandot Center for Community Behavioral Healthcare	70,094
Bert Nash Community Mental Health Center	26,600
Franklin County Community Mental Health Center	28,000
TOTAL	\$ 300,000

**Valeo Behavioral Health Care (Shawnee County),
Comcare (Sedgwick County), and
Wyandot Center for Community Behavioral Healthcare:**

PATH block grant funds at these centers allow staff to provide outreach and case management services to persons who are homeless and mentally ill. Case managers help people secure transitional and permanent housing, health services, and mental health and substance abuse services in appropriate cases.

**Franklin County CMHC, and
Bert Nash CMHC (Douglas County):**

Both of these centers provide outreach case management and work to link homeless persons with health, mental health and substance abuse services. Case management assists persons with transitional and permanent housing and vocational services.

This concludes my testimony and I would be happy to answer any questions at this time.

KANSAS

DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

April 18, 2005

To: Governor Kathleen Sebelius and Legislative Budget Committee
From: Kansas Division of the Budget and Kansas Legislative Research Department
Re: Initial SGF Memo for FY 2005 (Revised) and FY 2006 (Revised)

The Consensus Estimating Group met today to revise the estimates for FY 2005 and FY 2006.

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

For FY 2005, the estimate was increased by \$55.0 million, or 1.2 percent, above the previous estimate, which was made in November 2004. The overall revised SGF estimate of \$4.631 billion is 3.7 percent above FY 2004 receipts. The estimate for FY 2006 was increased by \$20.2 million, or 0.4 percent, above the previous estimate, which was made also in November 2004. The initial FY 2006 estimate did not subtract any demand transfers converted to revenue transfers. However, the revised FY 2006 estimate subtracts \$74.9 million in demand transfers that were converted to revenue transfers. If transfers had been treated in a similar fashion in both the November and April estimates, the FY 2006 increase would have been 1.4 percent. The total additional increase in tax receipts for both fiscal years is \$127.4 million.

Attached are the estimates for both years.

LANDON STATE OFFICE BUILDING, 900 SW JACKSON, SUITE 504, TOF

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HOUSE APPROPRIATIONS

DATE 4-19-2005
ATTACHMENT 2

Table 1
Consensus Revenue Estimates for Fiscal Years 2005 and 2006
and FY 2004 Actual Receipts
(Dollars in Thousands)

	FY 2004 (Actual)		FY 2005 (Revised)		FY 2006 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$19,497	24.0 %	\$23,000	18.0 %	\$24,000	4.3 %
Motor Vehicle	15,258		1,400			
Ad Valorem	185		500			
Total	\$34,940		\$24,900		\$24,000	
Income Taxes:						
Individual	\$1,888,434	7.9	\$1,997,000	5.7	\$2,085,000	4.4 %
Corporation	141,173	34.2	170,000	20.4	175,000	2.9
Financial Inst.	25,435	(18.3)	22,000	(13.5)	22,000	--
Total	\$2,055,042	8.9 %	\$2,189,000	6.5 %	\$2,282,000	4.2 %
Estate Tax	\$48,063	2.4 %	\$52,000	8.2 %	\$52,000	-- %
Excise Taxes:						
Retail Sales	\$1,612,067	2.8 %	\$1,650,000	2.4 %	\$1,700,000	3.0 %
Compensating Use	214,502	(5.1)	242,000	12.8	250,000	3.3
Cigarette	119,787	(7.3)	117,500	(1.9)	116,500	(0.9)
Tobacco Product	4,796	6.3	4,900	2.2	5,000	2.0
Cereal Malt Beverage	2,165	(4.8)	2,100	(3.0)	2,000	(4.8)
Liquor Gallonage	15,843	7.0	15,500	(2.2)	15,500	--
Liquor Enforcement	40,257	3.7	42,300	5.1	44,000	4.0
Liquor Drink	7,153	4.5	7,500	4.9	7,700	2.7
Corporate Franchise	36,805	18.4	40,000	8.7	40,000	--
Severance	84,641	16.3	101,200	19.6	102,200	1.0
Gas	66,055	17.4	71,700	8.5	72,700	1.4
Oil	18,586	12.5	29,500	58.7	29,500	--
Total	\$2,138,016	2.1 %	\$2,223,000	4.0 %	\$2,282,900	2.7 %
Other Taxes:						
Insurance Premium	\$107,603	13.9 %	\$102,000	(5.2) %	\$104,000	2.0 %
Miscellaneous	3,646	(17.6)	4,300	17.9	4,300	--
Total	\$111,249	12.5 %	\$106,300	(4.4) %	\$108,300	1.9 %
Total Taxes	\$4,387,310	5.9 %	\$4,595,200	4.7 %	\$4,749,200	3.4 %
Other Revenues:						
Interest	\$13,870		\$27,000		\$54,000	
Net Transfers	16,718		(4,300)		(43,300)	
Demand to Revenue Transfers	(62,699)		(70,616)		(74,933)	
Other Transfers	79,417		66,316		31,633	
Agency Earnings	101,000		68,000		66,000	
Total Other Revenue	\$131,588	27.0 %	\$90,700	(31.1) %	\$76,700	(15.4) %
Total Receipts	\$4,518,898	6.4 %	\$4,685,900	3.7 %	\$4,825,900	3.0 %

Table 2
State General Fund Receipts
FY 2005 Revised
Comparison of November 2004 Estimate to April 2005 Estimate
(Dollars in Thousands)

	FY 2005 CRE Est.	FY 2005 CRE Est.	Difference	
	Revised 11/03/04	Revised 04/18/05	Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$21,000	\$23,000	\$2,000	9.5 %
Motor Vehicle	1,100	1,400	300	27.3
Ad Valorem	800	500	(300)	(37.5)
Total	\$22,900	\$24,900	\$2,000	8.7 %
Income Taxes:				
Individual	\$1,960,000	\$1,997,000	\$37,000	1.9 %
Corporation	152,000	170,000	18,000	11.8
Financial Inst.	22,000	22,000	--	--
Total	\$2,134,000	\$2,189,000	\$55,000	2.6 %
Estate Tax	\$50,000	\$52,000	\$2,000	4.0 %
Excise Taxes:				
Retail Sales	\$1,650,000	\$1,650,000	\$ --	-- %
Compensating Use	233,000	242,000	9,000	3.9
Cigarette	118,000	117,500	(500)	(0.4)
Tobacco Product	5,000	4,900	(100)	(2.0)
Cereal Malt Beverage	2,200	2,100	(100)	(4.5)
Liquor Gallonage	16,000	15,500	(500)	(3.1)
Liquor Enforcement	43,000	42,300	(700)	(1.6)
Liquor Drink	7,500	7,500	--	--
Corporate Franchise	48,000	40,000	(8,000)	(16.7)
Severance	105,400	101,200	(4,200)	(4.0)
Gas	79,100	71,700	(7,400)	(9.4)
Oil	26,300	29,500	3,200	12.2
Total	\$2,228,100	\$2,223,000	(\$5,100)	(0.2) %
Other Taxes:				
Insurance Premium	\$100,000	\$102,000	\$2,000	2.0 %
Miscellaneous	4,500	4,300	(200)	(4.4)
Total	\$104,500	\$106,300	\$1,800	1.7 %
Total Taxes	\$4,539,500	\$4,595,200	\$55,700	1.2 %
Other Revenues:				
Interest	\$25,100	\$27,000	\$1,900	7.6 %
Net Transfers	(2,700)	(4,300)	(1,600)	n/a
Demand to Revenue Transfers	(71,800)	(70,616)	1,184	n/a
Other Transfers	69,100	66,316	(2,784)	n/a
Agency Earnings	69,000	68,000	(1,000)	(1.4)
Total Other Revenue	\$91,400	\$90,700	(\$700)	(0.8) %
Total Receipts	\$4,630,900	\$4,685,900	\$55,000	1.2 %

Table 3
State General Fund Receipts
FY 2006 Revised
Comparison of November 2004 Estimate to April 2005 Estimate
(Dollars in Thousands)

	FY 2006 CRE Est.	FY 2006 CRE Est.	Difference	
	Established 11/03/04	Revised 04/18/05	Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$22,000	\$24,000	\$2,000	9.1 %
Motor Vehicle	--	--	--	--
Ad Valorem	--	--	--	--
Total	\$22,000	\$24,000	\$2,000	9.1 %
Income Taxes:				
Individual	\$2,060,000	\$2,085,000	\$25,000	1.2 %
Corporation	155,000	175,000	20,000	12.9
Financial Inst.	22,000	22,000	--	--
Total	\$2,237,000	\$2,282,000	\$45,000	2.0 %
Estate Tax	\$51,000	\$52,000	\$1,000	2.0 %
Excise Taxes:				
Retail Sales	\$1,700,000	\$1,700,000	\$ --	-- %
Compensating Use	237,000	250,000	13,000	5.5
Cigarette	117,000	116,500	(500)	(0.4)
Tobacco Product	5,200	5,000	(200)	(3.8)
Cereal Malt Beverage	2,100	2,000	(100)	(4.8)
Liquor Gallonage	16,000	15,500	(500)	(3.1)
Liquor Enforcement	45,000	44,000	(1,000)	(2.2)
Liquor Drink	7,700	7,700	--	--
Corporate Franchise	45,000	40,000	(5,000)	(11.1)
Severance	88,000	102,200	14,200	16.1
Gas	66,300	72,700	6,400	9.7
Oil	21,700	29,500	7,800	35.9
Total	\$2,263,000	\$2,282,900	\$19,900	0.9 %
Other Taxes:				
Insurance Premium	\$100,000	\$104,000	\$4,000	4.0 %
Miscellaneous	4,500	4,300	(200)	(4.4)
Total	\$104,500	\$108,300	\$3,800	3.6 %
Total Taxes	\$4,677,500	\$4,749,200	\$71,700	1.5 %
Other Revenues:				
Interest	\$40,350	\$54,000	13,650	33.8 %
Net Transfers	30,604	(43,300)	(73,904)	(241.5)
Demand to Revenue	--	(74,933)	(74,933)	n/a
Other Transfers	30,604	31,633	1,029	n/a
Agency Earnings	57,200	66,000	8,800	15.4
Total Other Revenue	\$128,154	\$76,700	(\$51,454)	(40.2) %
Total Receipts	\$4,805,654	\$4,825,900	\$20,246	0.4 %

Table 3a
State General Fund Receipts
FY 2006 Revised (Transfers Accounted for in Both Estimates)
Comparison of November 2004 Estimate to April 2005 Estimate
(Dollars in Thousands)

	FY 2006 CRE Est.	FY 2006 CRE Est.	Difference	
	Established 11/03/03	Revised 04/18/05	Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$22,000	\$24,000	\$2,000	9.1 %
Motor Vehicle	--	--	--	--
Ad Valorem	--	--	--	--
Total	\$22,000	\$24,000	\$2,000	9.1 %
Income Taxes:				
Individual	\$2,060,000	\$2,085,000	\$25,000	1.2 %
Corporation	155,000	175,000	20,000	12.9
Financial Inst.	22,000	22,000	--	--
Total	\$2,237,000	\$2,282,000	\$45,000	2.0 %
Estate Tax	\$51,000	\$52,000	\$1,000	2.0 %
Excise Taxes:				
Retail Sales	\$1,700,000	\$1,700,000	\$ --	-- %
Compensating Use	237,000	250,000	13,000	5.5
Cigarette	117,000	116,500	(500)	(0.4)
Tobacco Product	5,200	5,000	(200)	(3.8)
Cereal Malt Beverage	2,100	2,000	(100)	(4.8)
Liquor Gallonage	16,000	15,500	(500)	(3.1)
Liquor Enforcement	45,000	44,000	(1,000)	(2.2)
Liquor Drink	7,700	7,700	--	--
Corporate Franchise	45,000	40,000	(5,000)	(11.1)
Severance	88,000	102,200	14,200	16.1
Gas	66,300	72,700	6,400	9.7
Oil	21,700	29,500	7,800	35.9
Total	\$2,263,000	\$2,282,900	\$19,900	0.9 %
Other Taxes:				
Insurance Premium	\$100,000	\$104,000	\$4,000	4.0 %
Miscellaneous	4,500	4,300	(200)	(4.4)
Total	\$104,500	\$108,300	\$3,800	3.6 %
Total Taxes	\$4,677,500	\$4,749,200	\$71,700	1.5 %
Other Revenues:				
Interest	\$40,350	\$54,000	13,650	33.8 %
Net Transfers	(14,074)	(43,300)	(29,226)	207.7
Demand to Revenue	(77,500)	(74,933)	2,567	(3.3)
Other Transfers	63,426	31,633	(31,793)	(50.1)
Agency Earnings	57,200	66,000	8,800	15.4
Total Other Revenue	\$83,476	\$76,700	(\$6,776)	(8.1) %
Total Receipts	\$4,760,976	\$4,825,900	\$64,924	1.4 %

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Consensus Caseload Estimate

April 13, 2005

	FY 2005 Approved		FY 2005 April Estimate		Difference		FY 2006 Approved		FY 2006 April Estimate		Difference	
	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF	All Funds	SGF
Nursing Facilities	\$327,000,000	\$127,660,800	\$335,200,000	\$130,694,480	\$8,200,000	\$3,033,680	\$332,500,000	\$129,808,000	\$338,000,000	\$133,307,200	\$5,500,000	\$3,499,200
Nursing Facilities - Mental Health	13,650,000	11,594,310	13,700,000	11,535,400	50,000	(58,910)	13,650,000	11,594,310	14,000,000	11,788,000	350,000	193,690
Temporary Assistance for Needy Families	65,600,000	29,821,028	65,000,000	29,821,028	(600,000)	0	70,000,000	29,821,028	69,400,000	29,821,028	(600,000)	0
General Assistance	8,900,000	8,900,000	9,000,000	9,000,000	100,000	100,000	10,000,000	10,000,000	9,700,000	9,700,000	(300,000)	(300,000)
Regular Medical Assistance	1,348,430,000	399,415,000	1,349,930,000	412,000,000	1,500,000	12,585,000	1,468,326,378	429,415,237	1,443,542,541	447,000,000	(24,783,837)	17,584,763
Foster Care (Becomes Reintegration in FY 2006)	96,500,000	49,378,667	96,748,191	52,294,513	248,191	2,915,846	77,072,269	42,424,225	120,000,000	73,000,000	42,927,731	30,575,775
Adoption	34,931,146	15,836,733	34,242,377	16,773,106	(688,769)	936,373	24,741,656	12,699,156	0	0	(24,741,656)	(12,699,156)
TOTAL	\$1,895,011,146	\$642,606,538	\$1,903,820,568	\$662,118,527	\$8,809,422	\$19,511,989	\$1,996,290,303	\$665,761,956	\$1,994,642,541	\$704,616,228	(\$1,647,762)	\$38,854,272

1. The FY 2005 all funds total reflects a reduction of \$18.6 million from special revenue funds for the Health Care Access Improvement Program. The October Estimate included increased rates to providers for a full year, assuming approval of the Program in April. Because the agency is still waiting for CMS approval of the Program, a portion of those increases will not occur in FY 2005.

2. The FY 2006 all funds reduction reflects the implementation of the federal Medicare drug bill, which will decrease program expenditures from all funding sources by \$43.4 million, but only reduces expenditures from the State General Fund by \$4.8 million, due to the \$20.7 million estimated "claw back" payment.

3. The FY 2005 Foster Care estimate includes \$2,044,005 all funds to address deferral amounts related to these contracts.

4. The FY 2005 Adoption estimate includes \$2,690,026 all funds to address deferral amounts related to these contracts.

5. The FY 2006 Foster Care estimate reflects a shift in the type of contracts to Reintegration contracts, which includes children in out of home placement previously addressed in both the foster care and adoption contracts.

6. In FY 2006 the Adoption contract is changed from a caseload basis to a flat rate because the adoption provider is no longer involved in out-of-home placement of children, but will continue to recruit adoptive families. Children in out of home placement previously served in the adoption contract will be served in the reintegration contract in FY 2006.

April 19, 2005

Items for Omnibus Consideration

Legislature

A. SB 244 The 2010 Commission (Law). SB 244 creates the "2010 Commission" to monitor the implementation and operation of school finance legislation to ensure that the public school system is maintained in a manner that promotes constant and improved levels of measurable student achievement. The Commission becomes effective July 1, 2005, and terminates December 31, 2010.

Duties and responsibilities of the Commission include items such as: determining whether the relationship between the costs and assigned weighting system are fair and equitable, determining if there should be additional weights, evaluating the reform and restructuring components of public education in Kansas and in other states, examining the availability of revenues, examining school district efficiencies and use of best practices, and examining the impediments to school district consolidation.

The 2010 Commission is required to make reports to the Legislature, Governor, and the State Board of Education on or before December 1 of each year. The Commission is not authorized to introduce legislation, but would be able to include recommendations for legislative changes in its reports.

SB 244 provides that legislative members of the Commission receive their regular legislative per diem and travel expenses. Members who are not legislators would receive travel expenses. The Division of the Budget estimates that, if the 11 members of the Commission met for 15 days, the fiscal impact would be \$65,115 from the State General Fund.

B. Computers for Legislators (Conference Committee). The Senate in FY 2006 added \$380,000 from the State General Fund and 2.4 FTE positions to provide every legislator with a tablet computer. This funding would provide for 165 tablet computers to be leased to provide each legislator with a computer and the necessary support staff for the equipment. Legislative secretaries and staff are already provided with leased computers. The House did not consider this item. In Conference Committee the funding was deleted and referred to Omnibus, along with possible discussion of replacing Corel (WordPerfect) software and GroupWise with Microsoft software.

Division of Post Audit

A. HB 2247 New Duties for Legislative Division of Post Audit (Law). HB 2247, the school finance bill, creates a new role for the Legislative Division of Post Audit with regard to oversight of school district costs and expenditures. The bill directs the Division to make a professional cost study analysis to determine the costs of delivering the kindergarten and grades one through 12 curriculum, related services, and other programs that are mandated by state statute in accredited schools. The study is to be conducted under the direction of the Legislative Post Audit Committee and is to result in a detailed report to be submitted to the Legislature on or before the first day of the 2006 Session. However, if the Post Auditor needs additional time to complete the report, a partial report may be

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ATTACHMENT 4

submitted and the Legislature may grant the Post Auditor additional time to complete the report. In conducting the study, the Post Auditor is authorized to enter into contracts for consultants.

HB 2247 directs the Post Auditor to include in the cost analysis the cost to school districts to make reasonable estimates of the costs of providing programs and services that are required by state statute, including costs for instruction, administration, support staff, supplies, equipment, and buildings. Other items to be part of the analysis include a study of factors which contribute to variations in costs incurred by school districts of various sizes and in various regions of the state when providing services or programs required by state statute.

HB 2247 also would establish the "School District Audit Team" within the Legislative Division of Post Audit. The estimated needs in FY 2006 of the audit team are an additional 5.0 FTE positions and \$462,090 from the State General Fund. The request includes \$314,196 for salaries and wages, \$114,488 for contractual services, \$4,152 for commodities, and \$29,254 for capital outlay.

Department of Administration

A. Funding for 3.0 New Long-Term Care Ombudsman Positions (House Committee and Conference Committee). For FY 2006, the Governor recommended the addition of \$210,000 (including \$105,000 from the State General Fund and \$105,000 from non-reportable federal funds) for 3.0 new Long-Term Care Ombudsman positions. Currently, there are 6.0 FTE Long-Term Care Ombudsmen, including one who works half-time training other Ombudsmen. In testimony before the Senate Subcommittee, the Long-Term Care Ombudsman indicated that she would like to have one Ombudsman for each of the 11 Area Agency on Aging Planning Service Area (PSA) regions. The addition of 3.0 FTE positions would provide for one-half of that funding and staffing level. According to the Long-Term Care Ombudsman, the 3.0 positions would be utilized in Hays, Dodge City, and Pittsburg. The House Committee deleted the funding and positions recommended by the Governor for review at Omnibus, and the Conference Committee on SB 225 concurred with the House Committee's recommendation.

B. Additional Funding for the Public Broadcasting Council (House Committee and Senate Committee) and GBA No. 2, Item 5, Page 4. The House and Senate Committees both noted that the Public Broadcasting Council has been offered a federal grant of \$1.4 million from the Corporation for Public Broadcasting to assist it with digital conversion of public radio. The grant requires a match of \$1.2 million. Both Committees recommended that the Council ask the Governor for consideration of a Governor's Budget Amendment for the matching funds which could be considered at Omnibus.

C. GBA No. 2, Item 1, Page 2 - New Federal Grants.

D. GBA No. 2, Item 2, Page 2 - Transfer of Funds for the Long Term Care Ombudsman.

E. GBA No. 2, Item 3, Page 3 - Business Health Partnership.

F. GBA No. 2, Item 4, Page 3 - Generic Drug Program for Low Income Kansans.

Department of Corrections

A. FY 2005 Capital Improvements (Senate Committee and Conference Committee). The Senate Committee deleted FY 2005 capital improvements of \$13,343,328, including \$7,778,303

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from the State General Fund, and recommended review at Omnibus. The Conference Committee on SB 225 restored the FY 2005 capital improvements funding and recommended additional review at Omnibus.

The Joint Committee on State Building Construction recommended a reduction of \$14,993 from the Correctional Institutions Building Fund in FY 2005 due to revised estimated expenditures for a greenhouse construction at Topeka Correctional Facility.

B. FY 2006 Capital Improvements (Senate Committee and House Committee). The House Committee deleted the language that provides bonding authority for a 100-bed minimum housing unit at Ellsworth Correctional Facility and recommended review at Omnibus. The Senate Committee deleted all of the FY 2006 capital improvements funding of \$10,155,170, including \$4,719,303 from the State General Fund, and the language deleting the bonding authority for the 100-bed housing unit at Ellsworth Correctional Facility with a recommendation to review at Omnibus. The Conference Committee on SB 225 concurred with the Senate position and did not add the funding.

C. Bed Space Contract (House Committee and Conference Committee) and GBA No. 2, Item 27, Page 14. The House Committee deleted \$1,460,000 from the State General Fund for the bed space contract in FY 2006 and recommended a review at Omnibus. This is the bed space trigger to be utilized only if medium and maximum bed space reaches a population of 6,061 inmates. The Conference Committee on SB 225 concurred with the House position. The maximum and medium inmate population totaled 5,846 on March 31, 2005. The Department of Corrections requests that \$730,000 of the \$1,460,000 be restored as the inmate population is beginning to increase.

D. Reentry Programs in Sedgwick and Wyandotte Counties (Senate Committee and House Committee). Both the House and Senate Committees recommended Omnibus review of the possibility of funding reentry programs in Sedgwick and Wyandotte counties in FY 2006. The Sedgwick County inmate reentry program would service high risk offenders selected from the approximately 1,850 offenders that are released to Sedgwick County annually. Both the Sedgwick County Commission and the City of Wichita have authorized the program. The total budget is to be shared between Sedgwick County, the City of Wichita, and the Department of Corrections with each funding one-third of the \$825,000 required for the program. The Department of Corrections obligation for one-third of the funding would be \$275,000 from the State General Fund.

The Wyandotte County inmate reentry program would service approximately 150 moderate to high risk offenders. The annual budget for the Department of Corrections would be \$938,525 from the State General Fund. Services include a number of emergency transitional beds, access to housing options, transportation, treatment, emergency food, clothing, and medications. According to the agency, this would constitute the first significant investment of state dollars in Wyandotte County (comparable to the investments in Shawnee and Sedgwick Counties for day reporting centers) that target this offender population.

E. Girl Scouts "Beyond Bars" Program (Senate Committee and House Committee). Both the House and Senate Committees recommended Omnibus review of the Girl Scouts "Beyond Bars" program for inmates at the Topeka Correctional Facility. Currently, 100 girls and 71 incarcerated mothers from all across Kansas participate in the program designed to cushion the trauma of parental separation. The program provides girls a bi-weekly opportunity to visit their incarcerated mothers and take part in a mother/daughter Girl Scout meeting. The program is currently facing a \$90,000 shortfall in FY 2005. The Girl Scouts are in the process of applying for a grant from the Juvenile Justice Authority to help with financing the program.

F. Available Beds at Isaac Ray Building at Larned State Hospital (House Committee).

The House Committee recommended Omnibus review of the availability of beds in Larned State Hospital's new Isaac Ray building to serve the Department of Corrections inmates who need inpatient mental health services and the additional costs to expand the State Security Program to serve those inmates.

G. Facility Visitor Centers (Senate Committee). The Senate Committee recommended Omnibus review of the visitor centers at the correctional facilities. Currently there is only one visitor center operating in the state, located at the Ellsworth Correctional Facility, for which the Department of Corrections has expended \$5,000 from the State General Fund. The remaining \$21,500 to operate the visitor center has been provided by the City of Ellsworth, community donations, and resources from overnight stays at the center. In the past, there have been visitor centers at Ellsworth, Lansing, Hutchinson, and Norton Correctional Facilities which the Department of Corrections financed primarily from the Inmate Benefit Fund. FY 2005 funding of \$225,000 from the Inmate Benefit Fund was vetoed by the Governor, and no FY 2006 funding was recommended.

Larned Correctional Mental Health Facility

A. GBA No. 2, Item 28, Page 14 - Utility Increases.

Winfield Correctional Facility

A. GBA No. 2, Item 28, Page 14 - Utility Increases.

Social and Rehabilitation Services

A. HB 2331 Transfer of School Records of Children in Foster Care or Adoption (Governor). HB 2331, as amended, would incorporate the changes made by the U.S. Congress in the federal Individuals with Disabilities Education Act into state statutes. The Conference Committee on HB 2331 added the provisions of HB 2247 (the school finance bill) which would require the Secretary of Social and Rehabilitation Services to transfer pupil records of children in foster care or adoption as soon as possible once a child is moved from one school to another. In addition, an annual report would be required detailing the number of pupils who were transferred and the number of days elapsed between the day the request for the records transfer was submitted and the day the new school received the records, on December 31 for two years. The agency indicates administrative costs of \$43,797, including \$25,293 from the State General Fund and an additional 1.0 FTE position in FY 2006.

B. Unaddressed FY 2005 Deferral Amounts (House Committee). The House Committee recommended Omnibus review of the deferrals that the Department of Social and Rehabilitation Services (SRS) has been experiencing. The total cumulative amount of deferrals for the child welfare program for the agency is \$38.6 million. A portion, \$13.4 million, was addressed in FY 2004 with funding added by the 2004 Legislature. Expenditures from the Social Welfare Fund have been budgeted to address \$9.5 million of the deferrals from one-time pharmaceutical rebate payments. In addition, \$5.5 million of the deferrals have been settled with the Centers for Medicare and Medicaid Services (CMS), leaving \$10.3 million unaddressed through FY 2005. The agency anticipates an additional settlement of \$5.5 million from CMS in FY 2006, resulting in a total unpaid cumulative deferrals of \$4.7 million. Prior estimates for the unpaid deferrals totaled \$6.1 million,

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which has been adjusted for additional settlement with CMS. This item was addressed in the Spring 2005 Consensus Caseload estimates.

C. Child Welfare Funding Shift (House Committee). The House Committee noted that under the new child welfare contracts, which are Medicaid fee-for-service, the agency believes several Medicaid encounters claimed in the past will be disallowable for Medicaid funding and will need to be replaced by state dollars totaling \$4.1 million in FY 2005 and \$10.0 million in FY 2006. The House Committee recommended Omnibus review of the funding for the child welfare contracts. These funding shifts were addressed in the Spring Consensus Caseload Estimates.

D. Review Increasing Medicaid and State Children's Health Insurance Program (SCHIP) Rates Compared to Medicare Rates (House Committee and Conference Committee). Proviso language was included in 2005 SB 225 requiring the agency to report to the Legislature regarding increasing the rates paid for Medicaid and SCHIP to the Medicare rate. Increasing the Medicaid and SCHIP rates to 100.0 percent of the Medicare rate would cost a total of \$52.6 million. A portion of this amount, \$28.6 million, would be paid from the Health Care Access Improvement Fund from provider assessments. An additional \$9.0 million from the State General Fund and \$15.0 million from other funds would be required to fund the entire increase.

E. Utilization of State General Fund to Replace Other State Fees Fund for the Home and Community Based Services/Traumatic Brain Injury (HCBS/TBI) Waiver (House Committee). The House Committee noted that the agency requested enhanced FY 2006 funding of \$500,000 from the State General Fund for the Traumatic Brain Injury (TBI) waiver to replace Other State Fee Funds in order to continue the enhanced funding originally added by the 2004 Legislature for FY 2005. The Governor did not recommend the FY 2006 enhancement. The House Committee noted that the TBI waiver had no waiting list at the time of reviewing the agency budget, and recommended a reassessment of the program at Omnibus. The agency indicated that as of April 7, 2005, there is no waiting list for the TBI waiver, and that additional funding will not be necessary for FY 2006.

F. Administrative Services Contracts for Medicaid and SCHIP Dental Programs (House Committee). The House Committee noted that the Governor recommends a reduction of \$1.2 million, including \$480,000 from the State General Fund, to eliminate separate administrative services contracts for the Medicaid dental program. Currently, Doral Dental is the managed care organization (MCO) for the State Children's Health Insurance Program (SCHIP)-HealthWave Title XXI. Doral manages all administrative aspects of the program, including recruitment and enrollment of dentists, referral of beneficiaries, claims adjudication, and claims payment to dentists. The Department of Social and Rehabilitation Services currently contracts with Doral to provide administrative services for the Title XIX Medicaid providers and beneficiaries. Doral receives all dental claims, adds prior authorization for required services, and answers enrollment and billing questions. Another contractor, Electronic Data Systems (EDS), performs other functions including claims processing, the issuance of payments to dentists, and customer services. This split has caused concerns in the dental community, prompting the agency to make changes. The elimination of the separate contract would make Doral Dental responsible for dental administrative services for the Medicaid program, including claims payments. The agency will make payments to Doral based on the Medicaid Management Information System (MMIS) verification of validated claims. This is necessary because all claims must be validated through the MMIS system. The House Committee expressed concern about this change and its impact on dental service providers, and requested an Omnibus update on the dental contract change, with process charts for both the current system and the system after the change.

G. Sexual Offender Treatment for Juveniles (House Committee). The House Committee noted that United Methodist Youthville (UMY) has a sexual offender treatment program at their Dodge City Level VI program. They also have a Sexual Issues program for boys who have had sexual conduct problems, but are not necessarily adjudicated for the problem. UMY indicates the sexual offender program has a long waiting list at this time. The House Committee requested the agency report back prior to Omnibus on the costs and the number served in these programs, as well as other programs that provide treatment for these children.

H. Medicaid Fraud and Abuse Prosecution (House Committee). The House Committee requested the agency provide for Omnibus the number of fraud cases prosecuted and the amount recovered before the implementation of the new Medicaid Management Information System (MMIS) and after the implementation of the system, including pending cases. The Service Utilization Review (SUR) unit within Medicaid sends information to the Attorney General's Medicaid Fraud Control Unit (MFCU) upon requests from the Attorney General's Office and after reviews reveal evidence of possible fraudulent activity. The Attorney General's Office is then responsible for all investigation and prosecution of fraud cases.

I. Home and Community Based Services/Developmental Disability (HCBS/DD) Waiver Reimbursement Rates (House Committee). The House Committee noted that the Governor's FY 2006 recommendation includes \$7.5 million, including \$3.0 million from the State General Fund, to fund developmental disability waiver reimbursement rate enhancement. A rate study of reimbursement rates paid for community Developmental Disabilities (DD) services is required bi-annually by the DD Reform Act. The 2003 reimbursement rate study demonstrated the need for rate increases for many of the services funded through the home and community based services waiver for persons with a developmental disability (DD waiver). The agency requested \$15.8 million, including \$6.2 million from the State General Fund, to increase FY 2006 reimbursement rates to the levels recommended by the study. The House Committee recommended review of this item at Omnibus.

J. Graduate Medical Education (GME) Program (House Committee). The House Committee requested the agency report at Omnibus on the status of the Graduate Medical Education (GME) program that is funded from Medicare and Medicaid, patient care revenue and state primary care support. In FY 2003, the Department of Social and Rehabilitation Services reduced funding for the program by \$1.5 million from the State General Fund, which in turn reduced federal Medicaid funding by \$2.2 million as part of the 2003 budget cuts. The agency worked with interested parties to develop a methodology to match the Medical School's State General Fund moneys with federal dollars through certified match. Ten hospitals currently participate in the GME program, which will cost an estimated \$8.0 million in FY 2005. The University of Kansas (KU) receives funding through appropriations by the Legislature for graduate medical education. KU contracts with the Wichita Center for Graduate Medical Education (WCGME) to administer all residency programs in Wichita hospitals. The Wichita hospitals receive funds from the WCGME to offset costs for resident salaries and benefits. Medicaid considers the funds provided by the Legislature to the KU as certified match. Although these funds do not flow thru SRS, the agency is able to draw down the federal share for the Wichita hospitals. In the past, SRS paid for GME with the standard state and federal match. A more recent change involves other funding appropriated to the University of Kansas for graduate medical education which goes to Salina. The agency has revised the State Plan to increase the payment rates to allow it to use these other funds for certified match as well.

K. FY 2006 Child Welfare Contracts (House Committee). The House Committee noted with concern the change in the contracts for Family Preservation, Adoption, and Foster Care in FY 2006. The new contracts are designed to eliminate the need to transition children between the foster care and adoption contractors. Both the child/family's case management services and the

reintegration/foster care services are to remain with the contractor receiving the original referral throughout the duration of the case. The adoption contractor is responsible for recruiting, training, and preparing adoptive families statewide. The adoption contractor will provide training and support to the adoptive family, while the original referral contractor continues its involvement in the case as a child is referred to adoption services. Along with a change in the practices relative to the child welfare contracts, there is a change in payment methodology. Payment for family preservation services will occur three times: at the point of referral; on the 45th day of service; and on the 90th day of service, with a performance based system. In the case of foster care payments, a tiered structure is used. The statewide adoption contractor will be paid a flat monthly amount to recruit and train a group of families willing to adopt, and provide matching services to the family preservation and reintegration/foster care contractors. The House Committee expressed concern that the new child welfare contracts are similar to those developed when privatization began. The House Committee requested the agency report at Omnibus on the contract details regarding payment rates and methodology.

L. Funding for the Youth Leadership Forum (YLF) (House Committee). The House Committee received testimony from several youths regarding the Youth Leadership Forum (YLF). YLF is a statewide, five-day leadership training program for high school juniors and seniors with disabilities. Approximately 30 to 40 different students are selected to attend each year through a competitive application process. YLF is an intense, motivational event held on a college campus with a curriculum that addresses leadership skills, career goals, disability history and resources, advocacy and other issues related to disabilities and living independently. The forum costs between \$50,000 and \$60,000 to conduct, depending on the accommodations needed for the delegates, with funding through grants, sponsorships, and contributions. The YLF is currently operating with loaned staff and facilities, with a five-year commitment of support from the Resource Center for Independent Living. The support will phase out over the next two years. The YLF is seeking non-profit status and pursuing grants to operate independently. However, the organization indicates stable funding is its biggest challenge. YLF requested \$150,000 to cover the costs of the forum, staff and administration, which the House Committee asked to review at Omnibus. The Conference Committee on SB 225 added \$150,000, including \$30,000 from the Social Welfare Fund for this program in FY 2006.

M. Funding for the Boys and Girls Clubs of Kansas (House Committee). The House Committee noted the extensive work of the Boys and Girls Clubs of Kansas, which provide services to 28,706 children through programs like Smart Moves (alcohol, drug, and abstinence from sexual behavior in age appropriate settings), Smart Girls (health, fitness, and self esteem for girls 8-17), Passport to Manhood (responsibility and positive behavior for males 11-14), and Power Hour (academic preparation programs.) The Kansas Alliance of Boys and Girls Clubs requested \$100,000 in FY 2006 to expand their programs to more children. The Alliance suggested the Children's Initiatives Fund (CIF) could be a funding source. However, the Kansas Children's Cabinet does not recommend CIF for programs without an evaluation plan, which the 2004 Legislature required for any new funding through the CIF. The House Committee recommended review of this program at Omnibus to determine if funding is available.

N. Foster Care Performance Audit (House Committee). The House Committee recommended Omnibus review of the performance audit report, *Foster Care: Determining Whether Adoptions Are Being Finalized As Quickly As Possible, Once An Adoptive Family is Located.*

O. Child Support Collections (House Committee). The House Committee noted with concern that the average total cases for Child Support Enforcement in FY 2004 was 134,115, with only 63,831 or roughly half of these open cases with support orders. While the average support due monthly for these cases was \$14.1 million, the average support paid was \$7.8 million. The House

Committee requested an update from the agency at Omnibus on efforts to improve child support collections in the state.

P. Funding for Florence Crittenton Services (Senate Committee). The Senate Committee noted that Florence Crittenton is the only facility in the state that provides level V residential treatment for girls who are pregnant or parenting with severe problems which include truancy, drug and alcohol abuse, trauma, abuse and neglect, and other mental health disorders. The Senate Committee recommended review at Omnibus the request for \$150,000 from the State General Fund in FY 2006 to cover the \$112,000 annual shortfall in the cost of caring for adolescent girls and the \$35,000 annual cost of providing care for infants of these girls.

Q. Blind Services Program Reduction (Senate Committee). The Senate Committee noted the Governor's FY 2006 recommendation includes a reduction of \$405,413 from the State General Fund in the Blind Services program. This program currently is financed primarily by federal grant funding and the State General Fund. A small amount from the Blind Services Enterprise Fund also is used. The reduction in the State General Fund is not shown as an overall expenditure reduction. The State General Fund financing is replaced with funding from the Blind Services Enterprise Fund. This fund currently has a balance from proceeds of the sale of the building at 6th and MacVicar in Topeka that was previously used by the program. Although the carry-forward balance partially funds the State General Fund reduction, a shortfall of \$189,444 in FY 2006 is projected. Policy changes that focus on either reducing expenditures or increasing enterprise revenues will be necessary. In the past, attempts to privatize this program have been unsuccessful. The Governor believes that, in light of the continual growth of SRS caseloads and service costs, the reductions and restrictions in federal funding, and the increasing demands on the State General Fund, this program should be self-supporting. The Senate Committee recommended review of this item at Omnibus.

R. Prior Authorization Process Change (SB 290 and HB 2107) (Senate Committee). The Senate Committee noted that the Governor's FY 2006 recommendation includes a reduction of \$3.1 million, including \$1.2 million from the State General Fund for acceleration of the approval process for placing drugs on the preferred drug list and/or requiring prior authorization. Under current law, SRS can control utilization of pharmacy expenditures by creating limitations on the amount and conditions for use of drugs through the prior authorization process. SRS also can put drugs on a preferred formulary that removes some of the prior authorization requirements for clinically equivalent drugs that are less expensive. Both of these processes require approval of the prior authorization criteria through the rules and regulation process. The agency notes this adds six to nine months to the implementation process after the decision is made to put a drug on prior authorization and also delays the receipt of supplemental drug rebates that are negotiated in the preferred drug list process. This reduction would capture the savings related to accelerated approval of utilization controls in the pharmacy program. The Senate Committee noted that 2005 SB 290 would implement the statutory revisions required to change this process, and recommended review of this item at Omnibus. SB 290 is currently in the Public Health and Welfare Committee. An identical bill, HB 2107, is currently in the House Appropriations Committee.

S. Elimination of Out of Home Services for Youth Ages 16 and Older (SB 171) and GBA No. 2, Item 14, Page 8. The Governor's FY 2006 budget recommendation includes a reduction of \$2.9 million, including \$1.9 million from the State General Fund, for the elimination of Out-of-Home services provided to youth ages 16-17 who were not abused or neglected. This program provides support to youth who have physical or mental disabilities, youth who are needing support to remain in school, or youth who are out of parental control. The statutory change required for this reduction is included in SB 171, which has not passed out of the first house, leaving the agency with a shortfall in its budget. In addition, the Governor's recommendation includes a reduction of \$879,482, including \$576,389 from the State General Fund, for the elimination of Out-of-Home services for

youth over the age of 18 who were in foster care prior to age 18. This program provides support to youth and young adults who are physically or mentally disabled or who are needing additional support while they complete their education. The statutory change required for this reduction is also included in SB 171, which has not passed out of the first house, leaving the agency with a shortfall in its FY 2006 budget.

T. Spring Consensus Caseload Estimates and GBA No. 2, Item 13, Page 7. Representatives of the Division of the Budget, the Legislative Research Department, the Department of Social and Rehabilitation Services, and the Department on Aging met on April 13, 2005, to revise the FY 2005 and FY 2006 Consensus Caseload estimates made in October 2004. The Spring Consensus Caseload Estimates for FY 2005 are an increase of \$8.8 million from all funds, including \$19.5 million from the State General Fund, from the currently approved budget. The all funds increase is offset by a reduction in special revenue funds from the Health Care Access Improvement Program. The approved budget includes increased rates to providers for a full year, assuming approval of the program in April 2005. These increases are not included in the April estimate, because the agency has not yet received approval for the Health Care Access Improvement Program. In addition, a shift in funding from federal funds to State General Fund for the Foster Care and Adoption contracts have increased State General Fund expenditures. FY 2005 increases occur in the programs as follows:

Program	FY 2005	
	All Funds	SGF
Nursing Facilities	\$ 8,200,000	\$ 3,033,680
Nursing Facilities - Mental Health	50,000	(58,910)
Temporary Assistance for Needy Families	(600,000)	0
General Assistance	100,000	100,000
Regular Medical Assistance	1,500,000	12,585,000
Foster Care	248,191	2,915,846
Adoption	(688,769)	936,373
TOTAL	\$ 8,809,422	\$ 19,511,989

The Spring Consensus Caseload Estimates for FY 2006 are a reduction of \$1.6 million from all funds and an increase of \$38.9 million from the State General Fund from the currently approved budget. The largest State General Fund increases fall in Regular Medical (\$17.6 million) and Foster Care/Adoption/Reintegration (\$17.9 million). The all funds budget would have increased without reductions related to the federal Medicare Drug Bill (\$43.4 million all funds) and a shift in funding sources from federal funds to State General Fund in the Foster Care/Reintegration contract. FY 2006 increases occur in the programs as follows:

Program	FY 2006	
	All Funds	SGF
Nursing Facilities	\$ 5,500,000	\$ 3,499,200
Nursing Facilities - Mental Health	350,000	193,690
Temporary Assistance for Needy Families	(600,000)	0
General Assistance	(300,000)	(300,000)
Regular Medical Assistance	(24,783,837)	17,584,763
Foster Care	42,927,731	30,575,775
Adoption	(24,741,656)	(12,699,156)
TOTAL	\$ (1,647,762)	\$ 38,854,272

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U. GBA No. 2, Item 15, Page 8 - Child Care.

V. GBA No. 2, Item 16, Page 8 - MMIS System Modifications.

SRS Hospitals

A. Parsons State Hospital and Training Center – FY 2005 Expenditure Reduction (House Committee). The House Committee reduced State General Fund expenditures by \$28,103 in FY 2005 at Parsons State Hospital and Training Center to reflect expenditures approved by the 2004 Legislature pending review at Omnibus. The Conference Committee on SB 225 restored funding for this item.

B. Larned State Hospital – FY 2005 Expenditure Reduction (House Committee). The House Committee reduced FY 2005 expenditures by \$270,149 from the State General Fund to reflect the amount approved by the 2004 Legislature pending review at Omnibus. The Conference Committee on SB 225 concurred with the reduction.

C. Larned State Hospital – Remove Enhanced Funding for the Sexual Predator Treatment Program (House Committee). The House Committee removed enhanced funding of \$308,552 from the State General Fund in FY 2006 for the Sexual Predator Treatment Program pending review at Omnibus. The Conference Committee on SB 225 restored funding for this item.

D. Larned State Hospital – Staffing of the Sexual Predator Treatment Program and State Security Program (Senate Committee and House Committee) and GBA No. 2, Item 18, Page 9. The Senate Committee noted that the agency may request a Governor's Budget Amendment (GBA) for FY 2006 to address staffing issues at the State Security Hospital and in the Sexual Predator Treatment Program and recommended review of this item at Omnibus.

In addition, the House Committee recommended Omnibus review of the availability of beds in Larned State Hospital's new Isaac Ray building to serve the Department of Corrections inmates who need inpatient mental health services and the additional costs to expand the State Security Program to serve those inmates.

E. Agency Plan to Address Mental Health Service Needs (Senate Committee). The Senate Committee requested the agency report at Omnibus on a plan to address increases in mental health service needs when they exceed the maximum capacity of the state mental health hospitals. Due to the significant increase in admissions in the first two months of FY 2005 the Secretary of SRS, pursuant to K.S.A. 59-2968, issued August 13, 2004 a notice of Temporary Suspension of Admissions to Osawatomie State Hospital (OSH) and Rainbow Mental Health Facility to assure the safety of patients and staff. The notice stated "... no patients will be admitted when the OSH patient census level reaches 190" The freeze in admissions was not implemented, and the notice has been revoked. The Senate Committee requested the agency explore alternatives to freezing admissions to address census growth in the future.

F. Direct Care Worker Salaries (House Committee and Conference Committee). The House Committee removed enhanced funding in FY 2006 of direct care staff salaries pending review at Omnibus as follows:

State Hospitals		
Direct Care Worker Salary Increase		
Hospital	SGF	All Funds
Kansas Neurological Institute	\$ 486,635	\$ 486,635
Larned State Hospital	336,946	938,262
Osawatomie State Hospital	103,199	303,199
Parsons State Hospital and Training Center	220,211	330,211
Rainbow Mental Health Facility	0	45,473
TOTAL	\$ 1,146,991	\$ 2,103,780

The Conference Committee on SB 225 restored funding for this item.

G. Teacher Salaries. The Department of Education estimates an average statewide salary increase for teachers of 2.75 percent in FY 2005 and 5.0 percent in FY 2006. The education contracts in the FY 2005 and FY 2006 budgets reflect no teacher salary increases for Parsons State Hospital and Training Center and Larned State Hospital from FY 2004. The Kansas Neurological Institute (KNI) and Rainbow Mental Health Facility also have education contracts, but due to the nature of the contracts, adjustments are not necessary.

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The following table illustrates the adjustments necessary to provide uniform salary increases across the institutions:

Percent Increase	Larned State Hospital	Parsons State Hospital and Training Center	TOTAL
0.50%	\$ 3,827	\$ 2,477	\$ 6,304
0.75	5,740	3,715	9,455
1.00	7,654	4,953	12,607
1.25	9,567	6,192	15,759
1.50	11,480	7,430	18,911
1.75	13,394	8,668	22,062
2.00	15,307	9,907	25,214
2.25	17,221	11,145	28,366
2.50	19,134	12,383	31,518
2.75	21,047	13,622	34,669
3.00	22,961	14,860	37,821
3.25	24,874	16,098	40,973
3.50	26,788	17,337	44,125
3.75	28,701	18,575	47,276
4.00	30,614	19,814	50,428
4.25	32,528	21,052	53,580
4.50	34,441	22,290	56,732
4.75	36,355	23,529	59,883
5.00	38,268	24,767	63,035
5.25	40,182	26,005	66,187
5.50	42,095	27,244	69,339
5.75	44,008	28,482	72,490
6.00	45,922	29,720	75,642
6.25	47,835	30,959	78,794
6.50	49,749	32,197	81,946
6.75	51,662	33,435	85,097
7.00	53,575	34,674	88,249
7.25	55,489	35,912	91,401
7.50	57,402	37,150	94,553
7.75	59,316	38,389	97,704

H. Categorical Aid. For FY 2005, the budgeted school contracts for the institutions include categorical aid based on a rate of \$18,500 for Parsons State Hospital and Training Center and \$19,000 for Larned State Hospital. Due to the nature of the contract, an adjustment at Rainbow Mental Health Facility is not necessary. KNI has no expenditures for Special Education due to an agreement with the Southeast Kansas Education Services Center #609 (Greenbush) that the service center would continue to provide education programs for the students who live at KNI in exchange for the use of classrooms in the Wheatland Building for the education programs that the district provides to other Shawnee County school districts. The current FY 2005 categorical aid rate per eligible teaching unit is estimated to be \$18,600. If this rate is maintained, the school contracts for FY 2005 at the institutions would need adjustments. The table below identifies the State General Fund adjustments required:

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<u>Institution</u>	<u>FY 2005 Change</u>
Parsons State Hospital and Training Center	\$ 693
Larned State Hospital	(3,709)
TOTAL	<u>\$ (3,016)</u>

The current FY 2006 categorical aid rate per eligible teaching unit is estimated to be \$19,390. If this rate is maintained, the school contracts for FY 2006 at the institutions would need adjustments. The table below identifies the State General Fund adjustments required:

<u>Institution</u>	<u>FY 2006 Change</u>
Parsons State Hospital and Training Center	\$ 6,164
Larned State Hospital	3,616
TOTAL	<u>\$ 9,780</u>

I. GBA No. 2, Item 17, Page 9 - Sexual Predator Treatment Program - Disabled/Frail and Elderly.

J. GBA No. 2, Item 19, Page 10 - Extraordinary Medical Expenses.

K. GBA No. 2, Item 28, Page 14 - Utility Increases.

Board of Nursing

A. Update on Excelsior College (House Committee). The House Committee requested information concerning Excelsior College nursing students and graduates. The Board of Nursing decided in December that the curriculum at Excelsior College, and out-of-state institution, does not meet the level of clinical instruction as required by statute.

In summary, Kansas students currently enrolled at Excelsior College may complete the Excelsior College Associate Degree Nursing Program and be eligible to be licensed in Kansas (assuming they meet all other qualifications) by doing either of the following:

1. Complete a clinical curriculum that meets the requirements in K.A.R. 60-2-104 and 60-2-105 and successfully pass the National Council Licensure Examination for Registered Nurses (NCLEX-RN); or
2. Become licensed as a RN in another state and document at least 1,000 hours of practice in that capacity, then apply to endorse that license into Kansas.

Several Kansas associate degree nursing programs are in the process of developing the necessary clinical component. Excelsior College also expressed interest in providing sufficient clinical learning experiences for their currently enrolled Kansas students.

B. Formalize Policies Regarding Out-of-State Colleges (House Committee). The House Committee requested that the Board of Nursing formalize their policies regarding out-of-state colleges.

The Kansas State Board of Nursing (KSBN) only has authority to approve in-state schools. KSBN does not approve out-of-state schools if they are approved by another State Board of Nursing. K.S.A. 65-1119 (f) states that an applicant for licensure, who is a graduate of a school of professional or practical nursing located outside this state, must meet the requirements for licensure as stated in K.S.A. 65-1115 and 1116. K.S.A. 65-1119 (f) directs KSBN to determine whether those schools maintain standards at least equal to those of KSBN approved schools. K.S.A. 65-1119 also states that the board may send a questionnaire developed by the board to any school, of professional or practical nursing located outside Kansas, for which the board does not have sufficient information to determine whether the school meets the standards established.

Due to the increase of graduates from out-of-state non-traditional nursing programs, KSBN voted at the December board meeting to require transcripts from all initial license applicants to verify the educational programs that were attended and to see that the schools maintain standards at least equal to KSBN approved schools and that therefore the applicants would meet the requirements for licensure in Kansas.

The Board's Education Committee will be discussing the issue further at the June board meeting.

Department on Aging

A. Information Regarding the \$3.6 Million Reduction in the Home and Community Based Services/Frail Elderly (HCBS/FE) Waiver in FY 2005 (House Committee). The House Committee requested additional information from the Department regarding the reason behind the \$3.6 million reduction in the Home and Community Based Services/Frail Elderly (HCBS/FE) waiver.

According to the Department, the \$3.6 million in expenditures are not needed. As the waiting list was reduced, some of the clients, upon whom the funding estimate was based, no longer needed services. In addition, the needs of some clients were less than anticipated given their plans of care and historical trends. Therefore, actual expenditures have been less than originally anticipated. The HCBS/FE waiver waiting list has been eliminated and is not anticipated to reoccur in FY 2006.

B. Report on the Issuance of Special Checks Required (Senate Committee). The Senate Committee requested that the Department report on the number of checks, amount of the checks, and the number of providers affected by the issuance of special checks which are needed when there are problems with payments from Electronic Data Systems Corporation (EDS).

According to the Department, no special payments have been required since early calendar year (CY) 2004 as a result of the transition to the EDS Medicaid payment system contract. Following the implementation of the contract in October 2003, 115 special payments were made involving 100 vendors. The payments totaled just over \$5 million. More than 90 percent of the special payments were completed before the end of CY 2003.

EDS payment problems continue to have an impact on KDOA's ability to reliably estimate program expenditures. For example, in March 2005, it was discovered that Targeted Case

Management services were incorrectly charged to the HCBS Frail Elderly program. Errors such as this have contributed to uncertainty in funding estimates since the EDS conversion.

C. Details of the Consensus Agreement Reached on Variance from the 85 Percent Occupancy Rate Rule (House Committee). The House Committee requested details of the consensus agreement reached by the Nursing Facilities Reimbursement group regarding the policy on variance from the 85 percent occupancy rate rule for reimbursement of fixed costs.

The Department on Aging (KDOA) has indicated that detailed consensus agreements are not available from the group meetings. Instead summary minutes are captured and provided to group participants.

At the Nursing Home Medicaid Reimbursement Advisory Committee on July 27, 2004, an overview of the rate setting methodology was provided to the group by KDOA staff, including changes to the 85 percent rule. However, discussion focused on redesigning of the current incentive package so all homes, including rural homes, would have an opportunity to receive additional reimbursement as a result of providing quality incentive outcomes.

The incentive plan focuses on a point system that rewards homes based upon their performance in five different areas: nurse staffing ratios, operating expenses, staff retention/turnover, survey data, and occupancy.

In response to Legislative recommendations, KDOA conducted an analysis of the 85 percent rule. The rule that formerly applied to all costs was changed in FY 2003 to exempt direct health care costs (nurses, nurse aides, nursing consultants and supplies), food, and utilities.

Using the 2001 base year cost reports, the review conducted by KDOA found that 51 of the 360 nursing homes had 40 or fewer beds. All but one of the 51 homes were considered rural. Of the 51 homes, 24 of them or 47 percent, had an occupancy rate below 85 percent. The estimated additional cost to the Department on Aging for removing the rule from the homes with 40 or less beds was \$255,000 all funds, including \$100,572 from the State General Fund.

The review also found that 126 of the 360 nursing homes, or 35 percent, regardless of bed size, had an occupancy rate below 85 percent. Further, 36 percent of the rural nursing homes and 33 percent of the urban homes regardless of bed size had an occupancy rate less than 85 percent. The estimated additional cost to the Department on Aging for removing the rule from all homes was \$1.8 million all funds, including \$709,920 from the State General Fund.

D. Update on Security and Integrity of Computer Systems (House Committee). The House Committee noted that the Department had been directed by the 2004 Legislature to provide an update on the security and integrity of the computer systems to the 2005 Legislature. Because this did not occur during the Budget Committee process, the Committee requested that the Department provide the information for review at Omnibus.

To manage the potential risks and to ensure integrity of the data and computer systems, the Department on Aging employs a variety of security precautions and practices to protect its computers and computer systems. These include: backups, physical access controls, computer and network access control, authentication, authorization, firewalls, anti-virus software, and encryption of data.

In addition, the Department's security policies and procedures are included in the employee handbook, and are explained in more detail in a supplemental KDOA Information Systems Guide.

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The Department conducts orientation training of new users of KDOA systems and monitors system performance and logs to detect problems.

E. Current Status of the Spend Down Procedures for the HCBS/FE Waiver (House Committee). The House Committee requested additional information from the Department regarding the current status of the spend down procedure for the HCBS/FE waiver. The Committee was following up on an item of interest from the 2004 Session.

Federal rules prohibit the Medicaid program from requiring a potential Medicaid applicant to only spend assets on the costs of care. With some exceptions, a Medicaid applicant cannot be penalized for purchasing items in which he or she has ownership interest. If the purchased item is considered an exempt asset, it will not be counted in the eligibility determination. Although exempt items, Kansas Medicaid encourages people to purchase burial contracts and other small personal items which may be needed in the nursing facility.

However, Medicaid also attempts to discourage persons from purposely depleting resources rapidly to obtain Medicaid eligibility. Although many questions are raised by potential Medicaid recipients and their families, eligibility workers do not provide advice to those asking for direct estate planning assistance. According to the agency, this practice was reinforced last summer during staff teleconference training.

Policies regarding certain resources, such as annuities and contracts for care, have been strengthened over the past year. In addition, further definition has also been provided on such issues as joint ownership of resources and legal impediment/availability of resources to ensure staff recognize potential problems.

F. Possible Funding Sources for Expansion of the Program for All-inclusive Care for the Elderly (PACE) (Senate Committee and House Committee). The Senate Committee and the House Committee expanded the Program for All-inclusive Care for the Elderly (PACE) by 150 slots in FY 2006 to be divided between the existing program in Wichita and a new program in Topeka. These slots were to be funded within existing resources. In addition, the Committees requested that the Department report back concerning other possible funding sources for the additional slots.

The Department on Aging indicated that the PACE program is included as a service option in the Kansas Medicaid State Plan. Therefore, an expansion would not require a waiver. A new PACE program will involve a four party agreement with a specified upper limit on the number of funded slots. The parties include the service provider, for example, Via Christi with the Help Outreach Program for the Elderly (HOPE), KDOA, Department of Social and Rehabilitation Services (SRS) and the federal Center for Medicare and Medicaid Services (CMS). Program funding comes from KDOA, SRS and CMS.

The Department has indicated that they have not identified any alternative funding sources for the PACE program. The gross estimated cost of 150 PACE slots using the current funding source is \$3,285,000, including \$1,314,000 from the State General Fund. Portions of the PACE caseload would be served by other Medicaid-funded programs even if PACE was not available. The Department indicates it is difficult to establish the amount of this offset in the absence of experience.

The 150 slots would also have a fiscal impact on SRS. Currently, 22 percent of the Medicaid budget for the PACE program is funded by SRS. The SRS share includes the PACE customers aged 55 to 64 and other medical expenses for those 65 years of age or older (*i.e.*, physicians, pharmacy, etc.). The estimated additional cost to SRS for 150 slots is \$927,538 (\$370,615 from the State

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General Fund). Again, the net effect of the change cannot be estimated because PACE participants would otherwise participate in Medicaid if the additional PACE slots were not added.

G. Status of Additional Federal Funding for the Rural PACE Project (Senate Committee and House Committee). The House and Senate Committees wished to review the potential for additional federal funding for a rural PACE project and requested the Department to provide an update of the status of funding for the project.

The Evangelical Lutheran Good Samaritan Society has expressed strong interest in starting a rural PACE site covering 18 counties in northwest Kansas. The Department on Aging's staff will continue to monitor the status of the federal Senate Bill 2369, the Community Options for Rural Elders (CORE) Act of 2004, sponsored in part by Senator Brownback. The CORE Act of 2004 provides waivers to the PACE statutes that will assist a rural project in meeting program requirements, provides up to \$750,000 per program for start-up costs, provides technical assistance, requires an evaluation of the provider and provides additional reimbursement for medical outlier expenses.

H. Report on the Current Status of the Assistive Technology for Kansans Project (ATK). (House Committee). The House Committee requested an update of the Assistive Technology for Kansans Project. Assistive Technology is a service offered under the HCBS/Frail Elderly waiver that is separate and apart from the Assistive Technology for Kansans Project (ATK) offered through the KU Center on Disabilities at Parsons.

With the CMS approved HCBS/FE waiver renewal effective January 2005, the definition of Assistive Technology was clarified and the limitations changed to allow the service to be more responsive to the customer's needs. Assistive Technology (AT) consists of items that improve or assist functional capabilities or home modifications that improve mobility. The previous definition allowed only for items that improved the customer's functional capabilities. New language was added to also include items that assist the customer with functional capabilities. Specific to ATK, KDOA has notified and given information to the Area Agencies on Aging on the Kansas Equipment Exchange (KEE) program which is affiliated with ATK so the KEE program may be accessed as needed for HCBS/FE waiver customers.

I. Possible Fiscal Impact of Rebased the Medicaid Daily Rate Every Two Years vs. Not Less Than Every Seven Years (House Committee). The House Committee requested that the Department provide information concerning the possible fiscal impact of rebasing the Medicaid daily rate every two years, instead of not less than every seven years.

As review was made of the average annual increase in the Medicaid daily rate from SFY 1997 through FY 2002. During this period, rates were rebased annually. The average annual daily rate increase was 7.4 percent. Rates using SFY 2001 as the base were established in SFY 2003 and SFY 2004. The average daily rate increase in SFY 2003 was 3.7 percent and the average daily rate increase in SFY 2004 was 2.9 percent. It should be noted that the Global Insight, National Skilled Nursing Facility Market Basket Index, a recognized inflation index, was used to inflate the base year rates in lieu of using more current cost reports. The chart below summarizes the average daily rates and the percentage changes.

Rate History

State Fiscal Year	Average Daily Medicaid Rate	Percent Change
1997	\$ 67.17	N/A
1998	71.94	7.1%
1999	77.25	7.4%
2000 *	84.12	8.9%
2001 *	91.43	8.7%
2002	96.02	5.0%
Average Annual Increase 1997-2002		7.4%
2003 **	99.58	3.7%
2004 **	102.50	2.9%

* The SFY 2000 and 2001 average rates include the wage pass-through factor.
** Base year rates.

If the Medicaid rates had been rebased in SFY 2003 and SFY 2004, it is anticipated the average daily rates would have increased 7.4 percent. This would have been an additional 3.7 percent in SFY 2003 and 4.5 percent in SFY 2004.

The actual Medicaid expenditures in SFY 2003 and SFY 2004 were multiplied by the additional percentage rate increase to determine the projected impact on the annual expenditures. The additional 3.7 percent increase in SFY 2003 would have resulted in a projected \$11.3 million increase in annual expenditures. The additional 4.5 percent increase in SFY 2004 would have resulted in a projected \$14 million increase in annual expenditures.

If rates were rebased every two years using the most current Medicaid cost report filed, the estimated additional annual cost in the rebase year would be between \$11 million and \$14 million.

The Department indicated that the current regulation of rebasing at least once every seven years is less predictable. If the policy was changed to every other year, it could create an incentive for providers to spend up during the cost report year to be rebased. This could result in a larger projected annual expenditure increase than reflected above.

J. Reports on Senior Care and Nutrition Programs as Specified in 2004 HB 2675 Section 100(a) (House Committee). The House Committee requested the Department on Aging report on the Senior Care Act and Nutrition programs. The Department provided the following information:

Senior Care Act (SCA) (State Fiscal Year 2004)

Purpose: Development of a coordinated system of services for people 60 years of age and older who face difficulties in self-care and independent living to prevent inappropriate or premature institutionalization of persons who have not yet exhausted their financial resources.

Expenditures: State General Fund resources expended by the 11 Area Agencies on Aging (AAAs) totaled \$6,524,659 in SFY 2004. By including local match contribution and program income, the total expenditures were \$7,834,305. The average total SFY 2004 expenditure per customer was

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\$1,212. Match funds come from fees collected from people served and other local funding. Customer fees are based on a sliding fee scale, which considers the customer's income, liquid assets and family size. Customers are asked for a donation or are required to pay up to 100 percent of the cost of services received.

General Profile of Customers: The Area Agencies on Aging reported that 6,462 customers received services in SFY 2004 with an average of 3,300 customers per month receiving one or more SCA services during SFY 2004. A typical SCA customer is an 81 year-old female who lives alone (68.2 percent). The largest segment of customers is 80 to 89 years of age (44.1percent), 35.5 percent are 85 or older, 36.9 percent are 65 to 79, and 3.5 percent are less than 65.

Services Provided: The AAAs determine which services are needed within their planning and service areas. Homemaker services remained the most used, accounting for 246,131 units of service, attendant care followed with 94,840 units, and case management was next at 86,793 units.

Service	Customers	Units Provided	Unit of Services
Attendant Care	1,589	94,840	One Hour
Bath	169	19,667	One Dollar
Chore	33	4,367	One Hour
Case Management	4,930	86,793	15 Minutes
Food Supplements	52	6,421	One Dollar
Homemaker	3,788	246,131	One Hour
Incontinence Supplies	191	25,547	One Dollar
Material Assistance	134	55,752	One Dollar
Medication Issues	37	13,383	One Dollar
Mobility Aids	154	64,353	One Dollar
Personal Emergency Response	401	3,206	One Month Rental
Personal Emergency Installation	106	187	One Installation
Respite Care	35	2,878	One Hour
Repairs, Maintenance, Renovation	73	68,170	One Dollar
Transportation	13	2,982	One Dollar

Older Americans Act Title III-C Congregate and Home-Delivered Meals, FFY 2004

Purpose: Meals are provided to eligible participants on a contribution basis in a congregate setting (Title III-C(1)), or within a homebound individual's place of residence (Title III-C(2)).

Federal Fiscal Year (FFY) 2004 Expenditures: \$16,125,105 from all sources, and 3,362,926 meals were provided to eligible participants. Characteristics of persons receiving meals are shown in the following table:

Characteristics	Congregate	Home Delivered
Male	35%	31%
Female	65	69
Lives Alone	45	57
Aged 64 and under	14	6
Aged 65 to 74	30	21
Aged 75 to 84	39	41
Aged 85 or older	17	32

Number of Meals per Agency on FFY 2004 basis:

Area Agency on Aging	Congregate Meals	Home Delivered Meals
Wyandotte-Leavenworth AAA	88,239	183,862
Central Plains AAA	187,008	339,630
Northwest Kansas AAA	151,263	67,785
Jayhawk AAA	129,351	130,827
Southeast Kansas AAA	107,292	258,408
Southwest Kansas AAA	246,162	103,660
East Central Kansas AAA	108,974	119,695
North Central/Flint Hills AAA	218,923	195,854
Northeast Kansas AAA	97,417	65,126
South Central Kansas AAA	219,763	149,571
Johnson County AAA	52,647	141,469

Number of Customers per Area Agency on SFY 2004 basis:

Area Agency on Aging	Congregate Customers	Home Delivered Customers
Wyandotte-Leavenworth AAA	790	1,217
Central Plains AAA	2,691	2,466
Northwest Kansas AAA	1,819	818
Jayhawk AAA	1,942	950
Southeast Kansas AAA	1,272	1,870
Southwest Kansas AAA	4,672	1,348
East Central Kansas AAA	1,989	733
North Central/Flint Hills AAA	5,234	2,043
Northeast Kansas AAA	1,871	667
South Central Kansas AAA	3,630	1,269
Johnson County AAA	1,239	1,114

K. Detailed Breakdown of Meals Served by Provider, Average Cost of the Meals, and Funding Provided by KDOA (House Committee). The House Committee requested that the

Department provide a breakdown of meals served by provider, average cost of the meals and funding provided by KDOA. The Department provided the following information regarding actual costs during FFY 2004.

<u>Area Agency on Aging</u>	<u>Total Funding</u>	<u>Number of Meals</u>	<u>Cost Per Meal</u>
Wyandotte-Leavenworth	\$ 1,187,690	272,101	\$4.36
Central Plains	2,750,965	526,638	\$5.22
Northwest KS	1,010,160	219,048	\$4.61
Jayhawk	1,415,404	260,178	\$5.44
Southeast KS	1,406,213	365,700	\$3.85
Southwest KS	1,592,083	349,822	\$4.55
East Central KS	1,040,886	228,669	\$4.55
North Central Flint Hills	2,025,266	414,777	\$4.88
Northeast KS	1,010,274	162,543	\$6.22
South Central KS	1,594,618	369,334	\$4.32
Johnson County	1,091,546	194,116	\$5.62
Total	\$ 16,125,105	3,362,926	\$4.79

L. Plan that Provides Equal Funding for Every Meal Served Statewide (House Committee). The House Committee requested that the Department develop a plan that would provide equal funding for every meal served statewide, based upon actuals from the previous fiscal year.

The Department has provided the following breakdown of what funding based upon actual number of meals served would look like.

**Kansas Department on Aging - Plan for Review
If Federal and State Funding were Based on Meals Served
(Using Expenditures and Meals for FFY04)**

	<u>Federal and State Funds - Meals Served</u>	<u>% Change from Actual</u>	<u>% of Total Funding</u>	<u>State Funds - Meals Served</u>	<u>% Change from Actual</u>	<u>% of Total Funding</u>
Wyandotte-Leavenworth	471,541	(17.44)	8.09	86,429	24.87	8.09
Central Plains	912,644	(19.97)	15.66	167,279	(53.71)	15.66
Northwest KS	379,602	11.00	6.51	69,577	--	6.51
Jayhawk	450,879	2.07	7.74	82,642	(12.04)	7.74
Southeast KS	633,745	9.32	10.87	116,159	22.00	10.87
Southwest KS	606,229	22.38	10.40	111,116	59.38	10.40
East Central KS	396,275	120.99	6.80	72,633	(50.15)	6.80
North Central Flint Hills	718,793	(1.22)	12.33	131,748	(12.80)	12.33
Northeast KS	281,681	58.90	4.83	51,629	--	4.83
South Central KS	640,042	10.42	10.98	117,313	43.15	10.98
Johnson Co	336,396	(43.33)	5.77	61,658	--	5.77
Total	5,827,826*	--	100.00%	1,068,182	--	100.00%

Total Federal and State Expenditures \$ 6,896,008

Costs per Final AAA Financial Reports for FFY 2004

Number of Meals Per Grant Monitors Report 12/30/2004 (KAMIS)

(* Federal nutrition funds are used by all Area Agencies on Aging to cover a portion of their administrative costs;

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remaining balances are unexpended funds that are forwarded into the next grant period.)

Funding from the Older Americans Act (OAA) requires the establishment of an Intrastate Funding Formula which must be approved by the federal Administration on Aging. Additionally, the Older Americans Act requires the Kansas Department on Aging, as the designated State Unit on Aging, provide assurance that it will give preference to providing service to older individuals with the greatest social and economic needs.

The Department has indicated they do not believe the Administration on Aging will approve a plan that shifts nutrition dollars from those with the greatest economic and social need, with particular attention to low-income, minority older individuals, to a plan that provides funding based on the capacity to provide meals. In addition, the Administration on Aging staff has indicated no State Unit on Aging distributes the federal funds based on persons served.

M. Report on the Policy on When and for Whom Access to Seniors in Nursing Facilities is Appropriate (House Committee). The House Committee requested the Department report on the policy on when and for whom access to seniors in nursing facilities is appropriate.

The Department on Aging provided a memorandum dated March 25, 2004, to Adult Care Home administrators and operators. The memorandum addressed issues related to conduct of visitors in adult care homes. Federal and state regulations require that adult care homes ensure that residents have access and can visit with any individual they wish with reasonable restriction. Residents also have the right to decide who may visit them. It is, however, the facility's responsibility to protect residents from persons who could harm them and from persons residents do not wish to see.

Most facilities will have policies that when a resident shares a bedroom with another resident, visitors are not present when direct care is being given or when the act of visiting disturbs the other resident residing in the bedroom. Visitors who do not maintain appropriate decorum should be asked to leave according to the agency.

Family members and others who display behavior that is disturbing to other residents can be restricted to areas where their behavior cannot be observed by residents.

Individuals offering services that residents may want to consider can discuss these services with residents if the resident has agreed to meet with the individuals.

Staff of each adult care home has the responsibility of informing residents about services available through the Medicare and Medicaid programs.

The facility is obligated to inform residents and their families of any new programs for which a resident may be eligible. Printed materials and posted information should be readily accessible to residents and their families. The social services staff should share information with residents who may be eligible for a new program. If the resident is interested, social service staff should assist the resident in contacting the appropriate agency.

Representatives of agencies seeking to offer services to residents of adult care homes should contact facility management to determine whether residents that may be eligible for the service wish to talk to them. If the resident indicates they do not wish to meet with the agency representative, this should be communicated to the representative.

N. Status of Waiting Lists for HCBS/FE Waiver and Senior Care Act Services (Senate Committee). The Senate Committee requested that the Department report back concerning the status of the waiting lists for the HCBS/FE waiver and the Senior Care Act services.

The Department has indicated that currently there is no waiting list for HCBS/FE waiver services. The waiting list that developed as a result of funding reductions in FY 2003 was eliminated by the end of FY 2004.

As of the end of February 2005, there was a waiting list of approximately 205 clients for the Senior Care Act program.

O. Spring Consensus Caseload Estimates and GBA No. 2, Item 13, Page 7. The FY 2005 Spring Consensus Caseload Estimate for Nursing Facilities is an increase of \$8.2 million, including \$3.0 million State General Fund from the approved budget. The change reflects increased costs and higher than anticipated number of individuals serviced.

The FY 2006 Spring Consensus Caseload Estimate for Nursing Facilities is an increase of \$5.5 million, including \$3.5 million State General Fund from the approved budget. The change reflects a continuation of the increased costs and number of individuals served.

These items are included in the Spring Consensus Caseload Item under the Department of Social and Rehabilitation Services.

School for the Blind

A. Reduction in Salaries and Wages in the Instructional Services Program (Senate Committee). The Senate Committee included a review of adding \$100,000 from the State General Fund for salaries and wages to the Instructional Services program which had been reduced by the Governor. The Conference Committee on SB 225 added \$100,000 from the State General Fund to restore the reduced funding.

B. Comparison of Salaries and Benefits at School for the Blind and Neighboring School Districts (House Committee). The House Committee was concerned with the disparity in teacher salaries that exists between the teachers at the School for the Blind and the neighboring districts. The Committee requested that the School for the Blind provide information regarding the differences in salaries and benefits.

The School for the Blind has indicated that average base salary in Kansas City, Kansas USD 500 is \$2,905 or 7.1 percent higher than that of a teacher at the School for the Blind (based upon the average experience and education level of the teachers at the School for the Blind). After subtracting the costs of employee contributions and adding the employer paid benefits, including KPERS and employee health insurance premiums, the average salary of a USD 500 teacher is \$2,361 or 4.0 percent higher than that of a teacher at the School for the Blind.

School for the Deaf

A. Comparison of Salaries and Benefits at School for the Deaf and Neighboring School Districts (House Committee). The House Committee was concerned with the disparity in teacher salaries that exists between the teachers at the School for the Deaf and the neighboring districts.

The Committee requested that the School for the Deaf provide information regarding the differences in salaries and benefits.

The School for the Deaf has indicated that average base salary in Olathe USD 233 is \$4,284 or 10.0 percent higher than that of a teacher at the School for the Deaf (based upon the average experience and education level of the teachers at the School for the Deaf). After subtracting the costs of employee contributions and adding employer paid benefits, including KPERS and employee health insurance premiums, the average salary of a USD 233 teacher is \$3,492 or 10.2 percent higher than that at the School for the Deaf.

Kansas Corporation Commission

A. Review Proviso Allowing Kansas Corporation Commission (KCC) to Transfer Funds in Excess of \$400,000 from the Conservation Fee Fund to the Abandoned Oil and Gas Well Plugging Fund (House Committee and Conference Committee). The House Committee recommended removing the proviso that would allow the State Corporation Commission to transfer funds in excess of \$400,000 from the Conservation Fee Fund to the Abandoned Oil and Gas Well Plugging Fund for further review at Omnibus. The Conference Committee on SB 225 concurred with the House position and removed the proviso for further review at Omnibus.

Abandoned Oil and Gas Well Transfer

A. Review the Statutory Transfer from the State General Fund to the Abandoned Oil and Gas Well Plugging Fund (House Committee). The House Committee requested a review of the statutory transfer from the State General Fund to the Abandoned Oil and Gas Well Plugging Fund. K.S.A. 55-192 was enacted in 1996. As a result of this statute, the Abandoned Oil and Gas Well/Remediation Fund was created for the sole purpose of providing funding to the Kansas Corporation Commission for the plugging of abandoned wells and the remediation of contamination sites related to oil and gas activities prior to July 1, 1996. The 2001 Legislature amended K.S.A. 55-193, which extended the quarterly fund transfers of \$100,000 each from the State Water Plan (SWP), State General Fund (SGF) and the Conservation Fee Fund (CFF) for seven additional years to July 1, 2009.

The last time the transfer from the State General Fund occurred was in FY 2003. The transfer is not provided for FY 2006 in SB 225.

Kansas State University – Extension Systems and Agricultural Research Program

A. Operational Funding (House Committee and Conference Committee). The House Committee and the Conference Committee on SB 225 recommended that funding of \$300,000 from the State General Fund be deleted in FY 2006 and reviewed at Omnibus. In the Governor's recommendation, this funding had been shifted from the Economic Development Initiatives Fund to the State General Fund. In addition, the Conference Committee on SB 225 concurred with the House's addition of \$300,000 from the Economic Development Initiatives Fund.

The agency's submitted budget included an enhancement request of \$979,000 from the State General Fund to address tuition generation issues. The Governor's recommendation did not provide additional funds, but did shift a portion of the funding from the Economic Development Initiatives Fund to the State General Fund due to the balances of the Economic Development Initiatives Fund.

Wichita State University

A. GBA No. 2, Item 26, Page 13 - Aviation Research Debt Service.

University of Kansas

A. GBA No. 2, Item 24, Page 13 - Faculty of Distinction Program Withdrawal.

Pittsburg State University

A. Funding for the Armory/Classroom/Recreation Center Project (House Committee and Senate Committee). The Senate Committee and the House Committee recommended that funding of \$4.5 million in FY 2006 for the state match portion of the Armory/Classroom/Recreation Center be reviewed at Omnibus. The Conference Committee on SB 225 recommended that bonding authority of \$1.5 million for FY 2006 be granted to the Adjutant General and bonding authority of \$4.0 million for FY 2007 and FY 2008 be granted to Pittsburg State University for this project.

University of Kansas Medical Center

A. Bonding Authority for the Ambulatory Care Center (Joint Committee on State Building Construction) and GBA No. 2, Item 25, Page 13. SB 225 included bonding authority of \$42.0 million to construct the Ambulatory Care Center at the University of Kansas Medical Center. Due to increases in construction materials, the agency requested an increase in the bonding authority of \$11.0 million for a total of \$53.0 million. The debt service on the bonds is to be funded through payments for services provided. The Joint Committee on State Building Construction recommended that the change be made and that the issue be considered as a part of Omnibus.

Board of Regents

A. SB 138 Mathematics and Science Teacher Service Scholarship Program (Law). SB 138 establishes the Mathematics and Science Teacher Service Scholarship Program. This program is in addition to the current Teacher Service Scholarship Program.

Qualified applicants would receive a scholarship of \$2,500 per semester for not more than two years. The program is limited to 50 new awards each year. In order to be eligible, a student must be a Kansas resident, enrolled in a program leading to licensure as a math or science teacher for grades six through 12, and have demonstrated scholastic ability through grade point average and other measures as determined by the Board of Regents. Preference would be given to students who have completed at least 60 hours in their course of study.

The bill requires a service obligation of the student. The individual must teach math or science in grades six through 12 in Kansas for not less than four years if teaching full-time or a period equivalent to four years if teaching part-time. If the student does not fulfill the obligation, he or she must repay the amounts received with interest.

The provisions of the bill would sunset in FY 2010 and are permissive rather than mandatory.

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The fiscal note on the bill originally containing the Mathematics and Science Teacher Service Scholarship Program states that the total fiscal impact for FY 2006 would be approximately \$304,000. The scholarship itself would total \$250,000 State General Fund for FY 2006 and \$500,000 State General Fund for each year thereafter. In addition, the Board of Regents estimates that the bill would require an additional 1.0 FTE position and \$54,000 from the State General Fund for salary and wages and associated operating expenses.

B. HB 2026 KAN-ED Financing (Conference Committee). The portion of HB 2026 affecting higher education would phase out financing of KAN-ED from the Kansas Universal Service Fund over several fiscal years. For FY 2006, both the House and the Senate versions of the bill fund \$10.0 million for the program through the Kansas Universal Service Fund.

K.S.A. 66-2010 sets out the funding mechanism for KAN-ED. Not more than \$10.0 million per year was to be transferred from the Kansas Universal Service Fund to a special revenue fund within the Board of Regents. These provisions are set to expire June 30, 2005. HB 2026 would continue the funding from the Kansas Universal Service Fund, but would phase out that funding over several years.

The Governor's recommendation and the current Legislative approved budget for the Board of Regents assumes passage of this bill. If the bill does not pass, the program would not be funded for FY 2006.

C. Funding Recommended for the Comprehensive Grant Program (House Committee). The House Committee recommended a review of \$1.0 million from the State General Fund which the Governor recommended in FY 2006 as an enhancement to the Comprehensive Grant Program. The funding is included in SB 225.

D. Funding Recommended for the Higher Education Coordination Act (1999 SB 345) (House Committee). The House Committee recommended a review of \$8.9 million from the State General Fund which the Governor had recommended in FY 2006 as the second year of a three-year plan to fund the Higher Education Coordination Act at the original estimates. This amount includes funding for community colleges (\$5.1 million), Washburn University (\$455,060), and salary enhancements for state university faculty (\$3.3 million). The funding is included in SB 225.

E. SB 300 Faculty of Distinction Program (Senate Committee). The Senate Committee requested a review of SB 300 which would change the method used for calculating interest earnings for the Faculty of Distinction Program. SB 300 was introduced on March 15, 2005, and referred to the Senate Ways and Means Committee.

When private donations are made for endowed professorships, the interest earned on those endowments is used to supplement the professor's salary and to provide operational support such as staff, equipment, and travel. Currently, the interest is calculated using the average net earnings rate for the Pooled Money Investment Board. SB 300 would change the method of interest calculation to use the greater of 5.5 percent or the twenty-year treasury bonds plus 4.0 percent as published by the Bond Buyer.

The fiscal note prepared by the Division of the Budget states an estimated reduction in receipts to the State General Fund of \$2.8 million.

During Committee discussion of the bill, an amendment was proposed which would change the new interest calculation to the ten-year treasury note rate plus 2.0 percent. The Committee took no action on the proposed amendment.

KPERS

A. Investment Manager Fees (Senate Committee and House Committee) and GBA No. 2, Item 6, Page 4. Both committees recommended Omnibus review of the latest estimated fees paid to manage the KPERS investment portfolio. The agency estimates FY 2005 increases of \$1,443,589 from the KPERS Fund and \$8,280 from non-KPERS funding to pay higher than approved investment related expenses. In FY 2006, the agency estimates increases of \$2,570,964 from the KPERS Fund and \$9,298 from non-KPERS funding to pay higher than approved investment related expenses. The cost of manager fees is a function of investment performance and the higher fees indicate better than expected investment earnings for the KPERS portfolio in FY 2005 and FY 2006.

B. HB 2037 KPERS Omnibus Bill (Conference Committee). The Conference Committee has agreed to fund the KPERS death and long-term disability benefits contribution at 0.8 percent in FY 2006 and at 1.0 percent in FY 2007 by adjusting the statutory employer rate which currently is 0.6 percent. This action would match the funding included in FY 2006 and FY 2007 budgets by 2005 SB 225. The estimated costs for state and local government for this provision is noted below.

**Estimated Cost of Death and Disability Increases – FY 2006 and FY 2007
Contributions in Millions**

	Current Rate 0.6%	FY 2006 Rate 0.8%	FY 2007 Rate 1.0%
State General Fund	\$ 20.1	\$ 26.9	\$ 33.9
State All Other Funds	5.2	6.8	7.5
Subtotal – State	\$ 25.3	\$ 33.7	\$ 41.4
Local Governments	6.7	9.0	11.4
Total – All Units	<u>\$ 32.0</u>	<u>\$ 42.7</u>	<u>\$ 52.8</u>

C. GBA No. 2, Item 7, Page 4 - Revised Technology Project Expenditures.

Several other provisions of HB 2037 either have potential or actual fiscal impacts, either immediately or in the future.

1. **Working After Retirement.** Would have a potential impact on state agencies, school districts and local governments, with a provision that would require KPERS participating employers who hire retired KPERS members, and if they make more than \$15,000 annually, to pay an actuarial contribution plus 4.0 percent to KPERS on the retired member's full compensation amount.

2. **New Retirement Plan for Fire Marshal Employees.** Would allow certified law enforcement officers to elect enhanced benefits of the Kansas Police and Firemen's (KP&F) Retirement System, with a potential cost of less than \$50,000 in FY 2006.

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3. **Spouse KPERs Benefits.** Would reduce the length of service required from 15 to 10 years for a surviving spouse to be eligible for retirement benefits if a member of KPERs or the Retirement System for Judges dies before reaching normal retirement eligibility for unreduced benefits. KPERs estimates additional unfunded actuarial liability would result from this bill totaling \$951,000, of which the state share would be \$621,000 and the local cost would be \$330,000. In order to pay the actuarial costs over time, the additional first year contributions for the state would be \$41,100 and for the local units would be \$21,800.

4. **Combining State and School Contribution Rates.** Could result in long-term savings to the state in excess of \$1.0 billion to the State General Fund for state KPERs school employer retirement contributions, but would require earlier State General Fund contributions of \$613 million, beginning in FY 2010, with an initial \$4.0 million increase above the current statutory cap on state agency payments.

Department of Revenue

A. SB 4 Manufactured Housing Installation and Licensure (Law). The bill would require the Director of Vehicles to license installers of manufactured housing and to develop rules and regulations for installation standards. The agency requests filling 1.0 FTE position and FY 2006 financing of \$47,534 from the fund established in the bill, including salary costs of \$34,857, annual operating costs of \$3,142, and one-time expenses of \$9,535 for computer programming and equipment. The bill also creates the State Housing Trust Fund. This bill is effective in FY 2005 with publication in the *Kansas Register*. The fund needs to be appropriated in FY 2005 and FY 2006. Estimated revenue is \$55,000 annually to the fund. Administrative costs may be paid from the Trust Fund, according to the bill. Alternately, the DOV Operating Fund could be charged for this operating expenditure, if insufficient funds were available in the new trust fund during FY 2006.

B. HB 2215 Hazmat Fee Fund (Law). This bill is effective in FY 2005 with publication in the *Kansas Register*. The Hazmat Fee Fund needs to be appropriated in FY 2005 and FY 2006. Estimated revenue and expenditures are \$20,000 each fiscal year.

C. HB 2265 – Special Qualified Manufacturer Fund (Law). This bill is effective in FY 2005 with publication in the *Kansas Register*. The new Special Qualified Manufacturers Fund needs to be appropriated in FY 2005 and FY 2006. No estimate of revenue and expenditures was available for this fund in FY 2005 or FY 2006.

Kansas Lottery

A. Lottery Ticket Sales and Transfers (Senate Committee and House Committee). Both committees asked to review sales and transfers during Omnibus. The 2005 Legislature approved an increase of \$3.7 million from the FY 2004 approved amount for the Governor's estimated FY 2005 sales of \$219.2 million, with approximately \$2.4 million attributed to the two instant scratch games designated to benefit veterans' programs.

The agency indicates that a revision in estimated sales would suggest a decrease of \$11.2 million in FY 2005 that will reduce revenues attributed to sales of \$208.0 million this fiscal year. Transfers to the State Gaming Revenues Fund (SGRF) through March 15 totaled \$42.25 million, with approved transfers in FY 2005 expected to reach \$64.325 million this fiscal year when sales were estimated at \$219.2 million. With four transfers left to make in FY 2005, the monthly total would

have to average slightly less than \$5.6 million per transfer to reach the remaining \$22.075 million this fiscal year.

The average monthly transfer amount during the first eight months was slightly less than \$5.3 million. The FY 2005 shortfall, if any, will reduce revenue to the State General Fund which in the November 2004 consensus revenue estimate is scheduled to receive \$14.325 million at the end of FY 2005 from the SGRF.

No change is suggested by the Lottery's staff in approved estimated sales of \$219.2 million in FY 2006, with SGRF transfers of \$66.0 million anticipated next fiscal year and SGF revenue of \$16.0 million.

B. Change in Ticket Distribution (Senate Committee and House Committee). Both committees recommended Omnibus review of FY 2006 operating expenditures and consideration of a proposed change in instant ticket distribution and possible adjustments in expenditures. The House Committee noted that this agency may opt to no longer deliver lottery tickets with state-owned vehicles and that a report should be made during Omnibus about any changes in distribution of lottery tickets, with the estimated impact on the FY 2006 budget.

C. Shrinkage Savings (House Committee). The House Budget Committee heard a report from the Lottery concerning a projection for expenditures to pay salaries and benefits through the end of FY 2005, and the House Budget Committee expressed concern that the \$353,100 amount of shrinkage savings in the Governor's revised recommendations will not be achieved, and that a shift of funds from other operating expenditures to pay salaries will reduce other spending amounts that the Governor recommends. The Conference Committee on SB 225 concurred with a Senate adjustment to restore \$143,950 to the Lottery Operating Fund agency operations account for a FY 2005 additional shrinkage reduction made by the Governor. The agency indicates that this additional funding will provide sufficient resources for paychecks and that funding from other operations will not be needed to meet payrolls late in the fiscal year.

Kansas Racing and Gaming Commission

A. Cashflow for State Racing Fund (Senate Committee and House Committee). Both committees expressed concern about potential cashflow problems in the fund and wished to review updated estimates during Omnibus. The Legislature approved a \$200,000 State General Fund transfer in FY 2006 and eliminated a \$75,000 transfer in FY 2005 from the State Racing Fund in order to increase the cash balances in each fiscal year. Salary plan adjustments were approved in FY 2006 that reduced FY 2006 expenditures. The legislative actions provide higher ending balances in FY 2005 and FY 2006, compared with the Governor's recommendations.

State Racing Fund Cashflow FY 2004 – FY 2006

Resource Estimate	Actual FY 2004	Gov. Rec. FY 2005	Legislative Approved FY 2005	Gov. Rec. FY 2006	Legislative Approved FY 2006
Beginning Balance	\$ 456,071	\$ 404,274	\$ 404,274	\$ 207,557	\$ 282,557
Net Receipts	2,901,893	2,635,373	2,635,373	2,651,345	2,851,345
Total Funds Available	\$ 3,357,964	\$ 3,039,647	\$ 3,039,647	\$ 2,858,902	\$ 3,133,902
Less: Expenditures	2,675,530	2,757,090	2,757,090	2,854,664	2,754,564
Less: Transfers	278,160	75,000	0	0	0
Ending Balance	\$ 404,274	\$ 207,557	\$ 282,557	\$ 4,238	\$ 379,338
Ending Balance as a Percent of Expenditures	15.1%	7.5%	10.2%	0.1%	13.8%

B. Tribal Compacts Status (Senate Committee). The Senate Committee noted that the Governor had not submitted a proposed compact to the 2005 Legislature and therefore desired to review during Omnibus any actions that might be needed in responding to such a submission. The Senate Committee also noted that the State Gaming Agency and at least one tribe involved in the proposed new compact had an ongoing dispute that was in arbitration under terms of an existing compact, and an update on that situation was requested during Omnibus. According to the Executive Director of the Tribal Gaming Agency, the arbitration was settled at the end of March. It was indicated that the Executive Director did not know if the Governor would resubmit the proposed compact during the Omnibus session.

Department of Wildlife and Parks

A. Correct Posting Error (Technical Adjustment). Technical changes are needed to accurately reflect death and disability adjustments approved by the Conference Committee on SB 225.

B. Funding State Parks (Senate Committee and House Committee) and GBA No. 2, Item 40, Page 20. Both committees expressed concern about financing problems of the state parks in FY 2005 and FY 2006. The FY 2005 and FY 2006 budgets recommended in the *Governor's Budget Report* for the state parks assumed that a third fee increase in five years would go into effect on January 1, 2005. The Kansas Wildlife and Parks Commission did not adopt the proposed fee increase and therefore the revenue to the Parks Fee Fund will be less than estimated under the Governor's recommendation for FY 2005 and FY 2006. The Senate Committee requested for Omnibus that the agency provide monthly park fee receipts from 2000 to the present in order to evaluate the impact of fee increases in 2001 and 2003.

The agency had to secure alternative funding in order to meet payrolls in March and April 2005 due to the Parks Fee Fund balance being insufficient to make biweekly payments for park employees. The Conference Committee on SB 225 eliminated a \$300,000 FY 2005 State General Fund supplemental appropriation recommended by the Governor and concurred with replacement funding from a shift of \$485,000 from capital improvements to state operations for the purpose of paying employees of state parks in FY 2005. The Conference Committee recommended that the money be repaid from the Parks Fee Fund whenever sufficient funds are available. The agency will

present a revised fee fund profile during Omnibus. The following profile is based on the Governor's budget submitted in January 2005, with legislative adjustments and subsequent revenue information provided by the agency in early April 2005.

Parks Fee Fund Cashflow FY 2004 – FY 2006

Resource Estimate	Actual FY 2004	Gov. Rec. FY 2005	Rev. Est. FY 2005	Gov. Rec. FY 2006	Rev. Est. FY 2006
Beginning Balance	\$ 1,480,484	\$ 1,121,368	\$ 1,121,368	\$ 268,882	\$ 444,480
Net Receipts	5,622,944	5,832,321	5,522,919	6,404,000	5,799,065
Total Funds Available	\$ 7,103,428	\$ 6,953,689	\$ 6,644,287	\$ 6,672,882	\$ 6,243,545
Less: Expenditures	5,982,060	6,684,807	6,199,807	6,465,950	6,251,660
Ending Balance	<u>\$ 1,121,368</u>	<u>\$ 268,882</u>	<u>\$ 444,480</u>	<u>\$ 206,932</u>	<u>\$ (8,115)</u>
Ending Balance as a Percent of Expenditures	18.7%	4.0%	7.2%	3.2%	(0.1)%

The agency's revised FY 2005 estimated receipts reflect a reduction of \$309,402 based on collections to date. The agency has authority to spend \$485,000 in FY 2005 to replace financing from the Parks Fee Fund, and consequently, expenditures are reduced by that amount to keep the ending balance in FY 2005 from showing a negative \$40,520. The agency revised FY 2006 estimated receipts to reflect a reduction of \$604,935. Expenditures recommended by the Governor in FY 2006 were reduced \$214,290 in salary plan adjustments approved by the 2005 Legislature. Even if the agency spends \$485,000 in FY 2005 from its alternative funding source and carries over \$444,480 to next fiscal year, the FY 2006 ending balance would be a negative \$8,115 with the revised estimate of revenues and approved expenditures from the Parks Fee Fund.

The agency has requested a Governor's Budget Amendment to provide additional funding for parks operations in FY 2006.

C. State Park No. 24 Status and Funding (House Committee and Conference Committee). The House Budget Committee deleted capital improvement funding totaling \$615,000 for State Park No. 24 in order to be consistent with the Governor's recommendation that deleted FY 2006 agency requested operating expenditures of \$103,505 and 1.0 FTE position for operation of the new park. The Budget Committee recommended review of this issue during Omnibus to determine if any transfer of property has taken place and if the agency has received title to the land. In addition, the Budget Committee considered an issue as to whether it is appropriate to use State Water Plan Fund financing for capital improvements at State Park No. 24. The Budget Committee also believed that a self-pay mechanism should be used to fund this park rather than for it to be used as a free park. The Senate Committee also expressed concern about free admission. The Conference Committee on SB 225 concurred to delete \$615,000 for capital improvements, including \$115,000 from the State Water Plan Fund and \$500,000 from the Access Road Fund, with review at Omnibus of State Park No. 24.

The Conference Committee on SB 225 concurred with the House Committee recommendation to add \$500,000 from the Access Road Fund originally recommended for State Park No. 24 to augment the other \$1.2 million for road and bridge work in other state parks for FY 2006, with spending to be targeted for the following designated areas in FY 2006, except in cases of

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emergencies or other unanticipated projects: Crawford State Park, Elk City State Park, Fall River State Park, Eisenhower State Park, Pomona State Park, Cross Timbers State Park, and Farlington Fish Hatchery.

As of early April 2005, no transfer of property had taken place, according to the agency. It is now anticipated that a transfer may occur sometime in FY 2006, the agency states.

D. River and Boating Access Funding (House Committee and Conference Committee).

The House Committee and the Conference Committee on SB 225 asked for Omnibus review of alternative funding sources for river and boating access projects, such as the one in State Park No. 24. The House Committee objected to the use of State Water Plan Fund money and the Conference Committee indicated that the State Water Plan Fund source of financing should not be considered during Omnibus for State Park No. 24.

The agency suggests that alternative funding sources do exist, and that the Boating Fee Fund and the Boating Fund – Federal can be used for river access projects. In addition, the Motor Boat Access program can supply funding. In all cases the access must be available for use by motorized and non-motorized craft.

E. Milford Fish Hatchery Water Line Cost (House Committee). The House Committee requested a report at Omnibus about the increased estimate for constructing a new water line for the fish hatchery at Milford Lake. The project was approved by the 2004 Legislature for \$1,227,287 in FY 2005. The original project cost was estimated at \$5.6 million by the federal agency, of which the state agency would provide \$1.4 million. The agency indicates that the revised cost estimate is \$7.3 million, of which \$2.3 million would be paid by the state agency. An alternative location has been proposed by the state agency to reduce the costs to \$5.1 million, of which \$1.3 million would be paid by the state agency. No decision has been made by the federal agency.

F. Cheyenne Bottoms Visitor Center Status (House Committee). The House Committee asked for an update at Omnibus concerning the proposed Cheyenne Bottoms Visitor Center capital improvement project and the status of a federal grant awarded for the project. The Governor withdrew the project from the budget after it was approved by the 2004 Legislature at an estimated cost of \$1,999,264 in FY 2005. The agency indicates that the revised project cost is estimated at \$4.0 million, of which the federal grant of \$1,999,264 will finance a portion of the total cost.

G. Acquiring Federal Campgrounds (Senate Committee). The Senate Committee expressed concern about the operation of federal (Corps of Engineers) parks and campgrounds in proximity to the state parks since the Corps offers free access to those parks and lower fees for camping than charged at the state parks. The Senate Committee believed that the Secretary of Wildlife and Parks should actively engage the Corps of Engineers in the Tulsa and Kansas City district offices about the transfer of federal land and facilities to the state and requested the Secretary to provide at Omnibus information about the operation of the federal parks and campgrounds in the state, including locations, costs of operation, staffing, facilities and fees for use at the different facilities.

H. GBA No. 2, Item 39, Page 19 - Circle K Ranch.

Kansas Technology Enterprise Corporation

A. Shrinkage Restoration (Senate Committee). The Senate Committee recommended a review at Omnibus of reductions recommended by the Governor to increase shrinkage during FY 2005. The Subcommittee was informed that the decreased funding of \$136,714, including \$128,544 from the Economic Development Initiatives Fund (EDIF), would impair the agency's ability to contract with a particularly well qualified individual to assist the agency with commercialization efforts. The consultant was expected to be offered a contract in March but the agency indicated it would be forced to hold off indefinitely to produce the recommended savings. The Senate added \$125,000 from the EDIF in FY 2005 to partially restore the funding but it was deleted during Conference Committee negotiations on the budget bill.

Department of Health and Environment - Health

A. HB 2503 Regulation of Abortion Clinics (Veto). HB 2503 establishes standards for the operation of abortion clinics and requires the Secretary to adopt rules and regulations applicable to these clinics. The bill requires clinics to obtain an annual license and pay applicable fees. In addition, the Secretary is required to inspect and investigate such clinics.

The agency estimates the fiscal impact of the bill at \$291,118 from the State General Fund and 1.0 FTE position for FY 2006 for the development of regulations, license inspections, surveys and monitoring of facilities. The estimate includes \$156,000 for a physician consultant, \$78,000 for a birthing consultant, \$47,620 for the 1.0 FTE administrative position and \$9,498 for other operating expenditures. The Governor vetoed the bill on April 15, 2005.

B. HB 2301 Senator Stan Clark Pregnancy Maintenance Initiative Program (Law). HB 2301 creates the Senator Stan Clark Pregnancy Maintenance Initiative Program and appropriates \$300,000 from the State General Fund in FY 2006 to support the program. The Secretary is required, subject to appropriations, to award grants to non-profit organizations to provide a variety of social services to help women carry their pregnancies to term. Grantees are required to provide a \$1 for \$1 match and are required to provide adoption related services. Entities performing, promoting, referring for or educating in favor of abortion are prohibited from receiving grants and no part of the grant can be used for political purposes. The Secretary is required to submit annual reports to the Legislature beginning in 2006. No other funding has been appropriated for this program for FY 2006.

C. Low-Birthweight and Premature Babies (Senate Committee). The Senate Committee recommended an Omnibus review of information on agency efforts to address issues raised by an October 2004 Legislative Post Audit report on low-birthweight and premature babies.

The recommendations in the report included increasing knowledge of available prenatal care programs; reducing transportation problems for women seeking prenatal services; ensuring that eligible women apply for Medicaid and receive expedited determination; determining geographic areas where particular needs are greatest, or where particular risk factors are most prevalent to better target prematurity and low birthweight; and modifying data use restrictions for survey purposes to provide better information on the level of prenatal care being provided and to allow the Kansas Department of Health and Environment (KDHE) to use a risk monitoring and query system for new mothers.

The agency reports that it has been addressing the recommendations in a variety of ways. Activities include education and technical assistance for local health departments which serve as

access points for multiple KDHE and the Department of Social and Rehabilitation Services (SRS) programs; participation in outside studies and internal data analysis to pinpoint risk factors and particularly vulnerable geographic areas; analysis of appropriate risk assessment tools; investigation of available community transportation services; and collaboration with other stakeholders to seek out additional ways to decrease the prevalence of premature and low-birthweight births.

D. Child Care Regulation (Senate Committee). The Senate Committee recommended a review of agency information on the status of planning activities in response to an October 2004 Legislative Post Audit report on duplications in the regulation of child care facilities and foster homes.

To address the issue of dual initial inspections of family foster homes, the agency plans to conduct a review of the entire regulatory process for family foster homes including a review of the inspection process. Currently, both KDHE and child placing agencies conduct initial inspections but for different purposes. Family foster home regulations are being reviewed and updated as part of this process.

The second finding concerns SRS staff conducting child abuse investigations and KDHE staff conducting regulatory investigations in child care facilities. The agencies have determined the expertise of both agencies is essential when the allegations are that a child is abused or neglected in a child care facility or family day care home. To address the audit, the two agencies have focused on the need for increased coordination of inspections at the local level, provided education to providers on the roles of the two agencies, and established quarterly meetings and joint training sessions for staff of the state agencies and local health departments.

KDHE and SRS also have agreements in place to eliminate the duplication of responsibilities for regulating child care services operated by Community Mental Health Centers that was cited by the audit.

E. Allocation of Additional Tobacco Funds (Senate Committee). The Senate Committee recommended consideration of the allocation of additional tobacco revenues that would be generated by 2005 SB 51. The bill was passed by the Senate 30-10 on February 17 and referred to the House Appropriations Committee on February 21st. The bill remains in the House Committee.

F. Women, Infants and Children (WIC) Farmer's Market Enhancement (House Committee). The House Committee recommended further review of an enhancement recommended by the Governor to add funding of \$439,705, including \$22,425 from the State General Fund to establish Women, Infants and Children (WIC) Farmers' Markets in Kansas in FY 2006.

The WIC Farmers' Market Nutrition Program (FMNP) was established by Congress in 1992, to provide fresh, unprepared, locally grown fruits and vegetables to WIC recipients, and to expand the awareness, use of and sales at farmers' markets. Recent changes in federal law require non-federal matching of only the administrative portion of the program. States are now required to put up a 30 percent match for administrative operating funds only. The change in the law also increased the food benefit from \$20 to \$30.

In the FMNP, WIC participants would receive coupons or checks for up to \$30 worth of locally grown fresh fruits and vegetables redeemable at approved local farmers' markets. Only farmers and/or farmers' markets authorized by the State agency may accept and redeem FMNP coupons. In addition to addressing hunger, the program is intended to address health needs, encourage good nutritional habits and reduce obesity in women and children.

Previous pilot projects, funded primarily through private donations, have successfully served a limited number of WIC participants in Topeka and Lawrence. The proposed program would include Topeka, Lawrence, Manhattan, Wamego, Wichita, Garden City, Dodge City, and Kansas City. This program would serve an estimated 12,165 WIC participants each year.

G. Four-Year-Old At-Risk Funding (House Committee). The House Committee recommended Omnibus consideration of additional information on the Four-Year-Old At-Risk Program at the Department of Education. Funding for the Four-Year-Old At-Risk program recommended by the Governor in FY 2006 is \$13.8 million with Children's Initiative Fund (CIF) funding of \$5.5 million. If the Four-Year-Old At-Risk program was funded entirely through the school finance formula, CIF funding could be utilized to supplement state support for the Infant-Toddler (Tiny K) program. Funding Tiny K on a per child basis, equal to the Four-Year-Old At-Risk program, would increase Tiny K funding by approximately \$3.0 million. The following includes the information requested and the response from the Department of Education.

Services provided. Any public school district in Kansas may apply for four-year-old at-risk funds through a competitive grant process to provide a half-day educational experience for eligible children. Districts are required to provide an appropriate educational program focusing on cognitive, language, social, emotional, physical, cultural, and aesthetic development. Services include counseling, health, transportation, and nutrition services in addition to an educational program.

Children's Initiatives Fund financing rationale. The decision to fund the Four-Year-Old At-Risk program through the CIF was based, at least partially, on a desire to find alternative funding methods for such services and protect State General Fund dollars.

Number of students funded. According to the Department of Education, the number of students being paid for during the current school year is 5,200 after accounting for enrollment shifts. The Conference Committee on SB 225 increased the funding for this program up to 5,900 students. SB 181, which would increase the cap to 5,900 students, is currently in Conference Committee.

Use of local education dollars. This program is primarily financed with the weighting provided in current law. As such, there would be a small amount of local dollars involved in funding the program but they are not broken out since the program is not a separate budget item.

H. Newborn Hearing Screening Program Funding (House Committee). The House Committee noted the agency request of \$175,000 from the State General Fund to support the Sound Beginnings Newborn Hearing Screening and Early Hearing Detection and Intervention (EHDI) program in FY 2006 and recommended a review at Omnibus. The Governor did not recommend the requested funding. The agency testified that federal funding currently supporting this program would end March 30, 2005. The EHDI program facilitates hearing screenings, tracking and referral services for every child born in Kansas. The program's goal is to identify congenital hearing loss in children before three months of age with appropriate intervention no later than six months of age. The program was established by the 1999 Legislature.

The agency reports that it has received a federal grant award for the Newborn Hearing Screening Program for one year - through March 30, 2006. The award is part of a new two year grant cycle, but it is not clear that funding is assured for the second year since the President's proposed budget eliminates funding for the program. The agency anticipates additional information on the status of federal funding before the 2006 Legislative Session.

I. Breast Cancer Screening Program Funding (House Committee). The House Committee requested additional information on the Early Detection Works (EDW) breast cancer screening program for review and consideration at Omnibus. During budget hearings, state support of \$230,000 from the State General Fund in FY 2006 was requested to provide part of the required state match of \$1 state for every \$3 federal. The federal grant is approximately \$2.3 million, requiring a state match of approximately \$750,000. The state currently uses a combination of in-kind funding from a private foundation (\$250,000) and providers (\$500,000) as well as donations of time and facilities for educational purposes as the match to draw down federal screening grant dollars. Kansas currently provides no state support for this program.

Women age 40-64 who are at or below 250 percent of the Federal Poverty Level and who are either uninsured or under insured are eligible for screening and diagnostic services under the federal grant. If a woman is diagnosed with cancer and she is uninsured, she is referred to the Kansas Medicaid Program for automatic enrollment in a special group that has been established to treat breast cancer in women whose cancers are diagnosed through the EDW program.

The EDW program currently has fee-for service contracts with 100 Kansas providers to conduct breast and cervical cancer screening of income and age eligible women. These providers include county health departments, hospitals, physician's clinics, indigent clinics and others.

Women under age 40 are not eligible for services under the federal grant. KDHE has indicated that if the state were to provide the \$230,000 it would use those funds to provide screening services to approximately 6,000 women under age 40. The agency indicates that it receives a significant number of phone calls from women under 40 who are concerned and would like a mammogram or who had an abnormal mammogram and need diagnostic services. The private foundation currently providing support for these diagnostic services has indicated that if the state provided support, it would redirect those dollars towards education services.

The Kansas Medicaid program provides screening mammography and pap tests for women enrolled in Medicaid. Women served by EDW do not include women who otherwise qualify for Medicaid.

J. Availability of Foster Care Homes (House Committee). The House Committee noted that the agency has been working in cooperation with the Department of Social and Rehabilitation Services (SRS) to make improvements in the availability of foster care placements and requested an update on activities at Omnibus. The two agencies have been working over the last year to make operational adjustments and regulation changes to address issues impacting the availability of foster home placement opportunities.

According to the agency, the team plans to complete recommendations for regulatory revisions and have them ready to be reviewed by the Attorney General and Department of Administration by the end of Summer 2005. KDHE continues to work closely with SRS child placing agencies and foster parents to increase the availability of foster home placements for children. The intent of the regulation revision is to balance requirements for safety of children in foster care with the need for these children to have typical family life experiences; to remove unnecessary barriers to recruitment and availability and to clarify regulations that have been difficult to understand.

K. GBA No. 2, Item 20, Page 10 - HIV/AIDS Dental Program Funding Shortfall.

Department of Health and Environment - Environment

A. Additional Funding for Contamination Remediation (Conference Committee). The Conference Committee on SB 225 deleted funding added by the House for contamination remediation pending further review at Omnibus. The House added \$200,000 from the State Water Plan Fund in FY 2006 to assist the agency in addressing additional contamination remediation sites.

B. Additional Funding for Use Attainability Analyses (UAA) (Conference Committee). The Conference Committee on SB 225 recommended an Omnibus review of the addition of funding for Use Attainability Analyses. The House added \$300,000 from the State Water Plan Fund in FY 2006 to assist the agency in completing Use Attainability Analyses of streams as required by K.S.A.82a-2004(c) passed by the 2001 Legislature.

The agency requested \$548,956 from the State General Fund for this project in FY 2006. The Governor did not recommend this additional funding but gave the agency authority to carry forward dollars not spent in FY 2005 from the \$557,843 appropriated for this purpose by the 2004 Legislature. The agency currently estimates that approximately \$200,000 will be carried forward from FY 2005 to FY 2006. During budget hearings the agency indicated it had redesigned its processes to accommodate the Governor's recommendation and could finish the current UAAs for recreational uses within those resources. The agency indicated that without new funding for the next phase, reviewing for aquatic life, the agency will be required to focus efforts on water segments that are on the edge for aquatic life as opposed to segments like the Kansas river, where aquatic life is certain, and rely on information from other sources. These activities must be completed by December 31, 2007. The agency originally requested expenditures of \$1,655,755 for these activities over fiscal years 2005, 2006, and 2007 in last year's budget submission.

State Fire Marshal

A. HB 2037 Kansas Police and Firemen's Retirement System Membership (Conference Committee). The Conference Committee on HB 2037 has agreed to include the provisions of HB 2105 in the conference committee report. HB 2105 allows certain employees of the State Fire Marshal's office to join the Kansas Police and Firemen's (KP&F) Retirement System. This change would increase the required employer and employee contribution rates. KPERS estimates the fiscal impact on the agency for FY 2006 to be \$32,450 from special revenue funds assuming all eligible employees choose to move to KP&F coverage.

B. Premium Tax Levy Distribution (Senate Committee). The Senate Committee recommended that the distribution of the 1.25 percent tax levy on fire insurance premiums be reviewed at Omnibus to determine whether the current allocation between agencies is appropriate.

K.S.A. 75-1508 requires each fire insurance company doing business in Kansas to pay the Commissioner of Insurance, beginning in 1984, a levy imposed by the State Fire Marshal, not to exceed 1.25 percent of a sum equal to the gross cash receipts of such company on all fire business transacted by the company in the preceding calendar year.

The portion of the levy to support the Office of the State Fire Marshal is deposited into the Fire Marshal Fee Fund which is the main source of funding for the agency. Approximately 97 percent of revenue into this fee fund comes from the insurance premium levy.

The 2002 Legislature amended K.S.A. 76-1508 to redistribute the 1.25 percent levy to provide 1.0 percent to the Fire Marshal and 0.25 percent to the Emergency Medical Services (EMS)

Board. The 2004 Legislature further amended the statute to reduce the Fire Marshal portion of the levy to 0.8 percent, continue a levy of 0.25 percent to support the operations of the EMS Board and directed that a 0.2 percent levy be used to support the Fire and Rescue Training Institute at the University of Kansas beginning in FY 2005. Prior to FY 2005 the Institute was supported with a transfer of \$750,000 from the Fire Marshal Fee Fund.

The table below shows anticipated FY 2005 receipts based on actual amounts for the first nine months of the fiscal year and estimates for the remaining three months based on the experience for the same period last year.

**Distributions From the 1.25 Percent Levy on Fire Insurance Premiums
FY 2005**

	State Fire Marshal (0.8 percent)	Emergency Medical Services (0.25 percent)	KU Fire & Rescue Training Institute (0.2 percent)	Total
Budgeted Revenue Estimate ¹	\$ 3,874,838	\$ 1,273,387	\$ 1,018,709	\$ 6,166,934
Revised Revenue Estimate ¹	3,555,624	1,146,236	838,213	5,540,073
Total Revised Revenues ²	3,602,670	1,418,311	1,200,000	
FY 2005 Expenditures & Transfers	4,236,244	2,024,574	1,200,000	
FY 2004 Expenditures & Transfers	4,989,566	854,585	568,780	
¹ The amount shown for the Fire Marshal is the net of the 0.8 premium tax levy collected less a transfer of 20 percent or \$200,000 to the State General Fund required by statute. Transfers to EMS and the training institute are not subject to this transfer. This reduction is also shown in the total amount.				
² Includes revenues from other sources.				
Staff note: Receipt information was received from the Kansas Insurance Department which collects the fire insurance premium levy and distributes funds to the agencies' accounts. The revised estimate includes actual collections for July 2004 - March 2005 and estimates for April - June 2005.				

C. Agency Financial Position (Senate Committee). The Senate Committee recommended Omnibus review of the agency's financial position to determine whether budget adjustments are needed to avoid financial hardship for the agency.

During consideration of the agency budget, the Committee noted that the 2004 Legislature amended statutes to decrease the proportion of a 1.25 percent premium tax levy on fire insurance premium received by the State Fire Marshal from 1.0 to 0.8 percent. Concurrently, the Legislature also approved a transfer of \$500,000 from the Fire Marshal Fee Fund to the State General Fund for FY 2005. The agency testified that the combination of these two actions has put them in a poor financial position with regard to cash flow and having adequate revenues to meet expenses in upcoming fiscal years.

The following table shows the status of the Fire Marshal Fee Fund using updated receipt and expenditure information:

Fire Marshal Fee Fund Analysis Revised FY 2005	
Fire Marshal Fee Fund balance as of 4/11/05	\$ 1,092,499
Additional anticipated receipts based on revised estimate	2,079,487
Total Available for Remainder of FY 2005	\$ 3,171,986
Less:	
Additional budgeted expenditures	\$ (1,159,563)
Transfer to HazMat Emergency Fund*	(225,000)
Discretionary transfer to State General Fund	(500,000)
Total Additional Expenditures & Transfers Budgeted	\$ (1,884,563)
Ending Balance & Amount Available for First Six Months of FY 2006	\$ 1,287,423
Approved Expenditures and Transfers for First Six Months of FY 2006+	\$ 1,852,345
Difference between ending balance and budgeted expenditures	\$ (564,922)
<p>* This transfer would repay the Hazardous Materials Emergency Fund for amounts taken in May 2004 to support the Fire Marshal Fee Fund and allow the agency to pay its obligations. The appropriations bill (2005 SB 225) makes this transfer subject to the discretion of the Director of the Budget based on the agency financial position.</p> <p>+ This amount includes adjustments by the Legislature during the 2005 Session through first adjournment. Total approved expenditures are \$3,264,893. The amount also includes a transfer of \$219,898 to the Hazardous Materials program fund that will take place on July 1, 2005 and again on January 1, 2006.</p> <p>Staff Note: Additional transfers may be made to the State General Fund from balances in FY 2006 as part of the \$7.8 million transfer from special revenue funds to the State General Fund from amounts not required for the pay plan, KPERS death and disability rate increase and 27th payroll period.</p>	

Receipts budgeted for the State Fire Marshal for FY 2005 in the *Governor's Budget Report* were \$3,874,838. Revised receipts in FY 2005, as shown in Item B above are \$3,555,624, a decrease of \$319,214 or 8.2 percent below the original estimate used to prepare the budget. As discussed during budget hearings, the agency receives nearly all of its revenue in two installments in December and June requiring the ending balance to fund the agency for the first half of the new fiscal year. Whether this shortfall is only a temporary cash flow issue, as has happened in previous years, or a longer-term funding shortfall will be determined by the change in premium tax levy receipts change and agency expenditures.

During budget discussions, the agency suggested several options for addressing the anticipated cashflow problems in FY 2006. In general, the discussion centered around increasing receipts by eliminating or reducing transfers out of the fund or reducing agency expenditures.

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Board of Cosmetology

A. Computer Licensing Program (House Committee). The House Committee deleted \$80,000 from the Cosmetology Fee Fund in FY 2005 for the purchase of a computer licensing program for review at Omnibus. The Conference Committee on SB 225 concurred with the Senate position and did not remove the funding.

Juvenile Justice Authority

A. Correct Posting Error (Technical Adjustment). Technical changes are needed to accurately reflect pay plan adjustments approved by Conference Committee on SB 225.

B. Juvenile Justice Authority (JJA) Capital Improvements (Senate Committee and House Committee), GBA No. 2, Item 29, Page 15 and GBA No. 2, Item 30, Page 16. The Senate Committee and House Committee deleted FY 2005 (\$4,019,281) and FY 2006 (\$2,921,000) capital improvement expenditures recommended by the Governor from the State Institutions Building Fund. Both Committees expressed concern regarding the expenditure of funds on the Topeka Juvenile Correctional Facility due to the consolidation of the facility with the Kansas Juvenile Correctional Complex in FY 2005. The agency's FY 2005 capital improvements request included \$974,908 from the State Institutions Building Fund for rehabilitation and repair and a new generator at Topeka Juvenile Correctional Facility. The agency subsequently proposed to accelerate capital improvement projects from FY 2006 and FY 2007 to FY 2005 and lapse or reappropriate those funds not expended in FY 2005. In FY 2006, the agency request included \$740,366 from the State Institutions Building Fund for rehabilitation and repair and the razing of two buildings on the Topeka Juvenile Correctional Facility campus. The agency proposes to complete the razing project out of savings generated from eliminating other Topeka Juvenile Correctional Facility projects in FY 2006.

C. Purchase of Services for Community Program Placements (House Committee and Conference Committee). The House Committee deleted FY 2005 funding of \$1,916,154 and FY 2006 funding of \$1,999,953 from the State General Fund for the purchase of services budget. The Committee expressed concern with the steady increase in the purchase of services expenditures since FY 2002 and requested the agency provide a detailed plan identifying the cause of the increased level of expenditures, solutions that have been identified, plans to implement solutions, time frames for implementation, and anticipated results. The Conference Committee on SB 225 concurred with the House position to remove funding for further review at Omnibus.

The agency notes a number of reasons for the increased expenditures, including the fact that juvenile offenders are in placement for longer periods of time, there are geographical and service level deficiencies in the residential provider network; and the juvenile correctional facility placement matrix reduced the number of juvenile offenders served in juvenile correctional facilities. As a result, more offenders are being served in the community and in out-of-home placements.

Among solutions and strategies identified by the agency are: on-going recruitment of additional providers; better communication between providers and case managers in regard to bed availability; a detention reporting process was developed in the Spring of 2004 and is aiding in the identification of excessive detainment and alerting JJA when further technical assistance is needed to expedite the placement and movement of juveniles through the system; and the Serious and Violent Offender Re-entry Initiative (SVORI) continues to be utilized to identify best practices and programs to improve the effectiveness of re-entry when juvenile offenders transition from juvenile correctional facilities into the community setting.

D. Utilization of the Reception and Diagnostic Unit at Kansas Juvenile Correctional Complex (House Committee). The House Committee recommended review of the possibility of opening the Reception and Diagnostic Unit (RDU) at Kansas Juvenile Correctional Complex (KJCC). As of April 8, the Juvenile Justice Authority does not plan to utilize the RDU to house general population offenders transitioning from Topeka Juvenile Correctional Facility (TJCF) as previously stated. Information provided by the agency states that the cost of opening 20 RDU beds is \$1,246,265 from the State General Fund.

E. Utilization of the Infirmary at Kansas Juvenile Correctional Complex to House Pregnant Female Juvenile Offenders (House Committee). The House Committee recommended the review of the use of the infirmary at Kansas Juvenile Correctional Complex (KJCC) to house pregnant females currently placed at Beloit Juvenile Correctional Facility (BJCF). Specifically, the Committee requested the cost of labor and delivery at Florence Crittenton Services as well as the cost of staffing Juvenile Correctional Officers (JCO) at the hospital during delivery and recovery.

On average, three pregnant females enter the system per year. During the last trimester, offenders are placed in the care of Florence Crittenton Services in Topeka. The cost of housing during this time (typically 90 days) is \$3,834. Stormont-Vail Regional Medical Center in Topeka provides services for labor and delivery. The total estimated maximum cost for the care of three pregnant females depending on the type of delivery (including hospital, physician, and pathology costs) ranges from \$34,765 to \$55,810. Currently, costs associated with housing pregnant offenders at Florence Crittenton are Medicaid reimbursable. If services were provided by KJCC, 100 percent of those costs would be the responsibility of the Juvenile Justice Authority. Costs related to staffing of Juvenile Correctional Officers placed at the hospital during labor and delivery range from \$741 to \$2,224 on average.

Kansas Parole Board

A. Deletion of FY 2005 State General Fund Operating Expenditures (House Committee). The House Committee deleted \$16,344 from the State General Fund in FY 2005 to return to the amount approved by the 2004 Legislature for further review at Omnibus. The Conference Committee on SB 225 concurred with the Senate position and did not remove the funding.

B. Deletion of FY 2006 State General Fund Operating Expenditures (House Committee). The House Committee deleted \$25,010 from the State General Fund in FY 2006 to return to the amount approved for FY 2005 by the 2004 Legislature for further review at Omnibus. The Conference Committee on SB 225 concurred with the Senate position and did not remove the funding.

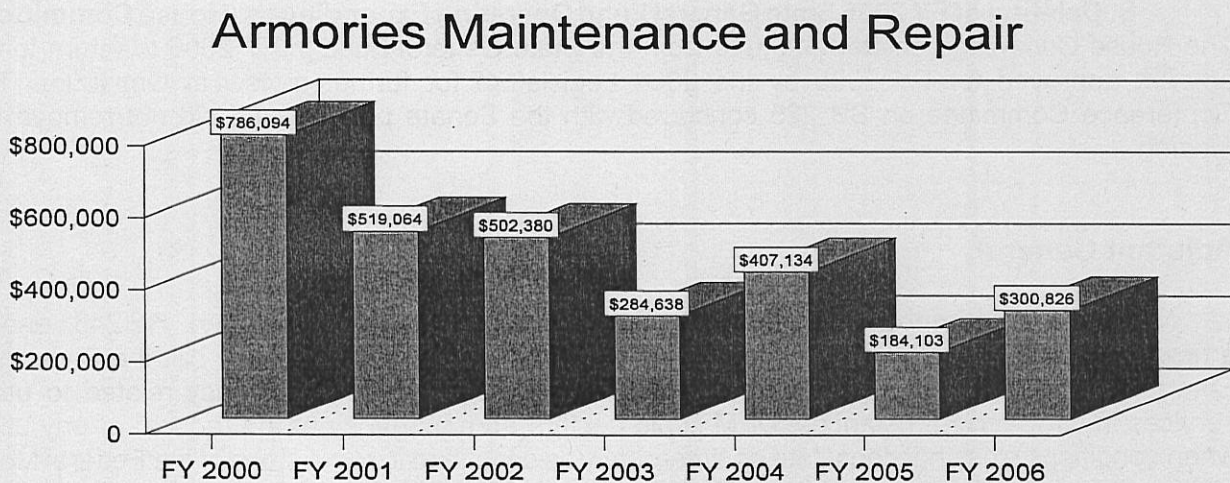
Adjutant General

A. HB 2461 Limited Emergency Declarations for Utility Services (Law). HB 2461 enacts a new statute as part of the Kansas Emergency Management Act. Under the bill, the Division of Emergency Management (DEM) is authorized to declare a limited emergency related to utility services in certain circumstances. DEM could declare an emergency at the request of any utility when conditions exist that constitute an emergency as described in regulations of the Federal Motor Carrier Safety Administration of the U.S. Department of Transportation. The bill specifies that an emergency could be declared only for the purpose of exempting drivers of utility service vehicles from limitations on hours of service prescribed by regulations of the Kansas Corporation Commission (KCC). The exemption would be further limited by federal regulations pertinent to such exemptions.

The Adjutant General is authorized to adopt rules and regulations to implement the bill. The Adjutant General has estimated that the number of off-duty-hours incidents per year would be 250, with the additional cost for overtime hours totaling \$16,460 for FY 2006. Further, the Adjutant General's office states that due to the complexity of the rules and regulations that would have to be adopted, a consultant would be needed at a cost of \$20,000. All expenditures would be financed by a set fee-for-services schedule that would be applied to the number of incidents. A fund would have to be established to receive funds paid entirely by the utilities through this fee-for-service arrangement.

B. Deputy Adjutant General Position (Conference Committee). The Senate Subcommittee noted the numerous duties undertaken by the Adjutant General (including Homeland Security, disaster response, and other military operations), and the lack of a Deputy Adjutant General to fulfill those duties in his absence. The Subcommittee also questioned the lack of a Deputy Adjutant General, particularly when the majority of state agencies employ a Deputy or Assistant, and recommended the item for Omnibus consideration. The full Senate Committee, noting the importance of the position, recommended the addition of \$93,809 from the State General Fund and 1.0 non-FTE Deputy Adjutant General position to provide the Adjutant General's Office with the position. However, during Conference Committee discussions on SB 225, the House and Senate conferees agreed to consider the item at Omnibus pending additional revenue received by the state, and deleted the funding.

C. Maintenance and Repair Financing (Senate Committee) and GBA No. 2, Item 35, Page 18. The Senate Subcommittee noted that in addition to \$22,000,000 in bonding authority authorized by the 2000 Legislature for improvements at the state's armories, the agency had estimated an annual amount of \$750,000 (from their operating budget) would be available to repair and maintain the armories. However, over the last six fiscal years, that funding has significantly decreased from \$786,094 in FY 2000 to \$300,826 in FY 2006. The Subcommittee recognized that the Governor's FY 2006 recommendation added \$100,000 in maintenance funds from the State General Fund, but had concerns as to the ability of the agency to repair and maintain its armories, and recommended the item for Omnibus consideration in the event that additional funding is located. The following chart provides armory maintenance and repair expenditures over the last six fiscal years.



On April 18, 2005, the agency appeared before the Joint Committee on State Building Construction and requested additional bonding authority of \$9.0 million to help offset the identified

maintenance funding shortfalls. The Joint Committee recommended the increased bonding authority.

D. Disaster Funding (Senate Committee) and GBA No. 2, Item 34, Page 17. The Senate Subcommittee was informed during testimony that on October 13, 2004, the State Finance Council authorized release of \$707,703 from the State Emergency Fund to cover state matching costs of storm related damage that occurred in Kansas between June 12 and July 25, 2004. The agency had estimated that those funds would match \$6.4 million in federal and local disaster related funding (federal funds provide 75 percent of costs, the state provides 10 percent, and local units provide the remaining 15 percent). During testimony however, the agency stated that additional matching funding was necessary because the total amount of disaster costs has increased from \$7.1 million to \$35.0 million in FY 2005. The revised estimate for the required state match for FY 2005 is \$3.5 million or \$2.8 million more than the amount approved by the State Finance Council. In addition, the estimated state match for FY 2006 totals \$1,817,984, as noted in the chart below:

Disaster Funding				
	State Matching Funds	Federal Matching Funds	Local Matching Funds	Total
FY 2005				
Currently Approved	\$ 707,703	\$ 5,307,772	\$ 1,061,555	\$ 7,077,030
<i>Additional Estimated Costs</i>	<i>2,793,079</i>	<i>20,948,093</i>	<i>4,189,619</i>	<i>27,930,790</i>
Total - FY 2005	<u>\$ 3,500,782</u>	<u>\$ 26,255,865</u>	<u>\$ 5,251,174</u>	<u>\$ 35,007,820</u>
FY 2006				
<i>New Estimate</i>	<i>\$ 1,817,984</i>	<i>\$ 13,634,880</i>	<i>\$ 2,726,976</i>	<i>\$ 18,179,840</i>

The Subcommittee noted the Governor's recommendation included no state matching funds in FY 2006 pending new estimates. The Subcommittee encouraged the Governor to consider the issuance of a Governor's Budget Amendment (GBA), and noted the item for Omnibus consideration.

E. FY 2005 Operating Expenditures (House Committee). The House Committee recommended the deletion of \$459,014, including \$57,989 from the State General Fund, in FY 2005 to reduce the FY 2005 revised budget to the level approved by the 2004 Legislature pending additional review of the expenditures at Omnibus. The Conference Committee on SB 225 did not recommend the reduction, and the funding was restored.

F. FY 2006 Operating Expenditures (House Committee). The House Committee recommended the deletion of \$226,498, including \$160,732 from the State General Fund, in FY 2006 to reduce the Governor's FY 2006 recommended State General Fund budget to the level approved by the 2004 Legislature for FY 2005 pending additional review of the expenditures at Omnibus. The Conference Committee on SB 225 did not recommend the reduction, and the funding was restored.

G. Armory/Classroom/Recreation Center Project (Senate Committee). The Senate Committee recommended the review of funding for the state match portion of the Armory/Classroom Recreation Center Project between the Adjutant General's Office and Pittsburg State University at

Omnibus. The Conference Committee on SB 225 provided bonding authority of \$1,450,711 to finance the Adjutant General's portion, along with \$4.0 million for Pittsburg State University.

Kansas Highway Patrol

A. Increased Fuel Costs (House Committee and Conference Committee) and GBA No. 2, Item 32, Page 16. During testimony before the Senate Subcommittee, the agency stated that due to an increase in fuel prices and the number of troopers employed by the agency, fuel costs have increased dramatically. The Senate Subcommittee added \$550,000 from the State General Fund in FY 2006 to finance the increased price and usage of gasoline by the agency. The Subcommittee noted its concern that the availability of fuel is vital for the operations of the Kansas Highway Patrol, and drew attention to a policy implemented by a previous Superintendent of the Kansas Highway Patrol to have troopers limit driving and remain parked on the side of the road to conserve fuel. During Conference Committee on SB 225, the Conferees expressed concern that the amount to be added would not be sufficient to cover the increase in fuel costs given current economic information, deleted the \$550,000, and recommended the item for Omnibus review.

B. FY 2006 Operating Expenditures (House Committee). The House Committee recommended the deletion of \$27,144 from the State General Fund in FY 2006 to reduce the Governor's FY 2006 recommended State General Fund budget to the level approved by the 2004 Legislature for FY 2005 pending additional review of the expenditures at Omnibus. The Conference Committee on SB 225 did not recommend the reduction, and the funding was restored.

C. GBA No. 2, Item 31, Page 16 - Homeland Security Federal Funds.

D. GBA No. 2, Item 33, Page 17 - Hangar Construction.

Kansas Bureau of Investigation

A. Pay Increase for Kansas Bureau of Investigation (KBI) Agents (Senate Committee and House Committee). The Senate and House Committees recommended for Omnibus consideration the addition of \$864,873, including \$808,887 from the State General Fund, for a 7.5 percent increase for KBI agents similar to the negotiated pay increase for Kansas Highway Patrol troopers. Both the House and Senate Committees recommended the item for review to determine whether pay increase issues are having a negative effect upon the retention of KBI agents.

B. Additional Funding for Vacant Positions (Senate Committee). The Conference Committee on SB 225 concurred with the Senate Committee to add \$884,259 from the State General Fund to fill 8 of 10 vacant agent positions requested by the agency, in lieu of utilizing existing special revenue funds balances and funding shifts, as recommended by the Governor, to fund the vacant positions. The Senate Committee recommended for Omnibus consideration the addition of \$221,065 from the State General Fund to fund the remaining 2.0 FTE vacant agent positions requested by the agency in FY 2006.

C. FY 2006 Operating Expenditures (House Committee). The House Committee recommended the deletion of \$369,151 from the State General Fund in FY 2006 to reduce the Governor's FY 2006 recommended State General Fund budget to the level approved by the 2004 Legislature for FY 2005 pending additional review of the expenditures at Omnibus. The Conference Committee on SB 225 did not recommend the reduction, and the funding was restored.

Sentencing Commission

A. SB 72 Retroactivity of Non-Prison Sanctions (Conference Committee). SB 72 currently combines the provisions of 2005 SB 72 (regarding worthless checks), 2005 SB 89 (medical coverage for individuals in custody), and portions of 2005 HB 2231 (retroactivity of non-prison sanctions).

The portion of the bill that contains provisions of HB 2231 would establish a retroactive provision authorizing non-prison sanctions of drug abuse treatment and community supervision for certain incarcerated offenders convicted of possession of opiates or hallucinogenic drugs. Specifically, those inmates who committed those drug offenses on or after July 1, 1993, (the date when the Kansas Sentencing Guidelines were enacted), and who were sentenced before November 1, 2003, (the implementation date of K.S.A. 21-2749 – "2003-SB 123") would now be eligible to participate in drug treatment programs as authorized under 2003 SB 123.

The Sentencing Commission estimates that due to the retroactivity portion of the bill, 76 additional offenders who are currently incarcerated would move to the drug treatment program under K.S.A. 21-4729. FY 2006 treatment costs for these offenders are estimated to be \$5,648.40 per offender. The agency states that for 10 months of treatment in FY 2006, they would need an additional \$286,185 from the State General Fund. Additionally, 1.0 non-FTE Research Analyst position would be needed temporarily over a 24-month period (at a cost of \$29,224 for 9 months in FY 2006) along with costs for warrant drawing and mailing (\$517) and capital outlay expenses of \$5,350. The FY 2006 amount requested by the agency totals \$321,276 from the State General Fund.

Staff Note: The agency states that with funding for Item B (below), the 1.0 non-FTE Research Analyst position and \$29,224 would not be necessary.

B. Assistant Accounting Position (House Committee and Conference Committee). The House Committee recommended the deletion of \$42,822 from special revenue funds and 1.0 non-FTE unclassified permanent Assistant Accountant position (recommended by the Governor to aid in the operation of 2003 SB 123) pending additional review at Omnibus. The Conference Committee on SB 225 concurred with the House Committee's recommendation and deleted the funding.

C. FY 2006 Operating Expenditures (House Committee and Conference Committee). The House Committee recommended the deletion of \$3,342 from the State General Fund in FY 2006 to reduce the Governor's FY 2006 recommended State General Fund budget to the FY 2005 level as approved by the 2004 Legislature pending additional review of the expenditures at Omnibus. The Conference Committee on SB 225 concurred with the House Committee's recommendation and deleted the funding.

D. FY 2005 Operating Expenditures (House Committee and Conference Committee). The House Committee recommended the deletion of \$20,709 from the State General Fund in FY 2005 to reduce the FY 2005 revised budget to the FY 2005 level as approved by the 2004 Legislature pending additional review of the expenditures at Omnibus. The Conference Committee on SB 225 concurred with the House Committee's recommendation and deleted the funding.

E. FY 2006 Expenditures Related to 2003 SB 123 (House Committee). The House Committee recommended the deletion of \$741,950 from the State General Fund to reduce the Governor's FY 2006 recommended State General Fund budget to the FY 2005 level as approved by the 2004 Legislature for 2003 SB 123 expenditures. 2003 SB 123 provided alternative sentencing

options for certain drug offenders. The Conference Committee on SB 225 did not recommend the reduction, and the funding was restored.

F. FY 2005 Expenditures Related to 2003 SB 123 (House Committee). The House Committee recommended the deletion of \$208,559 from the State General Fund to reduce the FY 2005 revised budget to the FY 2005 level as approved by the 2004 Legislature for 2003 SB 123 expenditures. The Conference Committee on SB 225 did not recommend the reduction, and the funding was restored.

G. GBA No. 2, Item 36, Page 18 - Drug Treatment Savings.

Secretary of State

A. SB 275 Revenue from the Sale of Publications (Senate Committee). The Senate Committee recommended the introduction of SB 275 which would allow the Secretary of State to deposit proceeds collected from the sale and/or shipment of *Session Laws of Kansas*, *Kansas Administrative Regulations (K.A.R.s)* and supplements to the *K.A.R.s*, and *Kansas Statutes Annotated (K.S.A.s)* and supplements to the *K.S.A.s* into the agency's Information Services Fee Fund, rather than the State General Fund. The Senate Committee recommended that if SB 275 was not enacted by Omnibus, the inclusion of a proviso to allow the agency to retain the revenue from the sale and/or shipment of the legal publications in FY 2006 be considered at Omnibus. SB 275 passed the Senate on March 23 and was referred to the House Appropriations Committee.

According to the fiscal note for the bill, the Secretary of State incurs annual costs of \$321,217 from its special revenue funds to publish, print, store, and distribute the publications. The agency indicated that it recoups approximately \$165,084 annually by charging an information and services fee. The fiscal note indicated that approximately \$151,718 is collected annually from the sale and/or shipment of the legal publications. SB 275 would allow the agency to retain this amount in the Information Services Fee Fund, which would reduce the State General Fund receipts by the same amount.

B. GBA No. 2, Item 9, Page 5 - Constitutional Amendment.

Insurance Department

A. Fee Fund Transfer to the State General Fund (House Committee). The House Committee noted that the Governor recommended the transfer of \$1.0 million from the Insurance Department Service Regulation Fund to the State General Fund in FY 2006. The Committee recommended a review of the fee fund transfer at Omnibus.

The Insurance Department is concerned that with the \$1.0 million transfer in FY 2006 the Insurance Department Service Regulation Fund will not have enough revenue to cover the expenses that the agency will incur during the first six months of the fiscal year. The agency estimated that the fund will have an ending balance of approximately \$500,000 in December 2005. The Insurance Department Service Regulation Fund generates most of its revenue in January and February of each fiscal year. The Insurance Department indicated that it will be requesting a Governor's Budget Amendment (GBA) to prevent the fee fund transfer in FY 2006.

The following table outlines an analysis of the Insurance Department Service Regulation Fund for FY 2005 and FY 2006.

Resource Estimate	Actual FY 2004	Agency Estimate FY 2005	Gov. Rec. FY 2005	Legislative Approved FY 2005	Agency Request FY 2006	Gov. Rec. FY 2006	Legislative Approved FY 2006
Beginning Balance	\$ 6,375,759	\$ 6,366,021	\$ 6,366,021	\$ 6,366,021	\$ 5,603,114	\$ 5,603,114	\$ 5,202,697
Net Receipts	8,555,064	8,387,200	8,387,200	8,387,200	8,387,200	8,387,200	8,387,200
Total Funds Available	\$ 14,930,823	\$ 14,753,221	\$ 14,753,221	\$ 14,753,221	\$ 13,990,314	\$ 13,990,314	\$ 13,589,897
Less: Expenditures	7,041,923	8,104,613	8,104,613	8,505,030	8,304,105	8,687,322	8,242,352
Transfers Out	1,522,879	1,045,494	1,045,494	1,045,494	0	1,000,000	1,000,000*
Ending Balance	\$ 6,366,021	\$ 5,603,114	\$ 5,603,114	\$ 5,202,697	\$ 5,686,209	\$ 4,302,992	\$ 4,347,545
Ending Balance as Percent of Expenditures	90.4%	69.1%	69.1%	61.2%	68.5%	49.5%	52.7%

* The transfers out for FY 2006 does not include the amount of special revenue funds not needed for funding the Governor's recommended pay plan adjustments that the 2005 Legislature authorized to be transferred to the State General Fund.

B. GBA No. 2, Item 8, Page 5 - Monumental Life Settlement Fund.

Board of Tax Appeals

A. Funding for Capital Outlay (House Committee and Conference Committee). The House Committee recommended that \$2,500 from the Board of Tax Appeals (BOTA) Filing Fee Fund for capital outlay in FY 2006 be deleted. The Committee also recommended that the funding for capital outlay be reviewed at Omnibus to determine whether the \$2,500 should be restored. The Board of Tax Appeals indicated that it inadvertently did not include funding for capital outlay in its FY 2006 budget request. However, the Governor's recommendation made the technical adjustment of adding \$2,500 for capital outlay. The Conference Committee concurred with the House Committee's position and deleted the funding.

Securities Commissioner

A. Enhancement of Existing Salaries (House Committee). The House Committee recommended that the agency's enhancement request for an additional \$69,262 for FY 2006 and \$69,482 for FY 2007 (from the Securities Act Fee Fund) to provide salary increases for several existing positions within the Office of the Securities Commissioner be considered at Omnibus.

The agency indicated that the additional funding was requested to correct inequitable pay circumstances, prevent turnover, or reallocate positions. Of the additional funding requested for FY 2006, the agency estimated that approximately \$60,631 would fund increases in salaries and \$8,631 would cover increases in benefits. Of the additional funding requested for FY 2007, the agency estimated that approximately \$60,631 would fund increases in salaries and \$8,851 would cover increases in benefits.

State Library

A. Additional Funding for the Kanguard Internet Filter Service (House Committee). The House Committee recommended that the State Library's FY 2006 enhancement request for an additional \$47,200 from the State General Fund for the Kanguard Internet Filter Service be reviewed

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at Omnibus. The agency indicated that it provides filtering software for those libraries who choose to filter public internet access. According to the State Library, the cost of providing this service in FY 2006 will increase by \$47,200. This amount includes \$30,200 for the central server operations and \$17,000 for the remote location installment and central server upgrade.

Kansas Arts Commission

A. Funding for Arts Grants (House Committee). The House Committee noted that the Governor's FY 2006 recommendation included \$35,000 from the State General Fund for arts grants that had been funded through the Economic Development Initiatives Fund (EDIF) in FY 2005. The Committee recommended that the funding source for the \$35,000 be reviewed at Omnibus to determine whether the moneys should come from the State General Fund or the Economic Development Initiatives Fund. The \$35,000 from the State General Fund for arts grants is in the agency's approved FY 2006 budget.

Department of Labor

A. GBA No. 2, Item 21, Page 11 - Omitted Capital Improvement Projects.

B. GBA No. 2, Item 22, Page 11 - Upgrade Unemployment Insurance Call Center's Telephone System.

State Treasurer

A. 2005 SB 123 State Treasurer Funding Mechanism (Veto). 2005 SB 123 was vetoed by the Governor. The bill would have made service reimbursement fees a permanent source of funding for the State Treasurer's Office. This funding mechanism is provided by a proviso for FY 2006 in SB 225.

Judicial Council

A. Proviso Language (House Committee). The House Committee recommended a proviso that would transfer unencumbered balances in excess of \$175,000 in the Publications Fee Fund to the State General Fund. If such a proviso was not included in the appropriations bill, it was recommended the matter be addressed at Omnibus. This proviso language is included in SB 225.

Board of Indigents' Defense Services

A. Review of Assigned Counsel Expenditures/Consensus Caseload Estimates (Senate Committee and House Committee) and GBA No. 2, Item 10, Page 6. The Senate Committee and the House Committee recommended a review at Omnibus of the consensus caseload estimates for the assigned counsel caseload in the Board of Indigents' Defense Services budget. At the April 2005 consensus caseload estimating meeting, no changes to the budgeted assigned counsel amounts were recommended for FY 2005. It was recommended that for FY 2006, \$645,663 be lapsed from the Assigned Counsel line item appropriation, and the same amount be appropriated for operating expenditures to reflect changes in the components of the caseload estimating figures.

B. Review of FY 2005 Operating Expenditures (House Committee and Conference Committee). The House Committee recommended a review at Omnibus of the agency's FY 2005 operating expenditures. The Conference Committee agreed to review operating expenditures at Omnibus.

The Governor's budget recommendation included a reduction in FY 2005 operating expenditures of \$25,211. The agency reported that the increase over the prior year's expenditures was due to purchases not being made during FY 2004 while an employee was on maternity leave. The agency reports current negative balances for supplies and printing costs since expenditures have already been made. The agency reported the entire travel budget will be expended because 100 attorneys will be required to travel to a Continuing Legal Education session in June.

C. Review the Shrinkage Rate Increase (House Committee and Conference Committee). The House Committee recommended reviewing the agency's shrinkage rate at Omnibus. The Senate Committee recommended restoring the funds for FY 2005 of \$283,297 from the State General Fund and for FY 2006 of \$286,403 from the State General Fund to adjust the shrinkage rate recommended by the Governor from 10.0 percent to 7.0 percent. The Conference Committee agreed not to restore the funding at that time and to consider the matter at Omnibus.

The agency indicates that the revised projection for FY 2005 is 8.0 to 8.5 percent shrinkage. They reported that with current staffing patterns they will overspend on salaries based on a 10.0 percent shrinkage rate, and that with less than one quarter of the fiscal year remaining, the agency does not expect attrition to reduce the salary expenditures.

The agency reported that for FY 2006 the March 2005 staffing patterns put shrinkage at 9.0 to 9.5 percent. According to the agency, if staffing levels are decreased, assigned counsel caseloads and assigned counsel costs will increase. The agency reported that the shrinkage rate eliminates attorney positions. The agency reported that some positions remain open because they cannot fill positions in particular locations and that their attorneys already handle more cases than recommended by the American Bar Association standards.

D. GBA No. 2, Item 11, Page 6 - Defense of "BTK" Case.

E. GBA No. 2, Item 12, Page 6 - Death Penalty Savings.

Kansas Human Rights Commission

A. Substitute for SB 77 Racial Profiling (Law). Substitute for SB 77 makes racial and other profiling unlawful. Racial profiling would be defined as the practice of a law enforcement officer or agency relying, as the sole factor, on race, ethnicity, national origin, gender, or religious dress in selecting which individuals to subject to routine investigatory activities, or in deciding upon the scope and substance of law enforcement activity following the initial routine investigatory activity. The bill provides that complaints may be filed with the Kansas Human Rights Commission and that the commission shall review and, if necessary, investigate complaints. The bill has been signed by the Governor.

The Kansas Human Rights Commission expects additional complaints to be filed and the review and investigation of the additional complaints to have a fiscal impact of \$212,685 from the State General Fund in FY 2006. Expenses would include adding 4.0 FTE positions, additional contractual services, additional commodities, and capital outlay for equipment and furniture for the new FTE positions.

B. Review Funding for Projected Shortfalls from Federal Funds (House Committee).

The House Committee recommended considering additional funding from the State General Fund if additional funds were not recommended in a Governor's Budget Amendment (GBA). The agency received lower funding projections from the federal government than what had been considered in the budget. The agency requested an additional \$92,078 from the State General Fund when it testified to the House Budget Committee. At that time the agency projected a shortfall of \$29,398 in the federal fund account. Additionally, the agency requested funding of \$62,680 from the State General Fund to allow a sufficient cushion in the federal fund account. The agency funds some payroll expenses with federal fund money. When payments from the federal government are delayed, the agency has had to use journal vouchers to transfer funds necessary to meet payroll expenses. The agency requested to retain a balance of 15.0 percent of the expenses allocated to the federal fund account. When the agency testified to the Senate Subcommittee, the projected shortfall in the federal fund account had increased by \$5,000 to \$34,398. The agency submitted a GBA request noting an updated shortfall of \$34,148. The total request of the GBA was \$96,828 from the State General Fund to cover the shortfall and provide for the 15.0 percent cushion balance.

Kansas Dental Board

A. Review Restoring Funding for the Agency's Attorney Contract for FY 2006 and FY 2007 (Senate Committee and House Committee). The Senate and House Committees recommended a review at Omnibus of the restoration of \$54,000 from special revenue funds in both FY 2006 and FY 2007 for the agency's attorney contract, pending the passage of SB 91. The two fees which generate the bulk of the agency's revenue are dental hygienist licenses and dentist licenses. Currently, those fees are \$125 for a biennial license renewal for dental hygienists and \$250 for a biennial license renewal for dentists, which is the statutory limit on fees. SB 91 raises the statutory limits on those fees to \$160 for a biennial license renewal for dental hygienists and \$325 for a biennial license renewal for dentists. The bill has been signed by the Governor.

Licenses are renewed every two years, with dental hygienists renewing in FY 2006 and dentists renewing in FY 2007. Less revenue is received in years when dental hygienists renew their licenses. The Dental Board will meet in May to consider increased fees for FY 2006 and beyond. The Executive Director of the Kansas Dental Board reported that he will request an increase that is slightly less than the limits in SB 91.

The funds for the attorney contract were eliminated from the Governor's recommended budget due to lack of funding. Based on approved FY 2005 and FY 2006 expenditures, the agency will not have sufficient revenues or fee fund balances for FY 2006. The agency reported it is spending less than the approved expenditures in FY 2005 to maintain fee fund balances for FY 2006, which is the lower revenue year.

Dental Board Fee Fund Analysis
 (Showing approved expenditures and estimated receipts
 with the current fee fund structure and with increased fees)

Resource Estimate	Actual FY 2004	Legislature Approved FY 2005	Legislature Approved FY 2006	Legislature Approved FY 2006 with Agency Est. Incr. Receipts	Legislature Approved FY 2007 with Agency Est. Incr. Receipts	Legislature Approved FY 2007 with Agency Est. Incr. Receipts
Beginning Balance	\$ 257,124	\$ 32,997	\$ 69,005	\$ 69,005	\$ (25,882)	\$ 17,942
Net Receipts	120,510	380,025	197,417*	241,241	377,783**	470,207
TOTAL FUNDS AVAILABLE	\$ 377,634	\$ 413,022	\$ 266,422	\$ 310,246	\$ 351,901	\$ 488,149
Less: Expenditures	344,637	344,017	292,304	292,304	295,661	295,661
ENDING BALANCE	\$ 32,997	\$ 69,005	\$ (25,882)	\$ 17,942	\$ 56,240	\$ 192,488

Ending Balance as a
 Percent of Expenditures 9.6% 20.1% (8.9)% 6.1% 19.0% 65.1%

* For FY 2006, Net Receipts include a transfer of \$4,817 from the State General Fund as authorized by SB 225 to cover the cost of the 27th payroll period originally budgeted for FY 2006.

** For FY 2007, Net Receipts include a transfer out of \$4,817 to the State General Fund to repay the 27th payroll period funding transfer into the Dental Board Fee Fund in FY 2006.

If operating expenditures for FY 2006 and FY 2007 are increased by \$54,000 in each year, with the increased fees the estimated FY 2006 ending balance of the Dental Board Fee Fund is a negative \$36,058 and the estimated FY 2007 ending balance is \$84,488.

State Historical Society

A. Capital Improvements Funding for the Grinter Place State Historic Site (Senate Committee and House Committee). The Senate Committee and the House Committee recommended review at Omnibus for funding of \$30,000 from the State General Fund for capital improvements at the Grinter Place State Historic Site. This funding would be used as the state match for \$120,000 in grant funding that the Historical Society believes it can obtain for this project. The grant opportunity arose after the FY 2006 budget was submitted. The grant funding is currently pending and will be known in mid-May 2005. The agency reported the review board that judges applications for the grant highly recommended Grinter Place.

B. Temporary Staff for the Grinter Place State Historic Site (House Committee and Conference Committee). The Senate recommended funding of \$6,000 from the State General Fund in the FY 2006 appropriations bill for temporary staff at the Grinter Place State Historic Site. The House recommended this funding be considered at Omnibus. The Conference Committee on SB 225 agreed to consider at Omnibus funding of \$6,000 from the State General Fund for temporary staff at the Grinter Place State Historic Site. The agency reported that the site previously had a full time staff member, which has not been filled due to budget reductions. The site is currently open only by appointment. The funding for a seasonal temporary staff member would allow the site to be open to the public on a limited basis.

C. Capital Improvements to Replace Skylights at the State Historical Society Museum in Topeka (Senate Committee and House Committee). The Senate Committee and the House

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Committee both recommended to review at Omnibus funding of \$90,000 from the State General Fund for capital improvements repairs at the State Historical Society Museum. The agency had requested \$419,358 from the State General Fund for museum repair and rehabilitation. That request was not recommended by the Governor or the Legislature. According to the agency, one of the more urgent repairs to be made is to the skylights in the building. The seals on the skylights are failing, allowing water to collect between the panes of glass. The agency reported that this has caused several of the skylights to break. No glass has hit the public or staff, but the agency reported that it falls without warning. The estimated cost to repair the skylights is \$90,000.

Commission on Veterans Affairs

A. SB 110 Memorials for Kansas Veterans (Law). SB 110 authorizes the Kansas Commission on Veterans' Affairs (KCVA) to construct, reconstruct, repair, or maintain memorials for veterans. The memorials would be located on state-owned KCVA property and would be financed from private funds. The bill authorizes the creation of a Kansas Veterans Memorials Fund to deposit gifts and donations for this program. The fiscal note indicates that the agency estimates receipts of \$100,000 in FY 2006 for veterans memorials. This fund would need to be appropriated in the Omnibus bill.

B. Kansas Veterans' Home (Senate Committee). The Senate Committee recommended a review during Omnibus of the agency's projected expenditures for salary and wage adjustments, the Aramark food service contract, and pharmaceutical expenditures at the Kansas Veterans' Home. The agency reported possible shortfalls of \$78,000 with the Aramark food service contract and \$83,000 for pharmaceuticals for FY 2006. According to the agency, fee revenues and per diem received from the federal government are relatively constant, and these two revenue sources are not anticipated to generate enough additional revenue to meet these additional expenditures. The agency also reported that the Kansas Veterans' Home fee and federal funds may be insufficient to meet the increased expenditures for the recommended salary and wage adjustments.

Department of Agriculture

A. Grain Warehouse Program (House Committee). The House Committee recommended the review of adding \$50,000 from the State General Fund to the Grain Warehouse Program in FY 2006. The agency reports that this program will not be viable beyond FY 2006 without adjustments in revenue or expenditures. The Conference Committee on SB 225 approved the addition of \$50,000 from the State General Fund in FY 2006 for this program.

Animal Health Department

A. GBA No. 2, Item 37, Page 19 - Animal Donation Fund.

State Conservation Commission

A. Irrigation Transition Assistance Program (Senate Committee and House Committee). The Senate Committee and House Committee recommended the review during Omnibus of the Irrigation Transition Assistance Program. The agency requests and the Governor recommends \$1,310,000 from the State Water Plan Fund for this program in FY 2006. Funding of \$1,310,000 from the State Water Plan Fund was also recommended by the Kansas Water Authority. The

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Program was created by proviso during the 2004 Legislative Session. Funding would be used to provide irrigation assistance grants as an incentive for water rights holders to transition from irrigated agriculture to dry land production or pasture. The 2005 Legislature has not passed legislation extending this program beyond FY 2005. HB 2400 created the Irrigation Transition Assistance Program and was passed by the House Environment Committee. The bill was stricken from the calendar on February 25, 2005.

B. HorseThief Reservoir (Senate Committee and House Committee). The Senate Committee and House Committee recommended the review at Omnibus of funding for HorseThief Reservoir. The HorseThief Reservoir Benefit District, consisting of Gray, Finney, Ford, and Hodgeman counties, held an election on April 5, 2005 to impose a 0.15 percent sales tax to finance the construction of the dam and recreational facilities for the reservoir. According to the Hodgeman County Clerk, the unofficial election results on April 6, 2005 were 9,471 in favor, with 5,521 opposed. The State Conservation Commission requested \$366,000 from the State General Fund for FY 2006 for bond payments for the project. According to testimony from the Pawnee Watershed District, the watershed district is requesting \$4.5 million from the State, including \$440,491 appropriated in FY 2005. The funding is requested to be spread over four fiscal years. Total construction costs are estimated at \$16.3 million, as noted in the table below.

<u>Fiscal Year</u>	<u>Amount Requested by Pawnee Watershed District</u>
FY 2005*	\$ 440,491
FY 2006	809,509
FY 2007	1,000,000
FY 2008	1,250,000
FY 2009	1,000,000

* Amount appropriated by the 2004 Legislature.

C. Agency Provisos (House Committee). The House Committee recommended the review at Omnibus of the agency's provisos. A separate document containing the agency's provisos will be provided to the Committee.

D. Wind Energy Conservation Easements (Conference Committee). The Conference Committee on SB 225 recommended the review of the Wind Energy Conservation Easements Program. The Governor recommended funding of \$500,000 from the State General Fund and \$300,000 from the Economic Development Initiatives Fund for the program in FY 2006. The funding was not recommended by the Conference Committee. The program would be a voluntary program to assist landowners in purchasing easements that restrict development on agricultural land, and would be operated in conjunction with the USDA Farm and Ranch Lands Protection Program. HB 2517 would create the Farm and Ranch Land Protection Program and is currently in the Agriculture and Natural Resources Budget Committee. The Budget Committee held a hearing on the bill on March 22, 2005.

E. GBA No. 2, Item 38, Page 19 - Revised Properties for State Water Plan Financing.

Kansas Water Office

A. Cedar Bluff Reservoir (House Committee). The House Committee recommended the review at Omnibus of the release of water from Cedar Bluff Reservoir. Two bills, HB 2393 and SB 228, were introduced to transfer ownership and management of the state's portion of water controlled by the Kansas Water Office to the Kansas Department of Wildlife and Parks. The House Environment Committee held a hearing on HB 2393 on February 15, 2005, but did not take action on the bill. The Senate Natural Resources Committee held a hearing on SB 228 on February 22, 2005 and March 3, 2005. The Senate did not take action on the bill.

Attorney General

A. Implementation of the White Collar Crime Unit (House Committee). The House Budget Committee that reviewed the Attorney General's budget recommended that funding to complete implementation of the White Collar Crime Unit in FY 2006 be considered at Omnibus. The Conference Committee on SB 225 concurred with the Senate and added \$186,965 from the State General Fund for this item in FY 2006.

B. Salary Shift of Consumer Protection Staff from Special Revenue Funds to the State General Fund (House Committee). The House Budget Committee that reviewed the Attorney General's budget recommended that the first year of a four-year plan to shift salaries of staff in the Consumer Protection Division entirely to the State General Fund be considered at Omnibus. The Conference Committee on SB 225 concurred with the Senate and added \$124,277 from the State General Fund for FY 2006 to implement year-one of the plan.

C. Funding for Information Technology Upgrades (Senate Committee). The Senate Subcommittee that considered the budget of the Attorney General recommended that funding for Information Technology Upgrades be considered at Omnibus. The Conference Committee on SB 225 concurred with the House and added \$148,902, of which \$81,257 is from the State General Fund, for the upgrades in FY 2006.

D. Parity Salary Increases for Unclassified Attorneys (Senate Committee). The Senate Subcommittee that considered the budget of the Attorney General recommended that salary increases for unclassified attorneys employed by the Attorney General be considered at Omnibus in order to make them comparable to the salaries of classified employees in other state agencies. The Conference Committee on SB 225 concurred with the House and added \$136,362 in FY 2006, of which \$102,162 is from the State General Fund, for the first year of the two-year planned upgrade.

Judicial Branch

A. Additional Judicial and Nonjudicial Positions (House Committee). The House Budget Committee noted reductions it made in the Governor's current resources budget and recommended that a high priority be placed on funding the Judicial Branch's request for additional judges and nonjudicial personnel.

The Judicial Branch requested a total of \$876,411 in FY 2006 from the State General Fund for new positions, of which \$297,990 was requested to add a district court judge and two associated positions (an Administrative Assistant and an Official Court Reporter) and a district magistrate judge in the 10th Judicial District (Johnson County). Also included in the total is \$578,421 for the following

17.0 FTE new nonjudicial positions: 1.0 FTE Secretary I, 2.0 FTE Secretaries II, 9.0 FTE Trial Court Clerks II, 4.0 FTE Court Service Officers I, and 1.0 FTE Administrative Assistant.

Staff Note: A recommendation by the Senate to add \$71,153 for the salary and fringe benefits of a district magistrate judge for the 10th Judicial District (Johnson County) was deleted by the Conference Committee on SB 225.

Department of Education

A. HB 2247 Juvenile Detention Facilities (Law). HB 2247 is the school finance bill and increases base state aid per pupil (BSAPP) to \$4,222. That change will impact the Juvenile Detention State Aid Program, under which school districts are reimbursed for the lesser of the actual costs to provide educational services to students who reside in juvenile detention facilities in their districts or what they would get if they counted the students as 2.0 full-time equivalent (FTE) students under the school finance formula. The State Department of Education estimates that an additional \$612,166 from the State General Fund will be needed in FY 2006 to fully fund the program.

B. HB 2247 Internet-Based Data Reporting System (Law). HB 2247, the school finance bill, includes a provision that directs the State Board of Education to design and implement a uniform system of reporting of school district data. The system must be Internet-based, be freely available and accessible, and must allow a person to search and manipulate the data and compare data on a district by district basis. The system must be designed so that school districts may input their financial and performance data directly in lieu of reporting it to the State Board.

According to the State Department of Education, it will be necessary to add an Applications Programmer/Analyst III in FY 2006 in order to implement and maintain the new system, at a cost of \$53,363 from the State General Fund, of which \$48,145 is for salary and wages and \$5,218 is for other operating expenses.

C. HB 2247 "Skills for Success" Program (Law). HB 2247 authorizes the "Skills for Success" Program and directs the State Board of Education, by January 1, 2006, to adopt implementing rules and regulations. The State Board also must establish standards and criteria for reviewing, evaluating, and approving plans of interventions and applications for grants, be responsible for awarding grants to school districts, and request and gather information about the effectiveness of intervention plans from school districts that have received grants. Beginning September 1, 2006, the State Board is required to make an annual report on the program to the 2010 Commission, which is created by HB 2247.

The Skills for Success Program requires school districts that wish to apply for a grant to establish plans and develop interventions to bring children in kindergarten through grade three up to grade level in reading and mathematics. Districts are required to establish a plan for providing each child who needs assistance with locally-determined interventions that may include restructured school days, additional school days, summer school, individualized instruction, or any other intervention the district deems necessary. Districts also are required to create a mechanism to track the progress of children who have been identified as needing assistance.

Beginning in school year 2006-07, districts which have established a plan of intervention that is approved by the State Board may apply to the State Board for a grant under the Skills for Success Program. HB 2247 specifies that any appropriation for the Skills for Success Program cannot exceed \$20,000,000.

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In order to meet the requirements set forth in the legislation which pertain the responsibilities of the State Board, the State Department estimates that it will need to add an Education Program Consultant in FY 2006, at a total cost of \$68,712 from the State General Fund, of which \$57,744 is for salaries and wages and \$10,968 is for other operating expenses.

D. SB 154 Nutritional Standards to be Developed by the State Board of Education (Law). SB 154 requires the State Board of Education to prescribe nutritional standards for all foods and beverages made available to public school students during the school day. All school districts are required to comply with the standards, although the State Board may grant waivers in appropriate circumstances.

According to the State Department of Education, it will need \$20,000 from the State General Fund in FY 2006 to develop the standards, monitor compliance, print and mail written materials, and conduct workshops with school district food service personnel.

E. SB 48 Scholarships and Bonuses Relating to National Board Certified Teachers (Governor). SB 48 includes provisions of SB 11 which concern scholarships given to teachers who are pursuing National Board certification and bonuses given to teachers who have attained National Board certification. The bill would increase the amount of scholarships for teachers who are pursuing initial certification from \$1,000 to \$1,100, in recognition of the increase in the cost of the program from \$2,300 to \$2,600. In addition, the bill would provide scholarships of \$500 for teachers who are renewing their National Board certification. Finally, the bill would remove the ten-year limit that applies to \$1,000 bonuses which are paid annually to teachers who have attained National Board certification so that teachers who renew their certification beyond the initial ten-year period would continue to be eligible to receive bonuses. (SB 225 contains an appropriation of \$222,000 from the State General Fund for the Governor's Teaching Excellence Scholarships and Awards Program, of which \$50,000 is for scholarships and \$172,000 is for bonuses.)

The State Department of Education estimates that the impact of the bill in FY 2006 would be \$8,000 from the State General Fund. The estimate assumes that 40 teachers would qualify for scholarships for initial certification (at an additional cost of \$100 per teacher) and eight teachers would qualify for scholarships to renew their certification (at a cost of \$500 per teacher). No teachers would qualify for \$1,000 bonuses beyond the current ten-year limit in FY 2006 because the National Board scholarship and bonus program is less than ten years old.

F. SB 181 Limit on Number of Four-Year-Old At-Risk Children (Conference Committee). SB 181 includes a number of education provisions, one of which concerns the four-year-old at-risk program. Four-year-old at-risk children are counted as 0.5 FTE pupil for purposes of the school finance formula, up to a limit of 5,500 children. The appropriation for the State Department of Education included in SB 225 includes an increase in funding from the Children's Initiatives Fund of \$804,045 in FY 2006 to expand the program by 400 children. SB 181 would increase the limit on the number of children who can be counted from 5,500 to 5,900 in order for the additional funding to be spent on the four-year-old at-risk program.

G. Additional Funding for Various Programs (Senate Committee). The Senate Subcommittee that considered the State Department of Education's budget expressed the hope that the Legislature would consider adding more funding for elementary-secondary education in the Omnibus Bill. Noting that the Kansas Supreme Court has told the Legislature that school funding is inadequate, the Subcommittee called attention to the need for additional funding for special education, Base State Aid Per Pupil (BSAPP), at-risk programs, bilingual education, and early childhood education, including the Parent Education Program. It also noted the increasing burden

that has been placed on teachers, who need the help provided by the Professional Development Program and the Teacher Mentor Program.

Staff Note: BSAPP and the at-risk and bilingual education weightings were increased in HB 2247, the school finance bill. SB 225, the appropriations bill, funds the Parent Education Program and the Teacher Mentor Program at the levels recommended by the Governor. No funding is provided for the Professional Development Program.

H. Funding for the Professional Development Program (House Committee). The House Budget Committee that reviewed the State Department's budget recommended that funding for the teacher and administrator Professional Development Program be considered at Omnibus. The Conference Committee on SB 225 concurred with the House and removed all funding recommended by the Governor for Professional Development (\$2,500,000 from the State General Fund). (The Senate had recommended \$1,500,000 for the program.)

I. Information Technology Upgrades (House Committee and Conference Committee). The Conference Committee on SB 225 deleted \$100,000 from the State General Fund that had been added by the Senate for information technology upgrades and recommended that the matter be considered at Omnibus. The House Budget Committee also recommended that the item be considered at Omnibus. The State Department of Education requested \$175,000 from the State General Fund to replace network servers, computers, printers, and related hardware and software, which the State Department said were outdated.

Staff Note: Due to a posting error, the \$100,000 for information technology upgrades was not deleted from SB 225. Depending upon how this item is resolved, that money could be lapsed or adjusted in the Omnibus Bill.

J. Revised KPERS-School Estimates. Staff from KPERS, the State Department of Education, the Division of the Budget, and the Legislative Research Department met April 11, 2005, to consider revisions to the KPERS-School estimates for FY 2005 and FY 2006. It now is estimated that the appropriation for KPERS-School in FY 2005 can be reduced by \$952,059, resulting in a total of \$138,280,332 from the State General Fund. (SB 225 provides that any savings in the KPERS-School account will be reappropriated to FY 2006. The Legislature also has the option of lapsing the money.) For FY 2006, it is estimated that the appropriation from the State General Fund contained in SB 225 would have to be increased by \$2,624,296, for a total of \$161,134,265. (If savings from FY 2005 are reappropriated, the additional amount needed in FY 2006 would be \$1,672,237.) Growth in FY 2006 over FY 2005 is based on a statutory increase in the employer contribution rate of 0.4 percent, a death and disability insurance rate of 0.8 percent, and an estimated growth in covered payroll of 5.5 percent. Earlier estimates for FY 2006 were based on a death and disability insurance rate of 1.0 percent and a covered payroll growth rate of 3.0 percent.

K. Revised School Finance Estimates and GBA No. 2, Item 23, Page 12. Staff from the State Department of Education, the Division of the Budget, and the Legislative Research Department met April 14, 2005, to consider revisions to the November 2004 school finance estimates. It now appears that savings in FY 2005 will total \$31,347,000, or \$1,688,000 more than the \$29,659,000 that had been estimated previously. Based on SB 225, any savings in FY 2005 will reappropriate to help finance general and supplemental general state aid in FY 2006.

For FY 2006, it is estimated that an additional \$46,371,000 will be needed to fund legislation that has passed. Savings reappropriated from FY 2005 will reduce that amount to \$15,024,000. Of the \$15,024,000 increase, approximately half is due to the passage of HB 2059, which adds a second enrollment count date for the purpose of calculating the number of students for which a

school district may claim reimbursement under the school finance formula. The bill provides that a school district may make a second count on February 20 in order to count those additional students who are dependents of a full-time active duty member of the military service or the military reserve who has been ordered to active duty for more than 30 consecutive days for the purpose of mobilizing for war, international peacekeeping missions, national emergency, or homeland defense activities. This bill is expected to result in the addition of 1,250 children, which has a fiscal impact of \$7,356,424. The remaining increase primarily is attributable to refining and making adjustments to estimates of the fiscal impact of HB 2247 (the school finance bill).

A further adjustment, which is not reflected in the table below, is the need to add \$804,045 from the State General Fund for general state aid in FY 2006 as the result of funding an expansion of the four-year-old at-risk program before the authority to spend the money on additional children was passed. (Raising the limit on the number of children who can be counted is contained in SB 181, which is in conference committee. SB 181 is discussed in Item J above.) The \$804,045 to fund the expansion has been taken into account in the revised estimates as an offset to funding from the State General Fund. If SB 181 does not pass, \$804,045 from the State General Fund would be needed to replace an equal amount of money from the Children's Initiatives Fund, which would be lapsed. If SB 181 passes, 400 additional children, each counted as 0.5 FTE pupil, would be added to the enrollment count, necessitating the addition of \$804,045 from the State General Fund. If the \$804,045 were to be added in FY 2006, the total additional funding from the State General Fund for FY 2006 would be \$15,828,000.

The revised estimates are shown below. (Amounts are in thousands.)

	FY 2005 (SB 225)	Revised FY 2005	Difference FY 2005	FY 2006 (SB 225)	Revised FY 2006	Difference FY 2006	Two-Year Revised Total
General State Aid Supplemental General State Aid	\$ 1,766,691	\$ 1,746,852	\$ (19,839)	\$ 1,804,802	\$ 1,836,972	\$ 32,170	\$ 12,331
	171,416	159,908	(11,508)	164,984	179,185	14,201	2,693
TOTAL	<u>\$ 1,938,107</u>	<u>\$ 1,906,760</u>	<u>\$ (31,347)</u>	<u>\$ 1,969,786</u>	<u>\$ 2,016,157</u>	<u>\$ 46,371</u>	<u>\$ 15,024</u>

Note: All funding shown in the table is from the State General Fund except for \$4,500,000 in FY 2005 and \$5,304,000 in FY 2006 for general state aid which is from the Children's Initiatives Fund.

In GBA No. 2, Item 23, Page 12, the Governor adds \$6,301,519 from the State General Fund for general state aid. That amount is the general state aid portion attributable to counting 1,250 children who are dependents of activated military personnel (HB 2059). That amount, however, is based on the BSAPP allotment rate of \$3,863, not on the new rate of \$4,222 contained in HB 2247, and does not take into account the impact on local option budgets of the additional students. As a result, the amount added by the Governor for HB 2059 is \$1,054,905 less than the revised estimate of the bill's impact.

The Governor makes no other adjustment to her budget for school finance, meaning that she neither takes into account additional savings in FY 2005 nor funds any of the other revisions made to the estimates by staff on April 14. As a result, of the additional \$15,024,000 needed in FY 2006 to fully fund the school finance formula, the Governor adds only \$6,301,519, leaving \$8,722,481 unfunded.

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In her message accompanying the GBA, the Governor states that she allowed HB 2247 to become law without her signature and is not recommending any additional money that is a consequence of that bill. The only additional money she recommends is that which is attributable to HB 2059, which she signed, but only in an amount that does not reflect the passage of HB 2247. The Governor also does not recommend an adjustment to KPERS-School, on the grounds that the increase required to fully fund the program in FY 2006 is necessitated, in part, by an expected growth in covered payroll as the result of the passage of the school finance bill.

Special Revenue Fund Transfers to State General Fund

A. Review of Fee Fund Transfers to the State General Fund (Senate Committee). The Senate Committee recommended the review of the policy behind transferring fee fund balances from licensing boards to the State General Fund.

27th Payroll Period

A. Reconsider Funding Deleted for the 27th Payroll Period (Conference Committee). The Governor's FY 2006 budget recommendation contained funding totaling \$50.0 million, including \$32.6 million from the State General Fund, to finance the 27th payroll period scheduled to occur in FY 2006. The Governor proposed financing the cost over a period of 11 years through an advance of funds from the Pooled Money Investment Board (PMIB) to the State General Fund to cover the State General Fund portion of the cost. Under the Governor's recommendation, beginning in FY 2006, an annual \$3.0 million transfer would be made from the State General Fund back to the PMIB. The House proposed adjustments to the current biweekly pay schedule that would eliminate the need for the funding, and deleted the funding accordingly. The Senate deleted the funding pending further review at Omnibus. The Conference Committee on SB 225, after reviewing a different proposal, agreed to reconsider the issue at Omnibus.

Vehicle Purchases

A. Reconsider Funding for Vehicle Purchases (Conference Committee). Included in the Governor's FY 2006 recommendation was \$9.9 million, including \$381,977 from the State General Fund, for the purchase of 485 vehicles. That funding was deleted by the House Committee pending further review at Omnibus. The Senate did not delete the funding. The Conference Committee on SB 225 agreed to leave the funding (along with \$14,400 from special revenue funds in FY 2007) in agency budgets, but agreed to reconsider the issue again at Omnibus.

**COMPARISON OF FY 2005-FY 2006 APPROVED EXPENDITURES
GOVERNOR'S RECOMMENDATION AND CURRENTLY APPROVED BUDGET**

FY 2005:	<u>State General Fund</u>	<u>All Funds</u>	<u>FTE Positions</u>
Governor's Amended Recommendation*	\$ 4,699,225,227	\$ 10,832,333,820	40,321.9
Conference Recommendation	<u>4,707,936,990</u>	<u>10,846,476,237</u>	<u>40,296.9</u>
<i>Difference From Governor's Recommendation</i>	<u>\$ 8,711,763</u>	<u>\$ 14,142,417</u>	<u>(25.0)</u>
FY 2006:	<u>State General Fund</u>	<u>All Funds</u>	<u>FTE Positions</u>
Governor's Amended Recommendation*	\$ 4,898,177,565	\$ 11,330,668,251	40,296.9
Conference Recommendation	<u>4,879,000,180</u>	<u>11,279,471,508</u>	<u>40,184.9</u>
<i>Difference From Governor's Recommendation</i>	<u>\$ (19,177,385)</u>	<u>\$ (51,196,743)</u>	<u>(112.0)</u>
Two-Year Change from Governor's Recommendation	\$ (10,465,622)	\$ (37,054,326)	

*Includes Governor's Budget Amendments issued through April 19, 2005.

**STATE GENERAL FUND RECEIPTS, EXPENDITURES AND BALANCES
CURRENTLY APPROVED BUDGET AND APRIL 2005 CONSENSUS REVENUE ESTIMATES
In Millions**

	<u>Actual FY 2004</u>	<u>Legislative App. Rec. FY 2005</u>	<u>Legislative App. Rec. FY 2006</u>
Beginning Balance	\$ 122.7	\$ 327.5	\$ 305.5
Released Encumbrances	2.4	0.0	0.0
Receipts (April 2005 Consensus)	<u>4,518.9</u>	<u>4,685.9</u>	<u>4,825.9</u>
Total Available	\$ <u>4,644.0</u>	\$ <u>5,013.4</u>	\$ <u>5,131.4</u>
Less Expenditures	<u>4,316.5</u>	<u>4,707.9</u>	<u>4,879.0</u>
Ending Balance	<u>\$ 327.5</u>	<u>\$ 305.5</u>	<u>\$ 252.4</u>
Ending Balance as a Percentage of Expenditures	7.6%	6.5%	5.2%

*Includes Governor's Budget Amendments issued through April 19, 2005.

HOUSE APPROPRIATIONS

DATE 4-19-2005
ATTACHMENT 5

April 19, 2005

The Honorable Dwayne Umbarger, Chairperson
Senate Committee on Ways and Means
Room 120-S, Statehouse

and

The Honorable Melvin Neufeld, Chairperson
House Committee on Appropriations
Room 514-S, Statehouse

Dear Senator Umbarger:

This amendment, Governor's Budget Amendment No. 2, includes items for new budget issues that have arisen, updated information about existing issues, caseload adjustments, legislation that has become law, and technical corrections. The following table summarizes the contents of this GBA:

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ 19,272,146	\$ 57,575,041
All other Funds	<u>(10,397,215)</u>	<u>(3,202,494)</u>
All Funds	\$ 8,874,931	\$ 54,372,547
FTE Positions	25.00	66.00
Non-FTE Unclassified Permanent	<u>--</u>	<u>--</u>
Total Positions	25.00	66.00

HOUSE APPROPRIATIONS

DATE 4-19-2005
ATTACHMENT 6

Department of Administration

1. New Federal Grants

Since my original recommendations were presented to the Legislature, DISC in the Department of Administration has been notified of the approval of several federal grants. Therefore, I amend my budget to provide authority to the Department to spend federal grant monies in both FY 2005 and FY 2006. Two of the federal grants are for homeland security purposes. The first is for \$800,000, \$200,000 in FY 2005 and \$600,000 in FY 2006, to enable DISC to purchase an upgrade to its current security hardware, fiber optics, and associated network equipment infrastructure. The second grant of \$200,000, \$50,000 in FY 2005 and \$150,000 in FY 2006, is for an off-site recoverable data center. These funds will be used to purchase additional application servers, data storage devices, and related equipment for this new off-site center. The agency already has expenditure authority for these grants in FY 2005 through Executive Directive No. 05-358, effective February 17, 2005, which established the Homeland Security Grants—Federal Fund. However, expenditure authority is also needed for FY 2006.

DISC will also be receiving a federal grant totaling \$50,000, \$12,500 in FY 2005 and \$37,500 in FY 2006, to plan for conversion of the Kansas Criminal Justice Information System to a national standard that complies with the Global Justice Data Model. The grant will also include training a core team consisting of representatives from the Kansas Bureau of Investigation, the Highway Patrol, the Department of Corrections, the Juvenile Justice Authority, and the Office of Judicial Administration to enable them to develop a conversion plan. Upon completion, the Kansas conversion model could be replicated and implemented in any state or local environment, thus saving time and money. I recommend the establishment of a new fund for this grant entitled the National Governor's Association Consulting Grant—Federal Fund for FY 2005 and FY 2006.

	FY 2005	FY 2006
State General Fund	\$ --	\$ --
All Other Funds	262,500	787,500
All Funds	\$ 262,500	\$ 787,500

2. Transfer of Funds for the Long-Term Care Ombudsman

The Office of the Long-Term Care Ombudsman is financed partly from the State General Fund and partly from several sources of federal funding. The federal funds have traditionally been received by the Department on Aging and "passed through" to the Ombudsman by means of transfer language in the appropriations bill, where they are spent as "off budget" funds in the Department of Administration. When the MEGA bill was introduced, this provision was deleted from the bill with the expectation that a memorandum of agreement would be used to authorize the transfers. However, the Department has determined that the standard language would be the most effective way of effectuating these transactions. Therefore, I amend my budget to re-instate the language authorizing the transfer of federal funds. However, instead of specifying a dollar

amount, the language will transfer all of the funds available under Title VII of the federal Older Americans Act: Ombudsman Award and 4.38 percent of the funds related to Title III of the Older Americans Act: Part B Supportive Services Award.

3. Business Health Partnership

I amend my budget to add \$500,000 from the State General Fund in FY 2006 to finance a new health insurance benefit for small businesses that pay low wages. The Business Health Partnership has been in existence for over four years. The modeling done by Mercer, a government consulting firm, suggests that a plan of coverage that matches a more traditional program, in which the state provides 50.0 percent of the premium resulting in a price reduction for both the employer and employee, will reduce the number of uninsured in Kansas by 3,300 working adults. Based on the implementation time and “ramp up” of enrollment of a similar program that was started in Maine, the program would need funding only for the last quarter of FY 2006. The total cost for adult workers in FY 2006 would be \$500,000. Because dependent children would already be eligible for Medicaid or SCHIP, their enrollment costs are not included. Instead, they would be included in the caseload estimate.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ 500,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 500,000

4. Generic Drug Program for Low Income Kansans

I amend my budget to add \$200,000 from the State General Fund in FY 2006 for a new generic drug program for low income Kansans. Many Kansans are unable to afford pharmaceuticals for themselves and their children. In most cases generic equivalents are available but even these may cost more than the individual can pay. The proposed program would make low-cost generic drugs available to uninsured low income individuals. The drugs would be made available at local participating pharmacies. The program would be managed by a Pharmaceutical Benefits Manager who would offer deep discounts on generics. The cost to the State of Kansas would be approximately \$200,000, which would be used to establish an income-driven eligibility process. Based on the costs of determining Medicaid eligibility, it is estimated that creating an enrollment file would cost approximately \$20 per family. It is possible that this program could affect 10,000 families or approximately 30,000 adults and children.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ 200,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 200,000

5. Public Broadcasting Projects

I amend my budget to include bonding authority for three public broadcasting projects totaling \$1,682,810 that will allow the Public Broadcasting Council to leverage federal funds totaling \$1,297,700. By September 2005 KANZ radio station in Garden City will no longer be able to rent space on the broadcasting tower it is currently using. Therefore, a new tower will need to be constructed to accommodate this need. The tower will cost \$542,972, of which \$407,229 will be financed from federal funds, and the remaining \$135,743 will be matched by the state. The public radio stations in the state need to convert to digital technology by the end of calendar year 2005. The estimated cost of the conversion is \$2,099,239, with \$888,805 being paid from federal grant funds that all five stations collectively will receive, and the remaining \$1,210,434 will be matched by the state. Finally, this amendment includes additional equipment needs totaling \$1,238,299. Federal funds will cover \$901,666 of the cost, while the state will pay the remaining \$336,633. I recommend that the Public Broadcasting Council be given bonding authority to finance these projects, which was the same method of financing used to convert the public TV stations to digital technology in FY 2002. The debt service on the bonds will be paid from existing public broadcasting grant funds.

KPERS

6. Revised Investment Expenditures

As a result of changing financial market conditions, I amend my budget to reflect the most accurate estimate of KPERS investment-related expenditures in FY 2005 and FY 2006. For FY 2005, additional expenditures of \$1,089,964 can be expected, for a total of \$21,838,516. For FY 2006, \$2,223,013 will be added bringing the total to \$24,658,247.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>1,089,964</u>	<u>2,223,013</u>
All Funds	\$ 1,089,964	\$ 2,223,013

7. Revised Technology Project Expenditures

KPERS submitted an updated technology project plan to the 2005 Legislature during the agency's budget hearings. As a result of this plan, the agency has requested that \$309,174 of expenditures that were approved in FY 2005 be shifted to FY 2006. The agency has also requested that \$668,971 of expenditures be shifted from FY 2006 into FY 2007. The agency reports that the scope of the project has not changed, but only the timing of expenditures for the project.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>(309,174)</u>	<u>(359,797)</u>
All Funds	\$ (309,174)	\$ (359,797)

Insurance Department

8. Monumental Life Settlement Fund

I amend my budget to report expenditures of up to \$12,396 in FY 2006 from the Monumental Life Settlement Fund. These funds will provide scholarships to African-American students enrolled in higher education institutions in Kansas who have designated a major in mathematics, computer science, or business. This item was inadvertently omitted from *The FY 2006 Governor's Budget Report*, but was included in the MEGA appropriations bill. Adding the dollars to the budget now will make reportable expenditures accurate and complete, but no change is required in the omnibus bill.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>12,396</u>
All Funds	\$ --	\$ 12,396

Secretary of State

9. Constitutional Amendment

I amend my budget to include \$70,586 from the State General Fund in FY 2005 for expenditures associated with publishing Senate Concurrent Resolution No. 1601, the proposition to amend Article 15 of the *Kansas Constitution*. This amendment dealt with the issue of prohibiting same-sex marriages. KSA 64-103(b) directs the Secretary of State to publish resolutions of this type in one newspaper in each county of the state. The resolutions are required to be published once per week for three consecutive weeks immediately preceding the election at which the proposition is to be submitted. The Secretary of State fulfilled these requirements prior to the April 5, 2005 election. Because of the possibility for similar notification expenses to be incurred in the future, it would be prudent for the agency to consider adjustments to one or more fees to cover these costs, instead of relying on one-time reimbursements from the State General Fund.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ 70,586	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 70,586	\$ --

Board of Indigents Defense Services

10. Assigned Counsel

I amend my budget to lapse \$645,663 in FY 2006 from the Board of Indigents Defense Services' State General Fund Assigned Counsel Expenditures account and to appropriate the same amount to the Board of Indigents Defense Services' State General Fund Operating Expenditures account. This will fund the assigned counsel expenditures which were agreed upon in the April consensus caseload estimate meeting involving agency representatives, the Division of the Budget, and Legislative Research. This shift is the result of a change in the caseload process. It will appropriate money solely for contract assigned counsel attorney fees as a separate line item. Previously, \$645,663 of the appropriation for assigned counsel was for experts' testimony and transcription costs. This lapse and appropriation will allow the assigned counsel line item to be purely the cost of contract attorneys.

11. Defense of "BTK" Case

I amend my budget to lapse \$80,573 in FY 2005 and \$324,126 in FY 2006 from the State General Fund account of the Board of Indigents Defense Services' Capital Defense Unit and then appropriate the same amount of money to the Board of Indigents Defense Services' Operating Expenditures account to be used to defend the "BTK" case in Sedgwick County. In FY 2005 and FY 2006, these funds will provide the agency with an additional 3.00 FTE positions, consisting of one attorney, one paralegal, and one investigator. These additional funds will also pay for expert witness costs, information technology equipment, and office supplies that will be required because of the expected complexity of the defense.

	<u>FY 2005</u>	<u>FY 2006</u>
FTE Positions	3.00	3.00
Non-FTE Unclassified Permanent	<u>--</u>	<u>--</u>
Total Positions	3.00	3.00

12. Death Penalty Savings

I amend my budget to lapse \$150,000 in FY 2005 from the Board of Indigents Defense Services' State General Fund Capital Defense Unit account and to appropriate the same amount to the Board of Indigents Defense Services' State General Fund Operating Expenditures account. The Capital Defense Unit has experienced savings while awaiting the outcome of the Supreme

Court ruling on the constitutionality of the Kansas death penalty. This recommendation will fund increased transcript and expert witness costs.

**Department of Social & Rehabilitation Services and
Department on Aging**

13. Caseload Adjustments

I amend my FY 2005 and FY 2006 budget to reflect changes in caseloads and the cost of assistance programs. These adjustments are the result of consensus caseload estimates that involved the staff of the Department of Social and Rehabilitation Services, Legislative Research, Department on Aging, and the Division of the Budget. The consensus estimates included Regular Medical Assistance, Nursing Facilities, Nursing Facilities for Mental Health, Temporary Assistance to Families, General Assistance, Foster Care, and Adoption.

For FY 2005, this amendment includes an increase from all funding sources of \$8.8 million, including an increase of \$19.5 million from the State General Fund. This change in the funding mix is partially the result of changes in the populations that are served and the funding sources that are available for each population. Also, the caseload estimate includes a reduction of \$18.6 million in funding from the Health Care Access Improvement Program. The estimate in my original budget included a full year's funding from this source. However, because the federal approval for this program has not yet occurred, there will not be sufficient time to implement the program fully in the current fiscal year.

For FY 2006, this amendment includes a decrease of \$1.7 million from all funding sources and an increase of \$38.9 million from the State General Fund. These adjustments include increases from all funding sources of \$5.5 million for Nursing Facilities, \$350,000 for Nursing Facilities for Mental Health, and \$18.1 million for Foster Care/Adoption. These adjustments include decreases from all funding sources of \$600,000 for Temporary Assistance to Families, \$300,000 for General Assistance, and \$24.8 million for Regular Medical Assistance. Although caseloads and costs in Regular Medical are increasing, the federal Medicare drug bill will decrease program expenditures by \$43.4 million from all funding sources, but decrease State General Fund expenditures by only \$4.3 million.

Dept. of SRS:	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ 16,478,309	\$ 35,355,072
All Other Funds	<u>(15,868,887)</u>	<u>(42,502,834)</u>
All Funds	\$ 609,422	\$ (7,147,762)

Dept. on Aging:	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ 3,033,680	\$ 3,499,200
All Other Funds	<u>5,166,320</u>	<u>2,000,800</u>
All Funds	\$ 8,200,000	\$ 5,500,000

14. Out-of-Home Placement Funding for Older Children

I amend my budget to add \$3,846,247 for FY 2006, including \$2,791,219 from the State General Fund, to provide funding for out-of-home services for youth over the age of 18 who were in foster care prior to age 18 and for non-abuse/neglect children ages 16-17. My original budget did not provide for these services. However, to accomplish this important change in policy, more extensive planning is required to develop alternative services and provide a smooth transition for the older children and young adults presently served. The planning involves changes in how services will be provided by SRS and securing the collaboration of community partners in building the support systems necessary for the affected youth.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ 2,791,219
All Other Funds	<u>--</u>	<u>1,055,028</u>
All Funds	\$ --	\$ 3,846,247

15. Child Care

I amend my budget to add \$2.0 million in FY 2006 from the State General Fund for the Child Care Program. This additional funding is intended to address the program's growing caseload. The amendment increases total expenditures in the Child Care Program by 3.0 percent. The additional funding will finance child care expenditures for an average of 588 children per month at an average cost of \$283.33.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ 2,000,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 2,000,000

16. MMIS System Modifications

I amend my FY 2006 budget to add \$5,417,200, including \$912,600 from the State General Fund, for federally required MMIS system modifications. The MMIS undergoes nearly constant modifications to meet regulatory requirements and to respond to policy changes. In FY 2006, there are three major changes outside the scope of the current contract with the software vendor for maintenance and operation of the MMIS that exceed my original recommendation for these items. New resources must be added to the contract to have the system changes completed within the required timeframes. These federally required changes include adding National

Provider Identifiers for all health providers in order to meet HIPAA requirements, making the EDS—Kansas Medical Assistance Program (KMAP) website ADA compliant and making system changes that will allow for transitioning dual eligible Medicaid beneficiaries to the new Medicare Part D prescription drug benefit.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ 912,600
All Other Funds	<u>--</u>	<u>4,504,600</u>
All Funds	\$ --	\$ 5,417,200

17. Sexual Predator Treatment Program—Disabled/Frail and Elderly

I amend my budget to reflect the addition of \$78,000 from the State General Fund in FY 2005 and \$228,500 in FY 2006 for the pre-transitional release step of the Sexual Predator Treatment Program (SPTP). This phase of the program is budgeted in the SRS Health Care Policy Administration. SPTP consists of six treatment steps, the last of which is the “pre-transitional release” step in a setting outside of Larned State Hospital. One individual who is frail and elderly has reached this step, and the court has ordered SRS to provide services for this person in an appropriate setting. This person’s age and disabilities make him inappropriate for the pre-transitional release step currently operated at Osawatomie State Hospital. SRS has contracted with a private provider who can furnish the necessary supervision and support. When taking this step, SRS reviewed the needs of existing persons in the SPTP in-patient program and determined that several other persons in the program have similar disabilities. Therefore, once this first person is successfully placed and served by the private provider, SRS plans to place at least two more persons from SPTP with the same provider in the same setting with minimal additional costs. Doing this will accomplish two things: the census of the Larned State Hospital program will be reduced by two persons and the average cost per person in this setting will be significantly reduced.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ 78,000	\$ 228,500
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 78,000	\$ 228,500

Larned State Hospital

18. Sexual Predator Treatment Program—Current Services and Census Growth

I amend my FY 2006 budget to fund 22.00 FTE positions to replace support staff who currently serves both the Sexual Predator Treatment Program (SPTP) and the State Security Program. The existing staff will be moving to the new State Security Hospital in July 2005, leaving the SPTP without adequate food service, custodial, and security support. The cost for these 22.00 FTE positions is \$597,665.

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In addition, I amend my FY 2005 budget to add 22.00 FTE positions that will be funded within current resources. In addition, I amend my FY 2006 budget to fund 41.00 FTE positions and associated other operating expenses for a 17-bed and a 30-bed unit in the Sexual Predator Treatment Program at Larned State Hospital. SRS expects the 17-bed unit added in FY 2005 to be fully occupied by October 2005, at which time a 30-bed unit will be opened at the new State Security Hospital. The cost to fund these two units in FY 2006 is \$1,116,296 from the State General Fund. The total amount to fund 22.00 FTE positions as support staff and 41.00 FTE positions and other operating expenses for two additional units in the Sexual Predator Treatment Program is \$1,713,961.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ 1,713,961
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 1,713,961
FTE Positions	22.00	63.00
Non-FTE Unclassified Permanent	<u>--</u>	<u>--</u>
Total Positions	22.00	63.00

19. Extraordinary Medical Expenses

I amend my FY 2005 budget to fund extraordinary medical expenses at Larned State Hospital totaling \$497,000 from the State General Fund. Several clients who are not Medicaid-eligible incurred large medical bills for a variety of illnesses and injuries. The Hospital had estimated that off-grounds medical expenses would be \$875,000 in FY 2005. However, the revised projection is \$1,372,000, leaving a shortfall of \$497,000. It is not anticipated that such costs will recur in FY 2006.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ 497,000	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 497,000	\$ --

Department of Health & Environment

20. HIV/AIDS Dental Program Funding Shortfall

I amend my budget to increase State General Fund expenditures by \$50,000 for the dental program in the Ryan White CARE for People with HIV and AIDS Program because of a reduction in federal funds. This shortfall was not anticipated in the agency's September budget submission. Oral health is integral to general health and especially important for people living with HIV/AIDS, because oral infections may cause a decline in immune function and increase

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systemic infections. Many HIV/AIDS-infected patients are covered by Medicaid; however, Medicaid does not cover dental services for adults. The \$50,000 from the State General Fund is needed to ensure the program's continuation in FY 2006.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ 50,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 50,000

Department of Labor

21. Omitted Capital Improvement Projects

I amend my budget to include \$545,000 from the Employment Security Administration Fund for capital improvement projects in the Department of Labor that were inadvertently omitted from the Department's FY 2005 budget. During the 2004 Legislative Session, several capital improvement projects were approved as part of the Kansas Department of Labor's budget, including work at the Topeka facility located at 1309 Topeka Blvd. and at the Wichita facility. The total approved amount for these projects is \$545,000. The work at the Topeka facility included replacing the heating, ventilation, and air conditioning system at a cost of \$327,000 and replacing the roof at a cost of \$163,000. The work at the Wichita facility included replacing the air conditioning condensers at a cost of \$55,000. The agency already has the expenditure authority for these projects; therefore, no changes are needed in the omnibus bill.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>545,000</u>	<u>--</u>
All Funds	\$ 545,000	\$ --

22. Upgrade Unemployment Insurance Call Center's Telephone System

I amend my budget to include \$876,906 in Reed Act funds to upgrade the Unemployment Insurance Call Center telephone and computerized integrated voice response (IVR) systems. On January 19, 2005, the system that routes calls into the three call centers for the Unemployment Insurance Program failed. As a result, all three call centers were unable to take any calls, and customers were unable to file claims for benefits or to communicate with the Department. This system failure presents a serious obstacle for the agency as it strives to meet its mission of providing responsive workforce services to its customers.

The current telephone infrastructure that supports the call centers and IVR systems for the Unemployment Insurance Program poses considerable risk to the Department of Labor's ability to provide consistent service and claims processing for customers. These current systems are outdated and are beginning to fail on a regular basis. In addition, the ability to support these

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systems is a major concern, because the systems are built on operating system platforms that are no longer supported by the software vendors.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>876,906</u>
All Funds	\$ --	\$ 876,906

Department of Education

23. School Finance Consensus Adjustments

Staff from the Department of Education, Kansas Legislative Research Department, and Division of the Budget met on April 14, 2005, to update school finance estimates for FY 2005 and FY 2006. Part of this update is to account for legislation that has passed so far this session. The two key bills here are HB 2059 for the additional student count for military installations and the Legislature's school finance plan, HB 2247.

I signed HB 2059 into law on March 18, 2005. This legislation will provide state aid for the additional school-aged children who will be in the state because their parents are part of the new Unit of Action at Ft. Riley. The estimating group agreed this group of students will add 1,631.25 FTE weighted students to Kansas school enrollment in the next year. To pay for these additional students, I amend my budget to add \$6,301,519 from the State General Fund for general state aid. This increment relies on the base state aid per pupil amount of \$3,863 contained in my original budget recommendations.

Staff who met to revise estimates on school finance also determined that property tax collections from the 20-mill uniform levy will raise \$647,612 less in FY 2005 and \$640,063 less in FY 2006 and that projections for the effect of HB 2247 on local option budgets were understated by \$6.8 million. In addition, staff has determined that estimates for mandated employer contributions for KPERs—School were understated by \$1.7 million in FY 2006, when projected salary increases resulting from HB 2247 are factored in with the most recent salary data. These amounts would need to be added in the omnibus bill if HB 2247 is to be fully funded.

I believe the Legislature's school finance legislation endangers the state's budget, will prevent us from dealing with future financial issues, and contains new features that disequalize funding for our state's schools. Because I allowed the school finance bill to become law without my signature, in anticipation of the Supreme Court's ruling, I do not amend my budget to add monies for its newly calculated additional costs.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ 6,301,519
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 6,301,519

University of Kansas

24. Faculty of Distinction Program Withdrawal

The Faculty of Distinction Program allows individuals to become donors to the state university of his or her choice. The interest earned from the donations is used to support a professorship. However, the donors to the unfilled Caldwell/Sabatini Professorship have withdrawn their support, because the professorship in Roman Catholic Thought could not be filled. The University of Kansas received a total of \$22,989.85 over FY 2004 and FY 2005 and believes it is appropriate that these unused dollars be returned to the State General Fund. In addition, the withdrawn donation will be removed from the list of certified gifts under the Faculty of Distinction Program, so interest is not transferred in future years. Therefore, I amend my recommendation for FY 2005 to transfer this \$22,989.85 from the Faculty of Distinction Matching Fund to the State General Fund.

University of Kansas Medical Center

25. Ambulatory Care Facility Bonding Increase

I amend my budget to increase the bonding authority for the Ambulatory Care Facility at the University of Kansas Medical Center from \$42.0 million to \$53.0 million. This level of funding will provide the flexibility needed to plan, design, and build the outpatient facility actually required. The debt service on the bonds will be financed from the revenues generated by the new facility and will not start until FY 2007.

Wichita State University

26. Aviation Research Debt Service

I amend my budget to finance the debt service on the National Institute Aviation Research Center bonds at Wichita State University. The amount needed is \$123,480 from the State General Fund to pay the April 2005 interest payment. With this addition, the debt service payment for FY 2005 will total \$1,180,961. Bond funds are being used to equip the aviation research center at the University. The University does not have adequate funding to pay the debt service in FY 2005 because of a misunderstanding concerning the amount of capitalized interest available for payment of the debt service. Less capitalized interest was available than

anticipated, thus requiring more funds from the agency. This item constitutes a one-time correction that will not be repeated in FY 2006.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ 123,480	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 123,480	\$ --

Department of Corrections

27. Bedspace Contract & Day Reporting Centers

In my original budget recommendations, \$1,079,729 was recommended for the lease of bedspace at a private correctional facility in Groesbeck, Texas. However, as space has become available, the Department has been relocating its inmates back to Kansas facilities. On February 9, 2005, all remaining inmates at the facility in Texas were transferred back. The Department of Corrections indicates that, because of the current declining inmate population trend at least for the short term, there would be little additional need for contract bedspace for the remainder of FY 2005. After allowing for actual contract costs incurred to be paid and a reserve to contract 25 beds for the remainder of the fiscal year, I amend my budget to reduce expenditures by \$573,939 from all funding sources in FY 2005, including \$58,909 from the State General Fund and \$515,030 in federal VOI/TIS funds. For the federal VOI/TIS savings, I amend my budget to shift the \$515,030 to FY 2006 to offset a portion of the State General Fund expenditures for the day reporting centers. As a result, expenditures from the State General Fund can be reduced by \$515,030 in FY 2006.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ (58,909)	\$ (515,030)
All Other Funds	<u>(515,030)</u>	<u>515,030</u>
All Funds	\$ (573,939)	\$ --

28. Utility Increases

I amend my budget to add \$35,000 from the State General Fund in FY 2006 at the Larned Correctional Mental Health Facility (LCMHF) to shift the electrical load supply for the Jenkins Building from Larned State Hospital to LCMHF. Because Larned State Hospital will no longer have the expenditures for this electrical load, I amend my budget to reduce the same amount of expenditures from the Larned State Hospital budget. I also amend my budget to add \$21,000 from the State General Fund in FY 2006 for additional utility costs in the Winfield Correctional Facility budget for new meeting rooms that were added on the Kansas Veterans Home Complex.

Larned Correctional MH Facility:	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ 35,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 35,000
Larned State Hospital:	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ (35,000)
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ (35,000)
Winfield Correctional Facility:	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ 21,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 21,000

Juvenile Justice Authority

29. Rehabilitation and Repair Lapse

I amend my budget to reduce State Institutions Building Fund expenditures by a net of \$314,000 in FY 2005 and by a net of \$446,000 in FY 2006 for rehabilitation and repair of the Juvenile Justice Authority's juvenile correctional facilities. The 2004 Legislature approved \$1,120,000 in FY 2005 for rehabilitation and repair projects and \$1,126,000 in FY 2006. In March the agency submitted a revised systemwide capital improvement plan. The revised plan deleted projects that were originally scheduled at the Topeka Juvenile Correctional Facility and are no longer needed because of the facility's merger with the Kansas Juvenile Correctional Complex. The revised plan also accelerated projects at the Beloit, Atchison, and Topeka Juvenile Correctional Facilities that were originally planned to be completed in the out years or which had been requested as an enhancement in FY 2006. I recommend the agency's revised plan, except for the part that accelerates projects. Instead, I recommend that these projects remain in the out years until the Joint Committee on Corrections and Juvenile Justice makes recommendations for the most efficient utilization of all juvenile correctional facilities.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>(314,000)</u>	<u>(446,000)</u>
All Funds	\$ (314,000)	\$ (446,000)

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Topeka Juvenile Correctional Facility

30. Electric Generator Savings

I amend my budget to reduce State Institutions Building Fund expenditures by \$453,908 in FY 2005, which was originally included in the budget of the Topeka Juvenile Correctional Facility. The 2004 Legislature approved \$494,908 for the construction of a new emergency electric generator for the Topeka Juvenile Correctional Facility. Of those funds, \$41,000 has already been expended for design and construction fees. However, because of the movement of offenders from the Topeka Juvenile Correctional Facility to the Kansas Juvenile Correctional Complex, the generator is no longer needed and the savings can be captured.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>(453,908)</u>	<u>--</u>
All Funds	\$ (453,908)	\$ --

Kansas Highway Patrol

31. Homeland Security Federal Funds

The Highway Patrol currently has a Homeland Security—Federal Fund to receive funds from the federal Department of Homeland Security. Some of the funds are transferred to local governments and other state agencies and some are disbursed directly from the Highway Patrol. These dollars have already been reported in my original recommendations, and this item makes no changes to the reported amounts. However, the federal government is requesting that federal homeland security funds be accounted for in separate funds for auditing and grant-tracking purposes. Therefore, I amend my budget to add new federal funds for both FY 2005 and FY 2006 based on the federal fiscal year in which the federal government appropriated money for the grants.

32. Fuel Costs

I amend my budget to increase expenditures from the Kansas Highway Patrol Operations Fund by \$630,864 in FY 2006 for increasing fuel costs. To provide the necessary financing, this amount will be transferred from the State Highway Fund in KDOT to the Patrol's Operating Fund. Gas prices have risen over the past year, and it is anticipated that prices will continue to rise or at least stay at the current higher rate. The Division of the Budget will review this item during the FY 2007 budget process to determine whether any further adjustments are needed. In the agency's original budget request in September 2004, the price per gallon was budgeted at \$1.74 for retail purchases and \$1.62 for bulk purchases. My recommendation will be based on a retail price of \$2.00 and a bulk purchase price of \$1.88. The increased fuel costs are based on the same mileage estimate of 950,000 that my original recommendations were based on.

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	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>630,864</u>
All Funds	\$ --	\$ 630,864

33. Hangar Construction

I amend my budget to finance the construction of a new hangar for the Highway Patrol at Billard Airport in Topeka. The project will cost \$1.5 million and will be financed from the Patrol's Federal Forfeiture Fund. Currently, the Patrol is located in three hangars: one hangar is shared with Kansas Department of Transportation (KDOT), one with a private corporation, and one is not shared because it is made for only one aircraft belonging to the Patrol. These hangars are currently leased from the Metropolitan Topeka Airport Authority. The Patrol has a total of six aircraft and KDOT has one. The new hangar will be located on land that is owned by the Patrol. The hangar will allow the Patrol to consolidate its aircraft and related staff into one facility.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>1,500,000</u>
All Funds	\$ --	\$ 1,500,000

Adjutant General

34. Disaster Relief Funding

I amend my budget to finance the state and federal portions of the total disaster relief effort. The state has experienced a number of disasters in the past several years, including the 2005 ice storm, which involved 40 counties; tornadoes during 2004 in Wyandotte and Douglas Counties; and storms in the summer of 2004 in central and western Kansas. These weather-related disasters caused severe damage to streets, county roads, public property, homes, businesses, and automobiles across the state. Currently, the agency has sufficient emergency funds to cover expenses through the end of FY 2005. However, expenditures totaling \$35.3 million are estimated to be needed in FY 2006: \$26.3 million from federal funds, \$3.5 million from the State General Fund, and \$5.5 million from local funds. The local funds will be provided by various local governments and are mentioned here only to provide a complete picture of the projected financing for damage repair.

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	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ 3,500,000
All Other Funds	<u>--</u>	<u>26,300,000</u>
All Funds	\$ --	\$ 29,800,000

35. Maintenance and Repair Funding Increase

I amend my budget to add \$50,000 from the State General Fund for FY 2005 to finance maintenance and repair projects for the Adjutant General's armories and state defense building subprogram, which supports 62 facilities. The agency has depleted all the money it was budgeted for maintenance and repair services and has used approximately \$6,000 of its utility budget to finance emergency maintenance and repair projects. The total amount expected to be spent for maintenance in FY 2005, including available funds and the \$50,000 supplemental funds, is estimated to be \$248,000.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ 50,000	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 50,000	\$ --

Sentencing Commission

36. Drug Treatment Savings

I amend my budget to reduce expenditures in FY 2005 by \$1.0 million from the State General Fund for 2003 SB 123 drug treatment payments to community corrections agencies. This recommendation does not reduce the capacity of the program, but only adjusts expenditures based on the most recent estimates for the number of offenders who are utilizing the treatment program. After capturing the \$1.0 million in savings, the revised total for the program for FY 2005 is \$4.5 million.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ (1,000,000)	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ (1,000,000)	\$ --

Animal Health Department

37. Animal Donation Fund

I amend my budget to create a new fund entitled the "Animal Donation Fund" with "no limit" expenditure authority for FY 2005 and FY 2006. After the Department seized neglected animals from kennels and breeders in the summer of 2004, the public became aware of the costs to Animal Health of taking care of these animals. It is possible as a result that more people will be inclined to donate funds for the care of these animals. If that occurs, the agency wants to be ready to make use of any funds that are donated. Although the new fund is being added to provide expenditure authority for any monies received, no reportable expenditures are shown, because there is no way of knowing how much will be donated.

State Conservation Commission

38. Revised Priorities for State Water Plan Financing

I amend my budget to revise the priorities included in State Water Plan financing for FY 2006. Initially, I recommended \$1,310,000 for the Irrigation Transition Program (ITAP), because this program would be effective for areas that are experiencing excessive aquifer depletion or are in need of streamflow restoration. Resistance to this voluntary program would limit its effectiveness; therefore, I am recommending that the funding for this program be shifted to the existing Land Treatment Cost Share account of the Water Resources Cost Share Program (WRCSP) included in this agency's budget. The WRCSP also provides financial incentives to landowners but focuses on the establishment of conservation practices that reduce soil erosion and improve water quality, rather than the permanent dismissal of water rights that is the focus of the ITAP. This shift in funding priorities will not change the total amount of State Water Plan expenditures that I originally recommended. And it would still require the statutory transfer of \$6.0 million from the State General Fund to the State Water Plan Fund.

Department of Wildlife and Parks

39. Circle K Ranch

I amend my FY 2005 budget to authorize the Department of Wildlife and Parks, upon approval of the State Finance Council, to borrow the full amount of the acquisition cost for the Circle K Ranch from the Pooled Money Investment Board (PMIB). The cost of the Ranch is not available at this time, but is anticipated to be a negotiated amount between \$3.2 million and \$4.2 million. The Department plans to repay the cost by the following means: the United States Fish and Wildlife Service will reimburse the state 75.0 percent of the appraised value; the regional Groundwater Management District No. 5 will pay up to \$500,000 toward that portion of the purchase price amount that exceeds the appraised value; and the remainder of the funding needed to retire the bonds will come from the State Water Plan Fund, with the first year's payment in FY 2007. The appropriation from the State Water Plan Fund is estimated to be \$440,000. The

agency indicates that some federal reimbursements could occur in FY 2006. However, the amount is not known. Therefore, no change is shown in reportable expenditures at this time.

Circle K Ranch, located in Edwards County along the Arkansas River, is a 6,900 acre irrigation farm. Approximately 4,500 acres are presently being irrigated, and the remaining 2,400 acres are in native prairie grasses. Purchase of the ranch by the State of Kansas will retire all or a portion of the water rights to help achieve a reduction in the overall water use in the area. This purchase will allow the land to be returned to native habitats. A wildlife area and public hunting area will then be created, which will benefit the economy of the city and county in which the ranch is located.

40. State Parks Funding Shortfall

I amend my budget to provide additional funding of \$1,017,000 from the State General Fund to offset shortfalls in two programs in the Department of Wildlife and Parks' FY 2006 budget. Reduced revenues in the Parks Fee Fund in FY 2005 because of economic and weather factors would cause the balance of the fund to be negative by the end of FY 2006. In order to pay for Parks' direct expenses and overhead costs related to park operations in FY 2006, the agency must supplement the Parks Program by \$300,000 and fund parks' overhead costs in the Administration Program in the amount of \$717,000.

	<u>FY 2005</u>	<u>FY 2006</u>
State General Fund	\$ --	\$ 1,017,000
All Other Funds	<u>--</u>	<u>(300,000)</u>
All Funds	\$ --	\$ 717,000

Messages on Other Issues

Medicaid Drug Formulary

In my budget recommendation I included savings of \$3.1 million, including \$1.2 million from the State General Fund, for acceleration of the approval of drugs on the Medicaid formulary by allowing pharmaceutical policies to be implemented without going through the Administrative Rules and Regulations process. HB 2107 and SB 290 make the statutory changes that are necessary to implement this policy. If neither of those bills has been enacted, additional funding will be necessary in the SRS budget.

Salary Increase for State Employees

In the budget I submitted in January, I recommended a 2.5 percent salary increase for state employees, effective at the beginning of FY 2006. The Legislature, in the regular part of the session, authorized a salary increase in two parts: 1.25 percent for the first half of FY 2006 and 2.5 percent for the last half. Funding is provided in agency budgets for the last half, but the first half is unfunded. The practical effect of the Legislature's action will be to force agencies to finance the 1.25 percent increase for the first half from the budget approved for FY 2006. In the

first place, this will cause disruptions to many agency budgets in order for them to accommodate the increase, but it will also create funding inequities, because some agencies will be able to afford the increase while others will not. More importantly, it is unfair for state employees to bear the burden of the expedient actions taken by the Legislature to approve an inadequate and constitutionally questionable school finance plan in addition to the problems that such actions will have on the state budget for future fiscal years. I urge the Legislature to do the right thing by restoring funds for the COLA at the level I recommended for all of FY 2006.

Death & Disability Program

I also included funds in agency budgets to finance an increase in the KPERS death and disability insurance rate from .6 percent to 1.0 percent. This funding will preserve the benefits of the program into FY 2006 as they currently exist. The bill to implement the rate increase, HB 2037, is still under consideration by the Legislature. However, funds have been removed from agency budgets based on a rate of .8 percent, instead of the 1.0 percent I recommended. Funding maintained at this level will necessitate benefit reductions to the program, possibly in the insured death benefit, which is currently at 150.0 percent of an employee's annual rate of pay. In addition, this level of funding increases the likelihood of cashflow problems in the fund financing this program. Therefore, in completing its work on HB 2037 as well as the omnibus bill, I ask the Legislature to restore funding for the Death and Disability Program based on the full 1.0 percent I originally recommended.

Sincerely,

Kathleen Sebelius
Governor of the State of Kansas

Children's Initiatives Fund

FY 2004-2005

Conference Committee Adjustments

Agency/Program	Actual FY 2004	Final Legislative Approved FY 2005	Children's Cabinet Rec. FY 2005	Gov. Rec. FY 2005	House Committee Adjustments FY 2005	Senate Committee Adjustments FY 2005	Conference Committee Adjustments FY 2005
Department of Health and Environment							
Healthy Start/Home Visitor	\$250,000	\$250,000	\$250,000	\$250,000	\$0	\$0	\$0
Infants and Toddlers Program (Tiny K)	800,000	800,000	800,000	800,000	0	0	0
Smoking Cessation/Prevention Program Grants	500,000	500,000	500,000	500,000	0	0	0
Subtotal - KDHE	\$1,550,000	\$1,550,000	\$1,550,000	\$1,550,000	\$0	\$0	\$0
Juvenile Justice Authority							
Juvenile Prevention Program Grants	\$5,265,119	\$5,414,487	\$5,563,855	\$5,563,855	\$0	\$0	\$0
Juvenile Graduated Sanctions Grants	3,585,513	3,585,513	3,436,145	3,436,145	0	0	0
Subtotal - JJA	\$8,850,632	\$9,000,000	\$9,000,000	\$9,000,000	\$0	\$0	\$0
Department of Social and Rehabilitation Services							
Children's Mental Health Initiative	\$1,800,000	\$3,800,000	\$3,800,000	\$3,800,000	\$0	\$0	\$0
Family Centered System of Care	5,000,000	5,000,000	5,000,000	5,000,000	0	0	0
Therapeutic Preschool	1,000,000	1,000,000	1,000,000	1,000,000	0	0	0
Community Services - Child Welfare	3,106,231	3,106,230	3,492,101	3,492,101	0	0	0
Child Care Services	1,399,999	1,400,000	1,400,000	1,400,000	0	0	0
Children's Cabinet Accountability Fund	249,682	541,802	541,802	541,802	0	0	0
HealthWave (SCHIP portion)	463,748	2,000,000	2,000,000	2,000,000	0	0	0
Smart Start Kansas - Children's Cabinet	2,891,399	8,895,491 ^a	8,895,491	8,895,491	0	0	0
Children's Medicaid Increases	1,000,000	3,000,000	3,000,000	3,000,000	0	0	0
Immunization outreach	500,000	500,000	500,000	500,000	0	0	0
Family Preservation	2,243,770	3,343,770	2,957,899	2,957,899	0	0	0
Grants to CMHCs to develop children's programs	2,000,000	0	0	0	0	0	0
School Violence Prevention	228,000	228,000	228,000	228,000	0	0	0
Children's Cabinet Administration	227,250	0	0	0	0	0	0
Attendant Care for Independent Living (ACIL) program	0	50,000	50,000	50,000	0	0	0
Subtotal - SRS	\$22,110,079	\$32,865,293	\$32,865,293	\$32,865,293	\$0	\$0	\$0
Department of Education							
Parent Education	\$2,340,245	\$2,500,000	\$2,659,755	\$2,659,755 ^b	\$0	\$0	\$0
Four-Year -Old At-Risk Programs	4,500,000	4,500,000	4,500,000	4,500,000	0	0	0
School Violence Prevention	0	0	0	0	0	0	0
Vision Research	300,000	300,000	300,000	300,000	0	0	0
Special Education	1,225,000	1,225,000	1,225,000	1,225,000	0	0	0
Subtotal - Dept. of Ed.	\$8,365,245	\$8,525,000	\$8,684,755	\$8,684,755	\$0	\$0	\$0
University of Kansas Medical Center							
Tele-Kid Health Care Link	\$212,208	\$250,000	\$287,792	\$287,792 ^b	\$0	\$0	\$0
Subtotal - KU Medical Center	\$212,208	\$250,000	\$287,792	\$287,792	\$0	\$0	\$0
Transfer to State General Fund	\$1,144,144	\$500,000	\$500,000	\$500,000	\$0	\$0	\$0
TOTAL	\$42,232,308	\$52,690,293	\$52,887,840	\$52,887,840	\$0	\$0	\$0

	Actual FY 2004	Final Legislative Approved FY 2005	Children's Cabinet Rec. FY 2005	Gov. Rec. FY 2005	House Committee Adjustments FY 2005	Senate Committee Adjustments FY 2005	Conference Committee Adjustments FY 2005
Beginning Balance	\$2,589,146	\$3,199,475	\$3,199,475	\$3,199,475	\$3,199,475	\$3,199,475	\$3,199,475
Released Encumbrances	253,889	0	0	0	0	0	0
KEY Fund Transfer	42,588,748	51,135,585	51,135,585	51,135,585	51,135,585	51,135,585	\$51,135,585
Total Available	\$45,431,783	\$54,335,060	\$54,335,060	\$54,335,060	\$54,335,060	\$54,335,060	\$54,335,060
Less: Expenditures and Transfers	42,232,308	52,690,293	52,887,840	52,887,840	52,887,840	52,887,840	\$52,887,840
ENDING BALANCE	\$3,199,475	\$1,644,767	\$1,447,220	\$1,447,220	\$1,447,220	\$1,447,220	\$1,447,220

a) Section 101(c) of Chapter 123 of the 2004 Session Laws includes language which requires expenditures of \$250,000 for smoking cessation/avoidance for pregnant women and \$200,000 for the Infants and Toddlers program (Tiny K), which are both administered by the Department of Health and Environment.

b) Increases reflect reappropriations from FY 2004.

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ATTACHMENT 7

Children's Initiatives Fund

FY 2006

Conference Committee Adjustments

Agency/Program	Children's Cabinet Rec. FY 2006	Gov. Rec. FY 2006	House Committee Adjustments FY 2006	Senate Committee Adjustments FY 2006	Conference Committee Adjustments FY 2006
Department of Health and Environment					
Healthy Start/Home Visitor	\$250,000	\$250,000	\$0	\$0	\$0
Infants and Toddlers Program (Tiny K)	800,000	800,000	0	0	0
Smoking Cessation/Prevention Program Grants	500,000	500,000	0	0	0
Subtotal - KDHE	\$1,550,000	\$1,550,000	\$0	\$0	\$0
Juvenile Justice Authority					
Juvenile Prevention Program Grants	\$5,414,487	\$5,414,487	\$0	\$0	\$0
Juvenile Graduated Sanctions Grants	3,585,513	3,585,513	0	0	0
Subtotal - JJA	\$9,000,000	\$9,000,000	\$0	\$0	\$0
Department of Social and Rehabilitation Services					
Children's Mental Health Initiative	\$3,800,000	\$3,800,000	\$0	\$0	\$0
Family Centered System of Care	5,000,000	5,000,000	0	0	0
Therapeutic Preschool	1,000,000	1,000,000	0	0	0
Community Services - Child Welfare	3,492,101	3,492,101	0	0	0
Child Care Services	1,400,000	1,400,000	0	0	0
Children's Cabinet Accountability Fund	541,802	541,802	0	0	0
HealthWave (SCHIP portion)	2,000,000	2,000,000	0	0	0
Smart Start Kansas - Children's Cabinet	8,895,491	8,895,491	(10,043) b	(5,451) a, b	(7,663) a, b
Children's Medicaid Increases	3,000,000	3,000,000	0	0	0
Immunization outreach	500,000	500,000	0	0	0
Family Preservation	2,957,899	2,957,899	0	0	0
Grants to CMHCs to develop children's programs	0	0	0	0	0
School Violence Prevention	228,000	228,000	0	0	0
Children's Cabinet Administration	0	0	0	0	0
Attendant Care for Independent Living (ACIL) program	50,000	50,000	0	0	0
Subtotal - SRS	\$32,865,293	\$32,865,293	(\$10,043) c	(\$5,451)	(\$7,663) c
Department of Education					
Parent Education	\$2,500,000	\$2,500,000	\$0	\$0	\$0
Four-Year -Old At-Risk Programs	5,504,045	5,504,045	(1,004,045)	0	(200,000)
Vision Research	300,000	300,000	0	0	0
Special Education	1,225,000	1,225,000	0	0	0
Subtotal - Dept. of Ed.	\$9,529,045	\$9,529,045	(\$1,004,045)	\$0	(\$200,000)
University of Kansas Medical Center					
Tele-Kid Health Care Link	\$250,000	\$250,000	\$0	\$0	\$0
Subtotal - KU Medical Center	\$250,000	\$250,000	\$0	\$0	\$0
Transfer to State General Fund	\$0	\$0	\$0	\$0	\$0
TOTAL	\$53,194,338	\$53,194,338	(\$1,014,088)	(\$5,451)	(\$207,663)

	Children's Cabinet Rec. FY 2006	Gov. Rec. FY 2006	House Committee Adjustments FY 2006	Senate Committee Adjustments FY 2006	Conference Committee Adjustments FY 2006
Beginning Balance	\$1,447,220	\$1,447,220	\$1,447,220	\$1,447,220	\$1,447,220
Released Encumbrances	0	0	0	0	0
KEY Fund Transfer	51,747,118	51,747,118	51,747,118	51,747,118	51,747,118
Total Available	\$53,194,338	\$53,194,338	\$53,194,338	\$53,194,338	\$53,194,338
Less: Expenditures and Transfers	53,194,338	53,194,338	52,180,250	53,188,887	\$52,986,675
ENDING BALANCE	\$0	\$0	\$1,014,088	\$5,451	\$207,663

a) The recommendation includes proviso language which requires expenditures of \$200,000 for the Infants and Toddlers program (Tiny K), administered by the Department of Health and Environment .

b) The reduction reflects pay plan, 27th payroll period, and KPERS death and disability adjustments.

c) These funds may be transferred as part of the \$7.8 million transfer from special revenue funds to the State General Funds from amounts not required for the pay plan, KPERS death and disability rate increase, and 27th pay period.

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State Water Plan Fund: FY 2005

Agency/Program	Governor's Rec. FY 2005	Conf. Cmte. Adj. FY 2005	Conference Rec. FY 2005
Department of Health and Environment			
Contamination Remediation	989,107	0	989,107
TMDL Initiatives	297,004	0	297,004
Local Environmental Protection Program	1,502,737	0	1,502,737
Nonpoint Source Program	403,818	0	403,818
WRAPs	0	0	0
Total--Department of Health and Environment	3,192,666	0	3,192,666
University of Kansas--Geological Survey	40,000	0	40,000
Department of Agriculture			
Floodplain Management	66,767	0	66,767
Interstate Water Issues	247,995	0	247,995
Subbasin Water Resources Management	489,205	0	489,205
Water Appropriations Subprogram	181,749	0	181,749
Water Use	59,781	0	59,781
Total--Department of Agriculture	1,045,497	0	1,045,497
State Conservation Commission			
Water Resources Cost Share	4,120,805	0	4,120,805
Nonpoint Source Pollution Asst.	3,007,653	0	3,007,653
Aid to Conservation Districts	1,043,000	0	1,043,000
Watershed Dam Construction	435,576	0	435,576
Water Quality Buffer Initiative	424,139	0	424,139
Riparian and Wetland Program	270,196	0	270,196
Multipurpose Small Lakes	0	0	0
Irrigation Transition/Water Rights Purchase	0	0	0
Total--Conservation Commission	9,301,369	0	9,301,369
Kansas Water Office			
Assessment and Evaluation	218,078	0	218,078
Federal Cost-Share Programs	72,094	0	72,094
GIS Data Base Development	247,405	0	247,405
MOU - Storage Operations and Maintenance	450,151	0	450,151
Ogallala Aquifer Institute	0	0	0
PMB Loan Payment for Storage	240,036	0	240,036
Public Information	0	0	0
Stream Gauging Program	392,296	0	392,296
Technical Assistance to Water Users	180,131	0	180,131
Water Planning Process	313,205	0	313,205
Water Resource Education	39,690	0	39,690
Weather Modification	120,000	0	120,000
Kansas Water Authority	37,384	0	37,384
Water Marketing Unfunded Liability	0	0	0
Total--Kansas Water Office	2,310,470	0	2,310,470
Department of Wildlife and Parks			
Circle K Ranch Debt Service	0	0	0
State Park No. 24	0	0	0
Stream (Biological) Monitoring	0	0	0
Total--Department of Wildlife and Parks	0	0	0
Total Water Plan Expenditures	15,890,002	0	15,890,002

State Water Plan Resource Estimate	Governor's Rec. FY 2005	Conf. Cmte. Adj. FY 2005	Conference Rec. FY 2005
Beginning Balance	1,999,989	0	1,999,989
Adjustments			
Prior Year Recovery	0	0	0
Transfer to Kansas Corporation Commission	(667,000)	0	(667,000)
Revenues			
State General Fund Transfer	3,748,839	0	3,748,839
Economic Development Fund Transfer	2,000,000	0	2,000,000
Municipal Water Fees	3,500,000	0	3,500,000
Industrial Water Fees	1,200,000	0	1,200,000
Stock Water Fees	315,000	0	315,000
Pesticide Registration Fees	890,000	0	890,000
Fertilizer Registration Fees	2,940,000	0	2,940,000
Pollution Fines and Penalties	30,000	0	30,000
Sand Royalty Receipts	240,000	0	240,000
Total Receipts	14,196,839	0	14,196,839
Total Available	16,196,828		
Less Expenditures	15,890,002		
Ending Balance	306,826		

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ATTACHMENT 8

State Water Plan Fund: FY 2006

Agency/Program	Governor's Rec. FY 2006	Conf. Cmte. Adj. FY 2006	Conference Rec. FY 2006
Department of Health and Environment			
Contamination Remediation	983,867	0	983,867
TMDL Initiatives	323,338	0	323,338
Local Environmental Protection Program	1,502,737	0	1,502,737
Nonpoint Source Program	385,975	0	385,975
WRAPs	800,000	0	800,000
Total--Department of Health and Environment	3,995,917	0	3,995,917
University of Kansas--Geological Survey	40,000	0	40,000
Department of Agriculture			
Floodplain Management	68,773	(1,921)	66,852
Interstate Water Issues	254,986	(6,127)	248,859
Subbasin Water Resources Management	554,369	(13,687)	540,682
Water Appropriations Subprogram	187,925	(6,176)	181,749
Water Use	60,018	0	60,018
Total--Department of Agriculture	1,126,071	(27,911)	1,098,160
State Conservation Commission			
Water Resources Cost Share	3,495,218	0	3,495,218
Nonpoint Source Pollution Asst.	2,799,520	0	2,799,520
Aid to Conservation Districts	1,044,000	0	1,044,000
Watershed Dam Construction	352,499	0	352,499
Water Quality Buffer Initiative	307,157	0	307,157
Riparian and Wetland Program	249,782	0	249,782
Multipurpose Small Lakes	0	0	0
Irrigation Transition/Water Rights Purchase	1,310,000	(1,310,000)	0
Total--Conservation Commission	9,558,176	(1,310,000)	8,248,176
Kansas Water Office			
Assessment and Evaluation	650,602	0	650,602
Federal Cost-Share Programs	0	0	0
GIS Data Base Development	247,405	0	247,405
MOU - Storage Operations and Maintenance	409,132	0	409,132
Ogallala Aquifer Institute	0	0	0
PMIB Loan Payment for Storage	237,945	0	237,945
Public Information	0	0	0
Stream Gauging Program	392,296	0	392,296
Technical Assistance to Water Users	246,150	0	246,150
Water Planning Process	313,205	0	313,205
Water Resource Education	60,000	0	60,000
Weather Modification	120,000	0	120,000
Kansas Water Authority	37,384	0	37,384
Water Marketing Unfunded Liability	0	0	0
Total--Kansas Water Office	2,714,119	0	2,714,119
Department of Wildlife and Parks			
Circle K Ranch Debt Service	0	0	0
State Park No. 24	115,000	(115,000)	0
Stream (Biological) Monitoring	40,000	0	40,000
Total--Department of Wildlife and Parks	155,000	(115,000)	40,000
Total Water Plan Expenditures	17,589,283	(1,452,911)	16,136,372

State Water Plan Resource Estimate	Governor's Rec. FY 2006	Conf. Cmte. Adj. FY 2006	Conference Rec. FY 2006
Beginning Balance	306,826	0	306,826
Adjustments			
Prior Year Recovery	936,879	0	936,879
Transfer to Kansas Corporation Commission	(400,000)	0	(400,000)
Revenues			
State General Fund Transfer	6,000,000	(925,000)	5,075,000
Economic Development Fund Transfer	2,000,000	0	2,000,000
Municipal Water Fees	3,334,000	0	3,334,000
Industrial Water Fees	1,100,000	0	1,100,000
Stock Water Fees	357,000	0	357,000
Pesticide Registration Fees	901,000	0	901,000
Fertilizer Registration Fees	2,856,000	0	2,856,000
Pollution Fines and Penalties	45,000	0	45,000
Sand Royalty Receipts	211,000	0	211,000
Total Receipts	16,804,000	(925,000)	15,879,000
Total Available	17,647,705	(925,000)	16,722,705
Less Expenditures	17,589,283	(1,452,911)	16,136,372
Ending Balance	58,422	527,911	586,333

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**Economic Development Initiatives Fund
FY 2005**

Agency/Program	Governor's Recommendation FY 2005	House Adjustments FY 2005	Senate Adjustments FY 2005	Conference Adjustments FY 2005
Department of Commerce				
Operating Grant	\$ 15,355,387	\$ -	\$ -	\$ -
Older Kansans Employment Program	239,430	-	-	-
Kansas Economic Opportunity Initiative Fund	3,225,000	-	-	-
Kansas Existing Industry Expansion Program	300,000	-	-	-
Subtotal - Commerce	\$ 19,119,817	\$ -	\$ -	\$ -
Kansas Technology Enterprise Corporation				
Operations	1,656,310	\$ -	\$ 125,000	\$ -
University & Strategic Research	\$ 5,711,372	-	-	-
Commercialization	1,454,494	-	-	-
Mid-America Manuf. Tech. Center (MAMTC)	1,533,177	-	-	-
Product Development	1,468,030	-	-	-
Subtotal - KTEC	\$ 11,823,383	\$ -	\$ 125,000	\$ -
Kansas, Inc.				
Operations	\$ 315,906	\$ -	\$ -	\$ -
Board of Regents				
Tech. Innovation & Internship Prog. - AVTS	\$ 183,945	\$ -	\$ -	\$ -
Post-secondary Aid - AVTS	6,957,162	-	-	-
Capital Outlay - AVTS	2,565,000	-	-	-
KSU - ESARP	300,000	-	-	-
Wichita State University - Aviation Research	2,120,835	-	-	-
Subtotal - Regents	\$ 12,126,942	\$ -	\$ -	\$ -
Kansas Arts Commission				
Other Assistance	\$ 35,000	\$ -	\$ -	\$ -
Kansas Water Office				
Project Water Education for Teachers	\$ 10,000	\$ -	\$ -	\$ -
State Water Plan Fund Transfer	\$ 2,000,000	\$ -	\$ -	\$ -
Budget Efficiency & Savings Team Transfers	\$ 106,760	\$ -	\$ -	\$ -
ENDING BALANCE	\$ 45,537,808	\$ -	\$ 125,000	\$ -

EDIF Resource Estimate	Governor's Recomm.	Conference Recomm.	Omnibus Recomm.	Conference Recomm.
Beginning Balance	\$ 2,974,689	\$ 2,974,689	\$ 2,974,689	\$ 2,974,689
Gaming Revenues	42,432,000	42,432,000	42,432,000	42,432,000
Other Income*	300,000	300,000	300,000	300,000
Total Available	\$ 45,706,689	\$ 45,706,689	\$ 45,706,689	\$ 45,706,689
Less: Expenditures and Transfers	45,537,808	45,537,808	45,662,808	45,537,808
ENDING BALANCE	\$ 168,881	\$ 168,881	\$ 43,881	\$ 168,881

* Other income includes interest, transfers, reimbursements and released encumbrances.

**Economic Development Initiatives Fund
FY 2006**

Agency/Program	Governor's Recommendation FY 2006	House Adjustments FY 2006	Senate Adjustments FY 2006	Conference Adjustments FY 2006
Department of Commerce				
Operating Grant	\$ 15,665,118	\$ (279,467)	\$ (178,000)	\$ (243,869) ¹
Older Kansans Employment Program	239,430	-	-	-
Kansas Economic Opportunity Initiative Fund	3,000,000	-	-	-
Kansas Existing Industry Expansion Program	-	-	-	-
Subtotal - Commerce	\$ 18,904,548	\$ (279,467)	\$ (178,000)	\$ (243,869) ¹
Kansas Technology Enterprise Corporation				
Operations	1,671,984	\$ (99,471)	\$ (63,330)	\$ (86,796) ¹
University & Strategic Research	\$ 5,550,950	-	-	-
Commercialization	1,715,082	-	-	-
Mid-America Manuf. Tech. Center (MAMTC)	1,586,478	-	-	-
Product Development	1,386,562	\$ -	-	-
Subtotal - KTEC	\$ 11,911,056	\$ (99,471)	\$ (63,330)	\$ (86,796) ¹
Kansas, Inc.				
Operations	\$ 382,615	\$ (12,541)	\$ (7,997)	\$ (10,941) ¹
Board of Regents				
Tech. Innovation & Internship Prog. - AVTS	\$ 180,500	\$ -	\$ -	\$ -
Post-secondary Aid - AVTS	6,957,162	-	-	-
Capital Outlay - AVTS	2,565,000	-	-	-
KSU - ESARP	-	300,000	-	300,000
Wichita State University - Aviation Research	-	-	-	-
Subtotal - Regents & Universities	\$ 9,702,662	\$ 300,000	\$ -	\$ 300,000
State Conservation Commission				
Wind Energy Conservation Easements	\$ 300,000	\$ (300,000)	\$ -	\$ (300,000)
State Water Plan Fund Transfer				
	\$ 2,000,000.00	\$ -	\$ -	\$ -
ENDING BALANCE	\$ 43,200,881	\$ (391,479)	\$ (249,327)	\$ (341,606)

EDIF Resource Estimate	Governor's Recomm.	House Recomm.	Senate Recomm.	Conference Recomm.
Beginning Balance	168,881	168,881	168,881	168,881
Gaming Revenues	42,432,000	42,432,000	42,432,000	42,432,000
Export Loan Guarantee Fund	-	-	-	-
Other Income*	637,261	637,261	637,261	637,261
Total Available	43,238,142	\$ 43,238,142	\$ 43,238,142	\$ 43,238,142
Less: Expenditures and Transfers	43,200,881	42,809,402	42,951,554	42,859,275
ENDING BALANCE	37,261	\$ 428,740	\$ 286,588	\$ 378,867 ²

* Other income includes interest, transfers, reimbursements and released encumbrances.

¹ The entire adjustment is a result of changes to the recommended 27th payroll period, base salary adjustment and death and disability payments.

² These funds may be transferred as part of the \$7.8 million transfer from special revenue funds to the State General Funds from amounts not required from the pay plan, KPERS death and disability rate increase, and 27th pay period.