

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:30 A.M. on January 21, 2005 in Room 123-S of the Capitol.

Committee members absent: Senator Jay Emler- excused
Senator Jean Schodorf- excused

Committee staff present:

Jill Wolters, Senior Assistant, Revisor of Statutes
Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Leah Robinson, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Matt Spurgin, Kansas Legislative Research Department
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee: none

Others attending: See attached list

Chairman Umbarger welcomed J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department, who continued a briefing on the Reports of the Joint Committee on Legislative Budget to the Kansas Legislature ([Attachment 1](#)). Mr. Scott referred to page 14 of the report and continued the briefing.

Senator Barone asked if the standing tax committees have had an opportunity to study the issue of declining privilege tax revenues to the State General Fund regarding the interim Legislative Budget Committee recommendation that these committees study this issue during the 2005 Legislative Session. Emphasis was placed on the effect that the growth of Subchapter S corporations in the banking industry may have on the matter. Mr. Scott responded that he will contact the staff of the tax committees to be sure that the item is brought to their attention. In regard to discussion about the Wichita Aviation Research Initiative, Senator Morris gave a suggestion that someone from the aviation industry come to the committee with an update on what is being done at Wichita. Chairman Umbarger requested information regarding comparing actual costs on dollars spent following the elimination of the state motor pool and the current Vehicle Rental Contract. Mr. Scott explained that there has been difficulty regarding miles driven in the state contract to getting information just on the amount of money spent and comparing mileage and cost from the Kansas Department of Administration. Staff will report on findings. Senator Schmidt requested including information regarding the logistics as to what it is doing to the agencies' ability to have transportation.

Mr. Scott presented a staff overview of the State Budget Process and referred to a handout provided by the Kansas Legislative Research Department titled, "Money, Money, Money" dated January 21, 2005 ([Attachment 2](#)). The following information was highlighted:

- Budget Terminology
- Major Purpose of Expenditure (Definitions)
- Functions of Government (Definitions)
- State Budget Process
- Players in the Process
- State Agencies
- Role of the Governor
- Governor's Recommendations
- Appropriations
- Committees
- Role of Subcommittees
- Full Committee Consideration of Budgets

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:30 A.M. on January 21, 2005 in Room 123-S of the Capitol.

- Full Chamber Consideration
- Conference Committee Process
- Vetoes on Appropriations Bills
- Omnibus Bill
- Omnibus Process
- Consensus Estimating
- Consensus Revenue Estimating
- Ending Balance
- State Finance Process

Mr. Scott provided sample information on the Kansas Legislative Research Department Budget Analysis, bill explanations for the House and Senate and conference committee (Attachment 3).

The meeting adjourned at 11:25 a.m. The next meeting is scheduled for January 24, 2005.

Reports of the
Joint Committee on Legislative Budget
to the
2005 Kansas Legislature

CHAIRPERSON: Senator Stephen Morris

VICE-CHAIRPERSON: Representative Melvin Neufeld

OTHER MEMBERS: Senators Henry Helgerson and Dave Kerr; and Representatives Bill Feuerborn, Dean Newton, and Clark Shultz

STUDY TOPICS

Billing and Payment Practices of EDS as the Medicaid Fiscal Agent

Coordination and Communication of State Budget Information

Higher Education Block Grant Funding

Impact on Kansas of the Medicare Prescription Drug Improvement
and Modernization Act of 2003

Long-Term Care Funding Issues

Regents Southwest Kansas Access Project

State General Fund

Use of State Building Funds to Pay Insurance for State Buildings

Utilization and Viability of the Schools for the Blind and Deaf

December 2004

Senate Ways and Means
1-21-05
Attachment 1

Legislative Budget Committee

BILLING AND PAYMENT PRACTICES OF ELECTRONIC DATA SYSTEMS AS THE MEDICAID FISCAL AGENT

CONCLUSIONS AND RECOMMENDATIONS

The Committee reviewed this item as requested by the Legislative Coordinating Council and makes no specific recommendations on the topic.

Proposed Legislation: None.

BACKGROUND

The Legislative Coordinating Council directed the Legislative Budget Committee to review the performance of Electronic Data Systems (EDS) as the Medicaid fiscal agent for the Department of Social and Rehabilitation Services (SRS) and study the EDS billing process for Medicaid claims and how timely payment is being made for those services by EDS.

The change from the Blue Cross/Blue Shield Medicaid Management Information System (MMIS) to the newly designed EDS MMIS occurred in October of 2003. The new MMIS met the Health Insurance Portability and Accountability Act (HIPAA) regulations and changed many procedure codes to the new national standard coding system. The agency indicated that implementation of issues for the new system included system defects that affected claims processing, continuing provider education on the system, and technology issues where providers have not updated their computers or software to versions compatible with the new MMIS.

EDS provided workshops statewide prior to implementation of the new system. They also continue to assist providers as needed, including conducting on-site visits to providers' offices to assist with billing issues. In addition, with the implementation of the interChange MMIS, the Kansas Medical Assistance Program (KMAP) now has a tool to publish global messages to the provider

community over the Internet. This is updated on a weekly basis. KMAP also uses the web to publish provider bulletins, provider manuals, and corresponding updates.

SRS asked EDS to formulate a detailed plan regarding moving the process forward. EDS added resources and has corrected all of the identified critical payment issues as of October 31. EDS has also identified claims in need of reprocessing and is expected to complete all clean up activities by the end of November. EDS will not ask providers to resubmit claims except in very rare circumstances. Progress under the plan is monitored weekly and resources are adjusted accordingly to meet the deadlines.

The project is currently on budget. SRS' contract with EDS runs through FY 2008 with five one-year options extending beyond that point. The cost of the contract for FY 2005 is \$31.9 million. The additional resources to maintain the implementation level of staffing has been provided by EDS at no additional cost. Rather than SRS assessing damages to EDS for non-performance, EDS agreed to apply additional resources to stabilize the Kansas MMIS system. Due to the issues surrounding claims payment, EDS has maintained more than 100 additional system engineering and analysis staff at the same rate in order to meet its contractual obligations.

SRS expects EDS to complete the stabilization process so the agency is totally satisfied with the system and the system is

certified by the Centers for Medicare and Medicaid Services (CMS). The certification review is scheduled to begin on November 30 and the agency anticipates a final report by March 2005.

COMMITTEE ACTIVITIES

The Director of Medical Policy/Medicaid from the Kansas SRS provided information regarding the billing and payment practices of EDS as the Medicaid fiscal agent. He noted that, while SRS and EDS continue to work with all provider groups, dental providers have had particular problems that have received special attention.

The Executive Director of Four County Mental Health Center, Independence, Kansas, representing the Association of Community Mental Health Centers of Kansas, provided testimony regarding Medicaid claims processing problems that have been experienced. He indicated that the Association believes, with the help of SRS and EDS, they have been able to closely identify all existing problems. He indicated that one of the major challenges has been to learn the source of the various problems and the responsible party for addressing the problems. These challenges appear to be the following:

1. Technical defects requiring EDS to reprogram, alter, or correct the manner in which claims are being processed;
2. Policy issues requiring SRS to develop, refine, or update policies which are affecting the way claims are being processed; and
3. System modifications or enhancements requiring EDS to insure that claims are processed consistently with the intent and purpose of SRS policy.

The Associate Director of InterHab addressed impacts on community disability service providers from the State's new MMIS,

as implemented by EDS. He highlighted the following difficulties:

- Slow processing by EDS, resulting in difficulties for providers.
- Double reporting by EDS, hampering resource management.
- Inaccurate reporting by EDS, causing difficulties for the State in resource management.

He asked the Committee to assist SRS in enforcing its contractual agreement with EDS. He asked that a time frame be put in place for correction of difficulties within the MMIS with a goal that a report of successful resolution of MMIS difficulties be delivered to the 2005 Legislature before the end of the session.

The Executive Director of the Kansas Pharmacists Association (KpHA) spoke about Medicaid claims processing under the new EDS contract. He indicated that KpHA member pharmacists have been largely satisfied with the performance of the new EDS system.

The Executive Director of Southeast Kansas Independent Living detailed information regarding experiences her facility has had regarding submitting Medicaid services billing and also provided some suggestions on ways to address some of these issues. She suggested increasing communications, manpower, and training.

The Committee also toured the EDS facility in Topeka, and received information from the company regarding its operations and activities.

CONCLUSIONS AND RECOMMENDATIONS

The Committee reviewed this item as requested by the Legislative Coordinating Council and makes no specific recommendations on the topic.

Legislative Budget Committee

COORDINATION AND COMMUNICATION OF STATE BUDGET INFORMATION

CONCLUSIONS AND RECOMMENDATIONS

After reviewing this item, a majority of the Committee is concerned with the format in which the *Governor's Budget Report* has been submitted to the Legislature in the last two budget cycles, and concludes that it is important that a complete budget, with a "current services" component, be submitted to the Legislature for review. Nothing in this recommendation would prohibit the Governor from proposing enhanced revenue and spending measures along with a budget that conforms with statute.

Proposed Legislation: None.

BACKGROUND

The Legislative Coordinating Council directed the Legislative Budget Committee to "review the coordination and communication of state budget information between the Executive Branch and Legislative Branch to minimize any differences or discrepancies when comparing budgetary information, study the timely reporting of State General Fund revenues to the Legislature, and review compliance with the State General Fund Ending Balance statute."

COMMITTEE ACTIVITIES

Staff presented the Committee with information on the 1990 Omnibus Reconciliation Spending Limit Bill including provisions for a 7.5 percent State General Fund ending balance. In addition, information was presented regarding statutory provisions requiring the Governor to submit, and the Legislature to enact, a budget with a 7.5 percent ending balance. Historical information on the methods utilized by Governors to submit their budget recommendations to the Legislature was also presented.

A majority of the Committee members expressed concern with the fact that for the

last two years, the *Governor's Budget Report* may have complied with the letter of the law, but not with the spirit of the law. Concerns were raised that the actual budget detail bore no relationship to a budget with a 7.5 percent ending balance.

The Director of the Division of the Budget appeared before the Committee to discuss the topic. He noted that during the past several years there have been extraordinary budget situations, and while the submitted budget may not have met the statutory ending balance, it represented a more realistic path to take in crafting a budget for state agencies.

The Director of Taxation of the Kansas Department of Revenue provided an update regarding timely reporting of State General Fund tax receipts. He explained that the department deposits tax receipts with the State Treasurer on a daily basis, generally by 3:00 p.m. each day. In response to a specific question regarding reporting of State General Fund receipts in May 2004, he responded that the tax receipts report was not made in a timely manner at that time due to staff vacations over the Memorial Day holiday. He assured the Committee that additional Department of Revenue employees have been trained to do the work involving the tax revenue reporting each month and the delay will not occur again.

CONCLUSIONS AND RECOMMENDATIONS

After reviewing this item, a majority of the Committee is concerned with the format in which the *Governor's Budget Report* has been submitted to the Legislature in the last two budget cycles, and concludes that it is

important that a complete budget, with a "current services" component, be submitted to the Legislature for review. Nothing in this recommendation would prohibit the Governor from proposing enhanced revenue and spending measures along with a budget that conforms with statute.

Legislative Budget Committee

HIGHER EDUCATION BLOCK GRANT FUNDING

CONCLUSIONS AND RECOMMENDATIONS

While the Committee makes no recommendation at this time, it expresses great concern over certain aspects of higher education funding. The current block grant system creates a disparity for the University of Kansas Medical Center (KUMC) and Kansas State University—Extension Systems and Agriculture Research Programs (KSU-ESARP). The current budget situation is made worse because neither of these institutions is able to generate additional tuition revenue to offset reductions in state funding. The technical colleges are also affected disproportionately due to their heavy reliance on state funding and their limited access to other funding sources.

Proposed Legislation: None.

BACKGROUND

The Legislative Coordinating Council directed the Legislative Budget Committee to conduct a review of “higher education funding that would include operating block grants and the funding mix between State General Fund support and student tuition revenues.”

The 2001 Legislature approved, in SB 345, a change to an operating, or “block,” grant system of appropriating funds to the state universities. There would be only one State General Fund line item appropriation with unlimited reappropriation authority rather than the multiple line items previously appropriated. The change was made to provide the universities with greater flexibility in managing their budgets.

COMMITTEE ACTIVITIES

A representative of the Kansas Board of Regents provided the Committee with background information on the implementation of the block grant. The conferee also noted several concerns regarding the current status of the block grant system:

- The grants are subject to statewide budget reductions, but do not receive funding for increased employer costs

such as health insurance and mandatory employee salary increases as other state agencies do;

- There have been no increases since FY 2001 for operational costs of new buildings; and
- Budget reductions disproportionately affect some of the universities due to their inability to generate additional tuition revenue or to maintain an appropriate mix of state and tuition funding.

Representatives from the University of Kansas and KSU-ESARP testified to the Committee concerning the unique issues of KUMC and ESARP. These institutions have limited or no enrollment and, as a result, reductions in state funding have a greater impact than at the other universities.

The Director of the Budget briefed the Committee on the operating grant from a budgetary standpoint. He noted that any increase in the block grant is typically appropriated to the Board of Regents which then allocates the additional funding to the individual universities.

In addition to studying the block grant for state universities, the Committee discussed

funding for higher education as a whole. The President of Hutchinson Community College discussed the state operating grant for community colleges. He noted that the failure of the state to adequately fund community colleges has resulted in an increased level of support from local property taxes in those counties that have a community college. Even though a feature of SB 345 is dedication of state resources to the reduction of property taxes, and even though property tax mill levies were reduced in the first two years after passage of the bill, mill levies have increased dramatically since that time and now are higher than they were before SB 345 was implemented.

A representative from Washburn University noted that the institution is funded mainly from student tuition, local sales tax, and a state operating grant. The statutory formula for the operating grant is the same as that used for the community colleges and is tied to the State General Fund appropriation for lower division students at the regional universities and enrollment. The conferee also stated that the current level of state funding for Washburn is at approximately 45 percent of the lower division funding at the regional universities rather than the 65 percent set out in statute and close to the level of funding in FY 1999.

The President of North Central Technical College provided the Committee with information concerning the history of funding of technical colleges. The current statutory funding of 85 percent of local costs was passed in 1983. The state has not fully funded this formula in recent years and, as a result, the Legislature authorized the technical colleges to raise tuition above the 15 percent set out in the formula. The conferee noted two issues facing the technical colleges: the limited funding sources since the technical colleges have no taxing authority, and the cost of providing adult basic education.

CONCLUSIONS AND RECOMMENDATIONS

While the Committee makes no recommendation at this time, it expresses great concern over certain aspects of higher education funding. The current block grant system creates a disparity for KUMC and KSU-ESARP. The current budget situation is made worse because neither of these institutions is able to generate additional tuition revenue to offset reductions in state funding. The technical colleges also are affected disproportionately due to their heavy reliance on state funding and their limited access to other funding sources.

Legislative Budget Committee

IMPACT ON KANSAS OF THE MEDICARE PRESCRIPTION DRUG IMPROVEMENT AND MODERNIZATION ACT OF 2003

CONCLUSIONS AND RECOMMENDATIONS

The Committee reviewed this item and notes with concern the potential effect of the clawback provision on the Medicaid budget. In addition, the Committee expresses concern with the anticipated "woodwork effect" (the idea that a new program will result in the enrollment of persons in Medicaid who are not currently enrolled) which may increase Medicaid caseloads in the future.

Proposed Legislation: None.

BACKGROUND

The Legislative Coordinating Council assigned the topic of monitoring the impact on Kansas of the federal Medicare Prescription Drug Improvement and Modernization Act of 2003. Specifically, the Committee was charged to "review the impact of the new federal prescription drug program on Kansas, including: the federally required monthly state maintenance of effort payments; any possible additional state administrative costs associated with the new program; potential impact on the Kansas HealthWave Program and the Senior Pharmacy Assistance Program; the ability of Medicare beneficiaries to choose the most beneficial drug card plan; and the potential impact on the state as a result of further changes to the federal program."

COMMITTEE ACTIVITIES

Staff presented the Committee with an overview of Medicare Part D. The overview included detail regarding Medicare and Medicaid eligibility, Medicare Part D, low income assistance, financing of Medicare Part D, and Implications for the State of Kansas. Staff also distributed copies of the Kaiser Family Foundation report on the subject. In addition, copies of a time line for Medicare Part D was distributed by staff.

Staff noted that one of the main concerns for Kansas and other states would be the implications of clawback provisions in FY 2006. The concern is the accuracy of trending forward 2003 prescription drug requirements to 2006 by the growth in national per capita prescription drug expenditures. Starting in 2007, per capita growth in Part D spending will be used. There is concern that these numbers may not accurately reflect measures implemented to control state drug costs during and after 2003.

The Secretary of the Department on Aging (KDOA) provided information regarding the impact of the program on Kansas senior citizens. She explained that the implementation of Medicare Part D in January 2006 will have a significant impact on seniors who currently use the Kansas Senior Pharmacy Assistance Program (KsPAP) because KsPAP will be suspended on the day upon which payments commence under any federal law as directed in KSA 75-5961. She noted that KDOA is concerned about the impact this transition will have on low-income seniors in Kansas. KDOA is participating in the Health and Human Services Cabinet Team's Steering Committee on the Medicare Modernization Act to examine the issue and explore options.

The Secretary also addressed a concern that while the Centers for Medicare and Medicaid Services (CMS) will be planning an information campaign around Medicare Part D, many seniors may not be aware of the new benefit, or will not understand it. KDOA plans to notify KsPAP participants of the program's sunset provision when they mail KsPAP applications in April and September 2005. They are exploring ways to inform all senior citizens of their options for prescription drug coverage. KDOA has applied for a grant through CMS to assist in these efforts.

A representative of Health Group and Hogan and Hartson L.L.P., Washington, D.C., provided a presentation on Medicare Part D and its impact on Kansas. She noted that the top spenders in residual Medicaid prescription drug expenditures are in the aged and disabled group and this group comprises 90 percent of national Medicaid payments for prescriptions. She also noted that 59 percent of Kansas Medicaid drug payments are for dual eligibles. She also noted that the Kaiser Family Foundation indicates that Kansas had 39,000 full benefit dual eligibles in 2002.

The Director of Medical Policy and Medicaid of the Department of Social and Rehabilitation Services provided information on the program's impact on Kansas. He addressed a number of concerns including

dual eligibles, the "clawback," provisions, eligibility for subsidies, a potential "woodwork effect," restrictive formularies and wrap-around coverage. The agency estimates that the clawback for Kansas in Federal Fiscal Year (FFY) 2006 will be \$42.0 million. Although the clawback is \$4.7 million less than estimated expenditures for FFY 2006 without Medicare Part D, the agency estimates that the "woodwork effect" will result in additional expenditures in the Medicaid Program of \$7.2 million, resulting in a net increase in expenditures of \$2.6 million. He stressed that these numbers are preliminary estimates and indicated that more information on specifics of the program will come as rules and regulations are established and the process proceeds.

CONCLUSIONS AND RECOMMENDATIONS

The Committee reviewed this item and notes with concern the potential effect of the clawback provision on the Medicaid budget. In addition, the Committee expresses concern with the anticipated "woodwork effect" (the idea that a new program will result in the enrollment of persons in Medicaid who are not currently enrolled) which may increase Medicaid caseloads in the future.

Legislative Budget Committee

LONG-TERM CARE FUNDING ISSUES

CONCLUSIONS AND RECOMMENDATIONS

The Committee recommends that the Senate Ways and Means and House Appropriations Committees, during the 2005 Legislative Session, consider the proposals offered by the conferees appearing on this topic.

In addition, the Committee recommends the possible appointment of a select committee, should the 2005 Legislature deem it necessary, to address long-term care issues.

Proposed Legislation: None.

BACKGROUND

The Legislative Coordinating Council directed the Legislative Budget Committee to study long-term care funding issues, such as cost reimbursement and the effectiveness of rebasing nursing facility costs, provider assessments for nursing facilities, including a review of the cost basis in the current rate methodology, projected agency budget growth, and current funding and recommendations for funding changes, including a possible redefinition of nursing facilities.

COMMITTEE ACTIVITIES

Staff presented an overview of the current nursing facility reimbursement methodology. The 2003 Legislature instructed the Secretary of Aging, through a proviso in the appropriations bill, to implement a base year model for reimbursement to nursing facilities. The Legislature further instructed that the base year to be utilized by the Department would be calendar year (CY) 2001 and that annual increases could be made by the Department on Aging to account for inflation. A similar proviso was included by the 2004 Legislature, which maintained the base year for cost reimbursement to nursing facilities as CY 2001.

The Secretary of the Kansas Department on Aging presented a review of cost

reimbursement actions taken by the Department, the cost basis in the current rate methodology, projected agency budget growth, and current activities that are redefining nursing facilities.

The Director of Community Supports and Services of the Kansas Department of Social and Rehabilitation Services (SRS) presented information regarding two of the private institutional programs SRS manages and funds through Medicaid, Intermediate Care Facilities for persons with Mental Retardation (ICFs/MR), and Nursing Facilities for Mental Health (NFS/MH).

A nursing facility administrator from Russell, Kansas, discussed the future of long-term care in Kansas, focusing on how services will be delivered in the future and how quality care might be funded. He also addressed the future of rural nursing facilities. He noted that the tidal wave of retiring Baby Boomers will hit starting in the year 2011.

A senior executive with the American Health Care Association, Washington, D.C., who is also a registered pharmacist, testified on the value of having good health information technology, acknowledging that there are other forms of technology that can improve the quality of care and life for the residents of long-term care facilities in the nation.

The co-founder and Chief Executive Officer of the National Association of Geriatric

Nursing Assistants addressed issues concerning reducing turnover that her organization believes must be addressed. She noted that staff retention is important for job satisfaction, quality of life, quality of care, and financial stability, and that recruiting new Certified Nursing Assistants (CNAs) is of fundamental importance and yet nearly impossible given the negative image of the work. Finally, she noted that education and training is the bedrock of quality care.

The Executive Vice President of the Kansas Association of Homes and Services for the Aging spoke about the future of aging services. She discussed the real impact on the demand for aging services that will be felt when the Baby Boomers turn 80 between the years 2026 and 2044. She noted that nursing home use is declining and the balance is shifting between nursing beds and home and community based services.

The Executive Vice President of the Kansas Health Care Association (KHCA) presented information on KHCA's vision of the future regarding long-term care. She noted that the cornerstone of future long-term care services offerings must be quality care.

She listed several private pay sources to consider and research as suggestions for alternative funding sources for quality long-term care in the state. She also suggested that the Legislature should either establish a permanent "Kansas Commission on Long-Term Care" or create a new two-year Long-Term Care Task Force.

Staff presented an overview on Home and Community Based Services Waiver funding and distributed information regarding FY 2004 poverty guidelines. The overview included information regarding eligibility requirements for the state's six waivers and a cost comparison of waiver expenditures over the past five years.

The Secretary of the Kansas Department on Aging addressed the home and community based services provided by the Department. She explained that in order to contain costs, meet the needs of a growing aging population,

and provide long-term care services that allow people to stay in their homes longer, the Department provides Home and Community Based Services for the Frail Elderly (HCBS/FE). The Secretary indicated that as the nursing home population declines, the use of alternative services has grown. The Secretary also provided information about the Senior Care Act, which is the program that provides less intensive in-home support services for seniors who are not eligible for Medicaid-funded HCBS/FE services.

The Director of Community Supports and Services from SRS presented information regarding the Medicaid Home and Community Based Services (HCBS) waivers managed by SRS, the services they fund, the number of persons waiting for services, the estimated costs of eliminating waiting lists, and how the waivers are funded. She provided detailed information on the five home and community based services waivers as follows:

- Persons with developmental disabilities (DD);
- Persons with physical disabilities (PD);
- Persons with traumatic brain injuries (TBI);
- Children who require medical technology for life functions (TA); and
- Children with a serious emotional disturbance (SED).

The Director explained that all the waivers are funded through the Medicaid program which is a state and federal partnership that requires funding by both the state and federal government. She explained that in order to eliminate all waiting lists, the cost would be at least \$26 million in state funds.

The Executive Director of the Statewide Independent Living Centers of Kansas (SILCK) addressed the need to further reform Kansas' long-term care system, noting that fundamental to this reform are policy initiatives to improve and re-balance the state's long-term care financing. She outlined seven recommendations that SILCK believes should be considered:

- Amend the Medicaid State Plan to include HCBS in the caseload estimating process;
- Reduce or consolidate the number of beds in nursing facilities by an arbitrary 10 percent;
- Restructure and coordinate all long-term care services under one department;
- Reassign the duties of the client assessment, referral, and evaluation (CARE) program to the Office of Integrated Community Services of SRS;
- Implement "Money Follows the Person" as state policy, not an experiment;
- Fully implement the Working Healthy Program to include all disability types; and
- Propose a \$.05 charge on each can of soda sold in Kansas with the proceeds to support long-term care services.

The Executive Director of the Kansas Area Agencies on Aging Association explained that their mission is to work to improve services and supports for all older Kansans and their caregivers. He emphasized that if the seniors in Kansas are to be given a choice in senior services, in-home services must be available when needed. He noted that it takes only 34 Medicaid-eligible seniors to enter a nursing home and stay for a year for the state's nursing facility budget to increase by \$1 million. By comparison, the annual cost to help 34 Medicaid-eligible individuals get the home

and community based services they need costs less than \$400,000.

The Executive Director of InterHab addressed issues affecting long-term care for persons with disabilities. He focused primarily on workforce issues, the "average wage" component of the DD waiver, waiting lists, and quality assurance considerations.

The Chairperson of the Governmental Affairs Committee for the Kansas Association of Centers for Independent Living (KACIL) and Executive Director of Independence, Inc., Lawrence, Kansas, addressed the background and mission of KACIL, the consensus caseload estimating process, "Money Follows the Person," and other long-term care funding issues, including adult dental services.

CONCLUSIONS AND RECOMMENDATIONS

The Committee recommends that the Senate Ways and Means and House Appropriations Committees, during the 2005 Legislative Session, consider the proposals offered by the conferees appearing on this topic. In addition, the Committee recommends the possible appointment of a select committee, should the 2005 Legislature deem it necessary, to address long-term care issues.

Legislative Budget Committee

REGENTS SOUTHWEST KANSAS ACCESS PROJECT

CONCLUSIONS AND RECOMMENDATIONS

The Committee notes that the Board of Regents has appointed a committee to study the issues brought forth by the conferees on this topic and that the results of the study will not be available until late December. The Budget Committee requests that the results of the study be presented to the Senate Ways and Means and House Appropriations Committees at the start of the 2005 Legislative Session.

Proposed Legislation: None.

BACKGROUND

The Legislative Coordinating Council (LCC) directed the Legislative Budget Committee to study the topic. Specifically, the LCC directed the Committee to "study the current status of the Regents Southwest Kansas Access Project to ensure that the purposes of the program are being fulfilled, that educational opportunities are being provided, and that the program is being funded at the appropriate level."

The project, ACCESS US, was established in 2003 as a cooperative effort between three state universities and six community colleges. The purpose of the program is to provide access to higher education for place-bound students in the southwestern portion of the state.

COMMITTEE ACTIVITIES

A representative of the Kansas Board of Regents provided the Committee with a history of the program, an explanation of the usage of funds appropriated for the program, and an update of current class offerings. The 2003 Legislature appropriated \$200,000 from the State General Fund to provide guarantee funds for continuation of classes should the enrollment fall below a break-even point. Another \$200,000 from the State General Fund was appropriated by the 2004 Legislature. The conferee noted that the

guarantee is being provided for face-to-face classes only and that \$13,776 has been expended.

The President of Dodge City Community College testified to the Committee concerning the institution's experience with the program and noted that the Hispanic population is the fastest growing segment of the population in the area. He requested that the funding for the program be authorized for scholarships and marketing. Many individuals cannot afford the cost of the courses and scholarships could provide assistance for those individuals. The conferee stated that marketing is needed to promote the program and also to dispel the skepticism about the continuation of the program. He also requested that the guarantee currently only available for face-to-face courses be expanded to include courses offered through interactive TV.

CONCLUSIONS AND RECOMMENDATIONS

The Committee notes that the Board of Regents has appointed a committee to study the issues brought forth by the conferees on this topic and that the results of the study will not be available until late December. The Budget Committee requests that the results of the study be presented to the Senate Ways and Means and House Appropriations Committees at the start of the 2005 Legislative Session.

Legislative Budget Committee

STATE GENERAL FUND

CONCLUSIONS AND RECOMMENDATIONS

After reviewing a number of items impacting on the state budget, the Committee makes the following observations and conclusions.

- Regarding the issue of Department of Social and Rehabilitation Services (SRS) deferrals, the Committee expresses concerns with the potential budgetary impact on the agency, and on the State General Fund. The Committee notes that it is imperative for all interested parties to work together to minimize the potential damage. The Committee also notes that, if necessary, a legislative delegation could contact the congressional delegation to seek further assistance on this matter.
- With regard to the Wichita Aviation Research Initiative, the Committee expresses strong support for continuing to meet the state's obligations under the terms of the legislation enacted.
- On the topic of deferred maintenance at Regents institutions, the Committee notes that while it recognizes the existence of this substantial need, the funds necessary to adequately address the situation are simply not available at this time.
- Regarding the issue of declining privilege tax revenues to the State General Fund, the Committee requests that the standing tax committees study this issue during the 2005 Legislative Session, particularly as to the effect that the growth of Subchapter S corporations in the banking industry may have on this matter.
- On the topic of the vehicle rental contract, the Committee requests that staff and the Department of Administration continue to work on developing accurate cost comparisons between the state motor pool and the vehicle rental contract and report back to the appropriate Senate Subcommittee and House Budget Committee during the 2005 Legislative Session.
- With regard to the SRS office closure issue, the Committee recommends that a request be made of the Legislative Post Audit Committee requesting an audit on this topic, to be completed before the end of the 2005 Legislative Session.

Proposed Legislation: None.

BACKGROUND

The Legislative Budget Committee, as provided by law (KSA 46-1208), can set its own agenda. The Committee conducted its usual monitoring of State General Fund finances. Other topics that the Committee reviewed included the following: election polling place reports from the Secretary of State's office; updates on the status of bonds

issued by the Kansas Development Finance Authority; in-grade pay increases authorized by the Governor for state employees; furloughs at the state printing plant; review of the Legislative Post Audit report on the State Fire Marshal's office; the status of personal property tax exemptions for certain members of the military; an update on the new Board of Indigents' Defense Services office in Independence; SRS deferral issues; the Health

Care Access Improvement Program; an update on the Wichita aviation research initiative; deferred maintenance at Regents' institutions, rehabilitation and repair projects at the state's developmental disabilities institutions; issues regarding declining privilege tax revenues to the State General Fund; the 27th pay period in FY 2006; the state motor vehicle rental contract; and SRS office closures.

COMMITTEE ACTIVITIES

State Finances

At each meeting, staff of the Legislative Research Department presented a report comparing estimated and actual receipts to the State General Fund. In addition, staff also provided the Committee with information on actual FY 2004 State General Fund expenditures, the shifting of certain State General Fund expenditures from FY 2004 to FY 2005, and updated State General Fund profiles. Staff also provided information on the October 2004 caseload estimates for the Department of Social and Rehabilitation Services, and the Department on Aging, and the November 2004 State General Fund Consensus Revenue Estimates.

Election Polling Place Reports

A proviso in the omnibus appropriations bill required the Secretary of State's office to report on the number and location of the polling places which were moved or closed throughout the state. At the August and November meetings, the office provided a report on polling places moved or closed between January 1 and July 15, 2004, and from July 15, 2004 and the November elections. The Secretary of State's office provided the information in the report by surveying all counties in Kansas. The surveys indicated that 257 polling places were moved and 125 polling places were closed between January 1 and July 15, 2004, resulting in a total of 382 changes to polling places across the state during that period. Between July 15, 2004 and the general election in November, a total of 50 polling places were moved and two were closed. The Deputy Assistant Secretary

of State for Elections indicated that the Secretary of State's office anticipates a higher incidence of polling place changes this year, and for the next two years, due to the Help America Vote Act of 2002 (HAVA). He explained that HAVA increases the emphasis on Americans with Disabilities (ADA) compliance at polling places, and it requires by 2006 the deployment of at least one fully accessible voting machine at each polling place in the state.

Status of Bonds issued by the Kansas Development Finance Authority

The President of the Kansas Development Finance Authority (K DFA) presented a review on the status of bonds issued by K DFA. He indicated that, while the state's outstanding debt has increased significantly over the last 12 years, it is still manageable. The state's credit rating remains strong and Kansas still has a low debt burden when compared to other states. He noted that only ten states have a higher rating than Kansas from Standard and Poor's, and only seven states have a higher rating from Moody's. He indicated that while Standard and Poor's and Moody's have placed Kansas' rating on a negative watch, both rating services advise this is not attributable to Kansas' debt issues or capacity, but instead is related to the challenges posed by a difficult economy.

In-Grade Pay Increases

Through Executive Directive No. 04-353, issued June 28, 2004, the Governor approved the request of the Director of Personnel Services to allow classified employees in the executive branch to receive in-grade increases. The Director of the Division of Personnel Services presented testimony regarding the in-grade pay increases. He noted that the plan attempted to modify the rigid pay system that provides increases only when step movement or general increases are funded or an employee is promoted. He also explained that the lack of flexibility in the state pay system has become more apparent and problematic over the last few years because step movement has been suspended. Draft guidelines for implementation of the increases were also

provided to the Committee. The Director indicated that the Division was meeting with state employees, and anticipated more information on pay-related issues would be forthcoming during the 2005 Legislative Session.

The Director of the Kansas Association of Public Employees (KAPE) indicated that KAPE is cautious and concerned about the in-grade pay increase plan being implemented. He noted his concern that the plan could afford the opportunity for a great deal of abuse, favoritism, and possibly malfeasance in how agencies operate.

Furloughs at the State Printing Plant

The Deputy Director of the Division of Printing testified regarding the furloughs at the State Printing Plant. In May of 2004, the printing plant indicated it intended to furlough 42 employees due to a shortage of work. The Division noted that due to budget constraints within agencies and increased use of other technology, there had been a reduction in printing jobs submitted to the Division. Because the Division is entirely fee-funded, it indicated that it was not generating sufficient fees to operate at full staffing. For most (32) of the 42 employees to be furloughed, the workday was reduced by one hour per day for ten weeks. Hours reduced for the other ten positions vary from four hours per day to one day every three weeks. The furlough plan was implemented Monday, July 26, 2004, and was scheduled to end on Friday, October 1, 2004. Implementation of the furlough plan was estimated to result in savings of \$4,134 per week, for total estimated savings of \$41,341 for the ten-week furlough period.

Two long-term employees of the Division of Printing also appeared before the Committee expressing concerns with the furloughs and other situations at the printing plant.

Review of the Legislative Post Audit Report on the State Fire Marshal's Office

The Committee reviewed a Legislative Division of Post Audit Report on funding and administration issues within the State Fire Marshal's office. The report noted concerns with the lack of independent oversight of the office's functions, and noted that the Fire Marshal's office needs to make significant improvements to its inspection, complaint-handling, and enforcement processes to ensure that it is following best practices, carrying out the responsibilities assigned to it by law, and adequately protecting people and property from harm.

The State Fire Marshal appeared before the Committee and took exception with a number of findings in the report, but noted that the office had implemented, or was in the process of implementing, every recommendation reflected in the audit. He stated that he believed that the Legislature has established sufficient oversight of the office by requiring that the Fire Marshal be appointed by and report directly to the Governor. A letter from the Kansas Fire Safety Council also recommended that the Legislature not try to further adjust the existing oversight of the agency. Committee members expressed concern that while the Legislative Post Audit Committee was convinced that the audit was representative of a set of serious problems that merited action, it did not appear that the Fire Marshal viewed the matter in the same way.

Status of Personal Property Tax Exemptions for Certain Members of the Military

HB 2563, enacted during the 2004 Legislative Session, was intended to provide motor vehicle property tax relief to certain members of the military. An apparently unanticipated consequence of the bill is that it actually may have taken away an existing broader property tax exemption. The Director of Property Valuation of the Kansas Department of Revenue appeared before the Committee and testified that there had previously been an exemption for individuals who have a permanent duty station outside of Kansas, but are residents here. According to the Director, the legislation now provides exemptions only for those who are mobilized

and deployed, which is more narrowly defined by the military. This eliminates exemptions for those who are residents of Kansas, but are permanently stationed in another state.

Committee members, through a letter to the Governor, requested the Department of Revenue to delay implementation of this legislation to allow for an opportunity to correct this unanticipated effect. The Committee was informed that the agency had, in fact, delayed the implementation of the law as requested.

Board of Indigents' Defense Services Office in Independence

The Executive Director of the State Board of Indigents' Defense Services (BIDS) presented a report on the consolidation of the Independence public defender office with the existing Chanute office. She noted that the agency expects savings from assigned counsel to equal the cost of the consolidated office within two years. The office will occupy office space located in a building with other state agencies and use equipment that was handed down from other state agencies.

The Executive Director also addressed a new partnership with the Washburn University Law School. The agency has provided to the law school an appellate public defender who is functioning as a visiting professor. This professor is instructing a class at the law school on writing appellate briefs. The students are writing briefs on BIDS cases. The class of students will accomplish the same workload of one public defender. In exchange for the person serving as visiting professor, Washburn University has conducted national level death penalty defense training for BIDS. The Executive Director noted that any attorney who hopes to do death penalty defense work must attend national level death penalty defense training that normally costs thousands of dollars per person. It had never been available in the State of Kansas. In November 2003, ten public defenders attended the death penalty defense training at Washburn University and now are qualified to serve as second chair on a death penalty defense case.

Department of Social and Rehabilitation Services' Deferral Issues

At the August meeting, the Director of Medical Policy and Medicaid for SRS reviewed deferral issues between the Department and the Centers for Medicare and Medicaid Services (CMS). He explained that under the managed care deferral CMS has deferred federal Medicaid funding for the child welfare community-based-services contracts retroactively to July 1, 2003. This deferral is due to the state's inability to comply with the new managed care regulations that came into effect in August 2003. He indicated that the cost to the state could potentially be \$80 to \$100 million. The Committee discussed sending a delegation to Washington, D.C., to talk with the Kansas congressional delegation, or to Baltimore to talk with CMS regarding these issues.

The Deputy Secretary for Operations for SRS further updated the Committee on the status of the deferrals at the October meeting. She mentioned that SRS has worked extensively to comply with the new federal managed care requirements; however, CMS has not approved the actuarial rates, the contracts, or the waiver SRS submitted. CMS now questions the methodology and the rate paid for targeted case management (TCM) performed by the child welfare contractors. Based on discussions with CMS, SRS is currently conducting case reads on 100 sample cases to verify TCM services were provided. In the meantime, CMS has agreed to release a small portion of the deferral. Committee members expressed concern with the retroactive nature of the actions of CMS.

The Acting Secretary of SRS provided a further update to the Committee on the issue at the November meeting. He indicated that the Governor has requested that he convene a group of people from the Governor's office and SRS to do more strategic thinking about how to more aggressively appeal some of the findings and how to repair some of the problems that were identified.

Health Care Access Improvement Program

The Deputy Secretary for Operations for SRS appeared before the Committee to discuss the status of the Health Care Access Improvement Program (HB 2912, passed during the 2004 Legislative Session). The agency submitted a plan to the CMS and CMS must approve the agency's contract with First Guard and will review changes in the capitated rate based on the increases to hospitals and physicians and the availability of assessment revenue.

Wichita Aviation Research Initiative

The Vice President of Engineering of Cessna Aircraft presented information regarding the aviation research initiative in Wichita. He emphasized that the aviation industry in Kansas must be able to compete in a global economic environment far different than in the past and noted that with the help of the Legislature, significant progress has been made. He indicated the state funding already provided has allowed for the leveraging of additional funding from the Federal Aviation Administration and the National Aeronautics and Space Administration. He requested continued support, including appropriation of the \$2 million which will be requested for aviation-related research during the 2005 Legislative Session.

Deferred Maintenance at Regents Institutions

The Director of Facilities of the Kansas Board of Regents provided an update on state university deferred maintenance projects. He noted that the primary factors leading to the current state of deferred maintenance on the university campuses is a lack of funding coupled with the age of the buildings. He indicated that 80 percent of the total building inventory is at least 20 years old. Heating, ventilation, electrical, and plumbing systems have reached the end of their useful lives. He indicated that facilities audits were performed on the 537 campus education and general buildings, and it was estimated that to prevent a further maintenance backlog, \$74 million per year is required, without factoring

inflation, to adequately maintain the university campuses.

Rehabilitation and Repair Projects at the State's Developmental Disabilities Institutions

The 2004 Legislature included a proviso in the appropriations bill requiring Budget Committee review and State Finance Council release of funds from the State Institutions Building Fund for rehabilitation and repair projects at the state developmental disabilities institutions. The proviso was added to address concerns about investing in repairs at a developmental disability institution that might soon be closed.

The Deputy Secretary for Operations for SRS presented information on rehabilitation and repair projects at Parsons State Hospital and Training Center and Kansas Neurological Institute. She explained that SRS's FY 2005 approved budget included \$6.8 million from the State Institutions Building Fund for rehabilitation and repair projects at the Kansas Neurological Institute and Parsons State Hospital and Training Center. The Committee recommended the State Finance Council release money for the critical and urgent projects listed by SRS (approximately \$5.0 million).

Declining Privilege Tax Revenues to the State General Fund

The State Bank Commissioner appeared before the Committee to address the issue of declining privilege tax revenues to the State General Fund. He noted that perhaps the growth of Subchapter S corporations in the banking industry has resulted in individual stockholders paying more and the banks paying less. He also provided an update on the general condition of the banking industry in Kansas, noting that banks are facing increasing competition from credit unions who are not as tightly regulated.

The Vice President of Government Affairs of the Kansas Bankers Association presented information to the Committee regarding the decline in privilege tax receipts. He noted that

there were a number of tax policies that banks can take advantage of which is probably affecting privilege tax receipts. He also addressed the Bankers Association's concern with what he described as the un-level tax policy playing field that presently exists between commercial banks and credit unions operating in Kansas.

A letter from the Kansas Credit Union Association was distributed at the November meeting to address some of the issues raised by the Bankers Association. The letter indicated that the Credit Union Association believes that the growth of Subchapter S corporations is a much more likely explanation for declining privilege tax revenues than any issues related to competition from credit unions.

27th Pay Period

The Director of the Budget appeared before the Committee at the November meeting to discuss issues relating to a 27th pay period which will occur in FY 2006. The current bi-weekly pay system results in a 27th pay period approximately every 11 years. The estimated additional cost to the state in FY 2006 is estimated at \$66 to \$70 million from all funding sources, with roughly half of that amount from the State General Fund. The Director suggested four potential methods to address the issue. Those include: paying the full cost in FY 2006; paying the costs in FY 2006, but utilizing the Pooled Money Investment Board to spread the costs over an 11-year period; delay the payment of the amount until FY 2007 (which, he indicated, will not solve, but simply delay the problem); and change the current system to some other form of pay period. He indicated that the last option was the least workable option.

Vehicle Rental Contract

The Committee was provided information on the vehicle rental contract between the state and Enterprise Car Rental Services. Information was provided on cost savings identified following the elimination of the state motor pool. Some members of the

Committee noted concerns about whether cost savings were being correctly identified, and whether all factors, such as the total amount of miles driven and costs for fuel purchases were being taken into consideration.

Closure of Social and Rehabilitation Services Offices

The Acting Secretary of SRS presented background information on the office closure process and savings. The Secretary noted that since the first local offices did not close until May 2003, no savings were realized in FY 2003. He indicated that savings identified by the agency are net savings in rents, information technology, and other costs associated with operating an office. Those savings are partially offset by costs to move, upgrade phone systems, and establish and maintain Access Points. The Secretary explained that savings from increases in rent and operating expenses that would have occurred had the offices remained open were not reflected in the agency estimates and that building rents have increased an average of 23 percent in the offices that were and will be closed.

The Secretary estimated savings related to the consolidation of management areas from 11 areas to 6 regions at approximately \$1.0 million from the State General Fund (and a total of \$2.3 million from all funding sources) in FY 2005 and annually thereafter. He noted that the department's budget submission reflects these savings. Consolidation savings are being achieved through administrative and operational efficiencies gained through the consolidation of regions and redesigned service delivery models. The Secretary noted that administrative positions are being reallocated to direct service positions, needed to meet rising caseloads.

CONCLUSIONS AND RECOMMENDATIONS

After reviewing a number of items impacting on the state budget, the Committee makes the following observations and conclusions.

- Regarding the issue of Department of Social and Rehabilitation Services (SRS) deferrals, the Committee expresses concerns with the potential budgetary impact on the agency, and on the State General Fund. The Committee notes that it is imperative for all interested parties to work together to minimize the potential damage. The Committee also notes that, if necessary, a legislative delegation could contact the congressional delegation to seek further assistance on this matter.
- With regard to the Wichita Aviation Research Initiative, the Committee expresses strong support for continuing to meet the state's obligations under the terms of the legislation enacted.
- On the topic of deferred maintenance at Regents institutions, the Committee notes that while it recognizes the existence of this substantial need, the funds necessary to adequately address the situation are simply not available at this time.
- Regarding the issue of declining privilege tax revenues to the State General Fund, the Committee requests that the standing tax committees study this issue during the 2005 Legislative Session, particularly as to the effect that the growth of Subchapter S corporations in the banking industry may have on this matter.
- On the topic of the vehicle rental contract, the Committee requests that staff and the Department of Administration continue to work on developing accurate cost comparisons between the state motor pool and the vehicle rental contract and report back to the appropriate Senate Subcommittee and House Budget Committee during the 2005 Legislative Session.
- With regard to the SRS office closure issue, the Committee recommends that a request be made of the Legislative Post Audit Committee requesting an audit on this topic, to be completed before the end of the 2005 Legislative Session.

Legislative Budget Committee

USE OF STATE BUILDING FUNDS TO PAY INSURANCE FOR STATE BUILDINGS

CONCLUSIONS AND RECOMMENDATIONS

After reviewing this item, members of the Committee differ on the continuing use of state building funds to pay insurance costs. Some members of the Committee expressed concerns that using the funds in this manner reduces funding available for other capital improvement projects at a time when many of those needs are critical. Others noted that with existing pressures on the State General Fund, use of the building funds for this purpose provides an acceptable alternative by reducing demands on the State General Fund.

Proposed Legislation: None.

BACKGROUND

The Legislative Coordinating Council directed the Legislative Budget Committee to review the issue of using state building funds (the Educational Building Fund, the State Institutions Building Fund, and the Correctional Institutions Building Fund) to pay insurance for state buildings.

As part of its FY 2005 budget submission, the Division of Facilities Management (DFM) of the Department of Administration was required to submit a reduced resources package. As part of that package, the Division suggested scaling back the coverage provided by the statewide insurance contract. All buildings with a replacement value of over \$500,000 and not otherwise insured are covered under the statewide blanket policy. By changing the coverage threshold to include only buildings with a replacement value of \$7.4 million or more, the Division estimated it would save \$210,568 in insurance premiums. This would have eliminated 644 buildings from coverage. As an alternative, DFM proposed funding the costs of some of the coverage from the various state building funds. For example, insurance coverage for buildings on Regents' campuses would be paid from the Educational Building Fund, and coverage for correctional facilities buildings would be funded from the Correctional Institutions

Building Fund.

The Governor, as part of her FY 2005 recommendation, accepted the alternative reduced resources proposal, and recommended funding \$438,326 in insurance coverage from the Educational Building Fund (\$329,840), the State Institutions Building Fund (\$56,511), and the Correctional Institutions Building Fund (\$51,975). The total cost for the statewide blanket policy was \$559,218, and under the Governor's recommendation, the remaining \$120,892 would continue to be paid from the State General Fund.

Under the recommendation, insurance coverage for 259 buildings on Regents' campuses, with a total replacement value of \$2.3 billion, was provided from the Educational Building Fund; coverage for 158 buildings with a replacement value of \$389.7 million at the juvenile correctional facilities, the state hospitals, the schools for the blind and deaf, and the soldiers' and veterans' homes, was provided from the State Institutions Building Fund; and coverage for 136 buildings with a replacement value of \$358.4 million at the correctional facilities was provided from the Correctional Institutions Building Fund. Coverage for the remaining 212 buildings, with a replacement value of \$833.7 million, would continue to be provided

from the State General Fund.

Although the 2004 Legislature ultimately concurred with the Governor's recommendation, a number of concerns were raised with the use of the building funds for this purpose. The Senate Ways and Means Committee requested an interim study on the topic.

COMMITTEE ACTIVITIES

The Director of the Budget discussed policy questions regarding financing of insurance for state buildings. He explained that the insurance premiums can be paid out of the building funds or the State General Fund and that as long as pressure continues on the State General Fund, he would project that payment of the insurance premiums would continue to be paid from the building funds.

Some members of the Committee expressed support for the use of the building funds for this purpose, while others indicated

their opposition to their use.

The Committee also discussed the issue of agencies insuring their motor vehicles. Legislation was introduced during the 2004 Legislative Session which would have allowed agencies to purchase comprehensive coverage on their vehicles, but the legislation did not pass.

CONCLUSIONS AND RECOMMENDATIONS

After reviewing this item, members of the Committee differ on the continuing use of state building funds to pay insurance costs. Some members of the Committee expressed concerns that using the funds in this manner reduces funding available for other capital improvement projects at a time when many of those needs are critical. Others noted that with existing pressures on the State General Fund, use of the building funds for this purpose provides an acceptable alternative by reducing demands on the State General Fund.

Legislative Budget Committee

UTILIZATION AND VIABILITY OF THE SCHOOL FOR THE BLIND AND THE SCHOOL FOR THE DEAF

CONCLUSIONS AND RECOMMENDATIONS

Following review of this topic, the Committee notes that staff is in the process of collecting data regarding comparisons with other states and recommends that this effort continue and that information be presented to the appropriate Senate Ways and Means Subcommittee and House Budget Committee during the 2005 Legislative Session.

The Committee notes that home school districts (USDs) are responsible for the cost of providing transportation to and from the residential schools for the blind and deaf students on weekends and holidays when the dormitories are closed.

The Committee also notes, based on its review, that both the School for the Blind and the School for the Deaf are doing an excellent job in providing services to the people of Kansas.

Proposed Legislation: None.

BACKGROUND

The Legislative Coordinating Council assigned this topic to the Legislative Budget Committee. Specifically, the Committee was directed to include "a review of capacity and utilization of the schools' dormitories, classrooms, and campuses, in addition to the alternative methods of providing services to blind and deaf students."

COMMITTEE ACTIVITIES

Staff presented the Committee with budgetary and general background information on the schools. The Kansas State School for the Blind (KSSB) is located in Kansas City, Kansas, and currently serves approximately 60 students during the school year in Kansas City. KSSB has an approved operating budget for FY 2005 of \$5,061,433, including \$4,687,303 from the State General Fund. In addition, KSSB has an approved capital improvements budget for FY 2005 of \$142,460 from the State Institutions Building Fund.

The Kansas School for the Deaf (KSD) is located in Olathe, Kansas, and currently serves approximately 135 students during the school year at the Olathe campus. KSD has an approved operating budget for FY 2005 of \$7,818,985, including \$7,487,806 from the State General Fund. In addition, KSD has an approved capital improvements budget of \$901,795 from the State Institutions Building Fund.

The Superintendent of the School for the Deaf provided the Committee with information regarding the school's background, programs, demographics, budget, and capital improvements while addressing utilization and capacity issues. He explained the process of admission to KSD, its mission, and school objectives. He noted that as an accredited elementary and secondary school, KSD complies with the No Child Left Behind initiative. The current enrollment at KSD is 133, with 49 being residential students.

The Superintendent of the State School for the Blind provided the Committee with information regarding the school's background, programs, budget, and capital

improvements while addressing utilization and capacity issues. KSSB also complies with the No Child Left Behind initiative. The current enrollment at KSSB is 47, with 26 being residential students.

A graduate of the School for the Blind, currently a pre-law student at Washburn University, shared his experiences while attending KSSB. He discussed various academic, technological, and extracurricular activities at KSSB.

The parent of a student at the School for the Deaf also appeared before the Committee. She explained that she took her son, now a senior, to KSD eight years ago and noted her belief that if her son had remained in the public schools, he would not have had the same opportunities he has had at KSD.

CONCLUSIONS AND RECOMMENDATIONS

Following review of this topic, the Committee notes that staff is in the process of collecting data regarding comparisons with other states and recommends that this effort continue and that information be presented to the appropriate Senate Ways and Means Subcommittee and House Budget Committee during the 2005 Legislative Session.

The Committee notes that home school districts (USDs) are responsible for the cost of providing transportation to and from the residential schools for the blind and deaf students on weekends and holidays when the dormitories are closed.

The Committee also notes, based on its review, that both the School for the Blind and the School for the Deaf are doing an excellent job in providing services to the people of Kansas.



Senate Ways and Means
1-21-05
Attachment 2

Money, Money, Money

Everything you always wanted to know about the budget process, but were afraid to ask!

January 21, 2005



Budget Terminology

(Plain English Version)

- ◆ *Fund*: A sum of money set aside for a designated purpose
- ◆ *Expenditure*: The actual payment of money out of any fund
- ◆ *Appropriation*: An expenditure authorized by the Legislature
- ◆ *State General Fund (SGF)*: The fund which receives most state tax receipts not already designated for a specific purpose and is used to fund nearly half of all state expenditures
- ◆ *Special Revenue Fund*: Funds which receive federal, state, or special fees designated for a specific purpose (any fund other than the State General Fund)
- ◆ *Fiscal Year*: The state fiscal year (FY) is a 12-month period beginning July 1 and ending June 30 of the following year and named for the year in which it ends
- ◆ *Full-Time Equivalent (FTE) Positions*: Permanent positions which are either full-time or part time, but mathematically equated to full-time. For example, two half-time positions equal one FTE
- ◆ *Shrinkage*: The difference, expressed as a percentage, between the cost of fully funding salaries and wages in a budget, assuming all positions are filled, and actual salary expenditures



Major Purpose of Expenditure Definitions

2-3

State Operations: Actual agency operating costs for salaries and wages, contractual services, commodities, and capital outlay

Aid to Local Units: Aid payments to counties, cities, school districts, and other local government entities

Other Assistance, Grants, and Benefits: Payments made to or on behalf of individuals as aid, including public assistance benefits, unemployment benefits, and tuition grants

Capital Improvements: Cash or debt service payments for projects involving new construction, remodeling and additions, rehabilitation and repair, razing, and the principal portion of debt service for a capital expense



Functions of Government

Definitions

General Government: State agencies with both administrative and regulatory functions, including statewide elected officials, the legislative and judicial branches, and fee-funded professional and regulatory licensing agencies

Human Resources: Agencies which provide services to individuals, including the Department of Social and Rehabilitation Services, the Department on Aging, the Department of Labor, the Health division of the Department of Health and Environment, and the Commission on Veterans' Affairs

Education: Agencies which provide various educational services to Kansans, including the Department of Education, the Board of Regents and the Regents institutions, the State Library, the Arts Commission, the State Historical Society, and the Schools for the Blind and the Deaf



Functions of Government

Definitions (Continued)

Public Safety: Agencies which ensure the safety and security of citizens, including the Department of Corrections and its facilities, the Juvenile Justice Authority and its facilities, the Highway Patrol, and the Kansas Bureau of Investigation

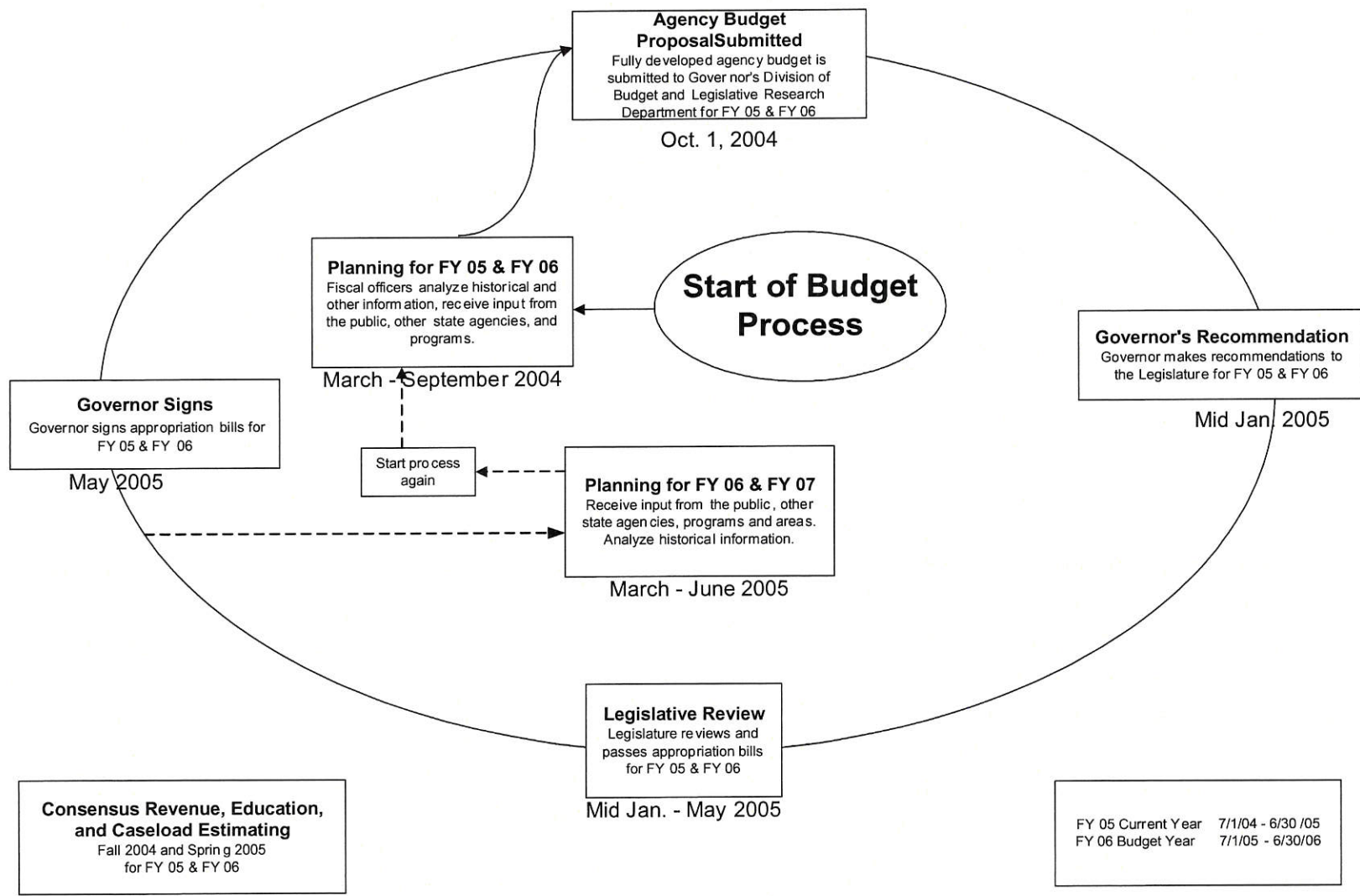
Agriculture and Natural Resources: Agencies which protect the natural and physical resources of the state, including the Department of Agriculture, the environment division of the Department of Health and Environment, and the Department of Wildlife and Parks

Transportation: This function includes only the Department of Transportation



State Budget Process

as of May 2004



FY 05 Current Year	7/1/04 - 6/30 /05
FY 06 Budget Year	7/1/05 - 6/30/06



Players in the Process

- State Agencies
- Governor/Division of the Budget
- Legislature
- Legislative Fiscal Staff/Revisor of Statutes
- State Finance Council (when Legislature is not in session)



State Agencies

Agencies submit budget requests by October 1 each year

- Most agencies are executive branch agencies under the direct control of the Governor
 - ▶ The Governor performs a thorough review of these budget requests
- The judicial and legislative branches are independent of the Governor's control
 - ▶ By law, the judicial branch budget request is submitted directly to the Legislature
 - ▶ By practice, the same is true for the legislative branch



The Role of the Governor

- The Governor recommends
- The Legislature appropriates



Governor's Recommendations

- The Governor's budget staff, lead by the Director of the Budget, makes initial recommendations, which are adjusted by the Governor to form the recommendation
 - ▶ The Governor makes initial budget and budget-related policy recommendations at the beginning of the session *-this is the starting point for consideration by the Legislature*
 - ▶ The Governor's budget recommendation must provide for a State General Fund ending balance equal to 7.5 percent of proposed expenditures



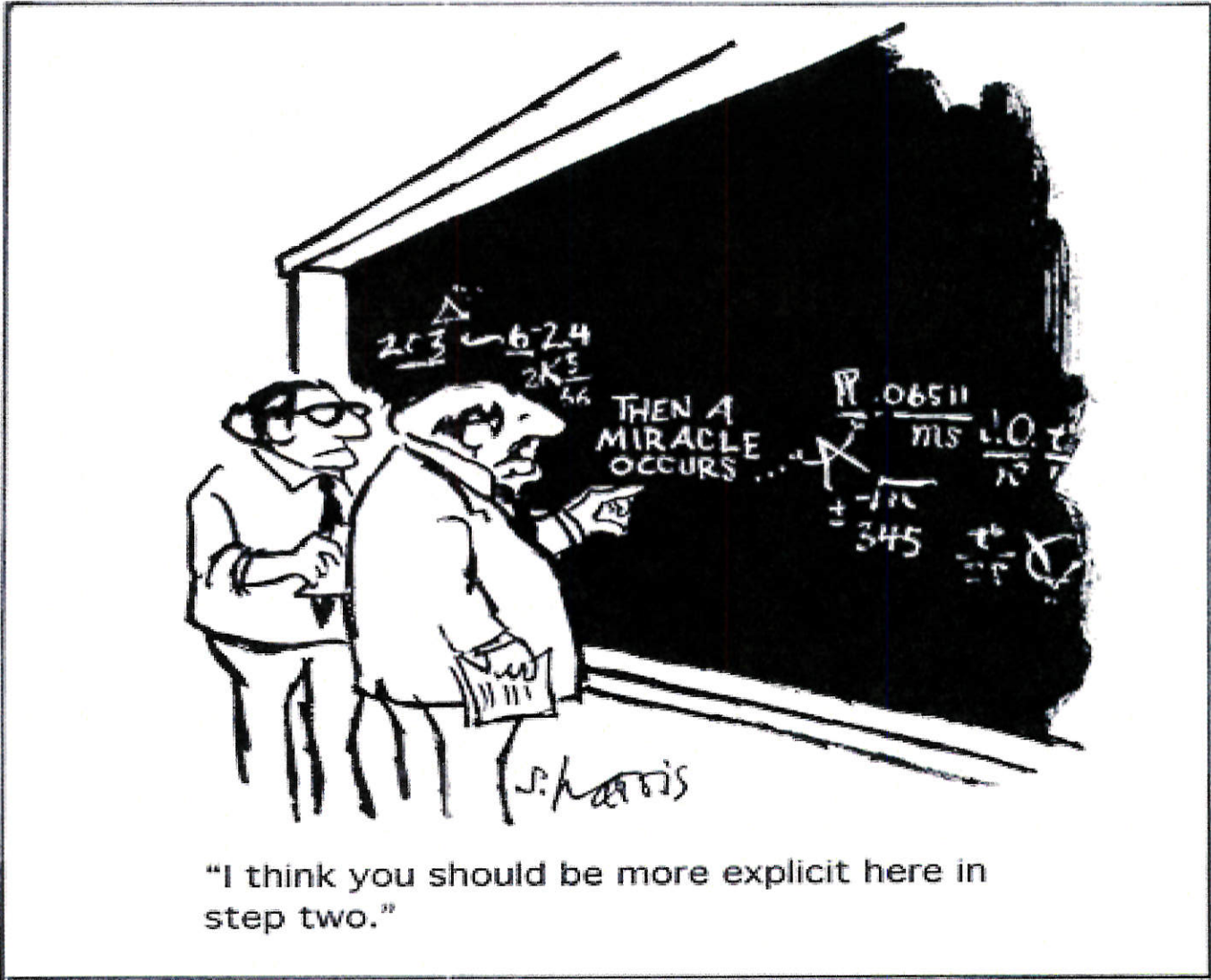
Governor's Recommendations

(Continued)

- During the session, the Governor may propose changes to the original recommendation, based on anything from technical corrections to changes in policy
- Kansas Legislative Research Department fiscal staff analyzes both agency budget requests and the Governor's recommendations and prepares *Budget Analysis* for distribution early in the session



Summary of the Budget Process





Appropriations Bills

- Generally, three identical appropriations bills reflecting the Governor's recommendations are introduced in each chamber:
 - ▶ Current year supplemental expenditures (Supp. Bill)
 - ▶ Budget year appropriations ("Mega" Bill)
 - ▶ Capital improvements
- The bills will eventually be combined into one appropriations bill to allow the Legislature to consider the budget as a whole, not in isolated pieces
- Bills are prepared by Revisor of Statutes, in consultation with the Division of the Budget and referred to Senate Ways and Means and House Appropriations Committees



The Committees

- Appropriations Bills are assigned to the House Appropriations and Senate Ways Means Committees



The Role of Subcommittees

- Members of the Subcommittees:
 - ▶ Are briefed on all major issues in their assigned agency budgets
 - ▶ Seek agency and public input on their assigned budgets
 - ▶ Make recommendations for budget adjustments and policy changes to the full Committee



Full Committee Consideration of Budgets

2-16

- The full Senate Ways and Means Committee will:
 - ▶ Discuss all recommendations made by the Subcommittee on each agency budget
 - ▶ Approve or amend the recommendations throughout the session
 - ▶ Review the complete “big picture” budget and make recommendations for consideration by the full Senate

2-16



Full Chamber Consideration

2-17

- For consideration by the full Senate, legislative staff:
 - ▶ Makes adjustments to appropriations bills to reflect Committee recommendations
 - ▶ Prepares summary material explaining original recommendations and any changes recommended by the Committee
- The full Senate considers the complete budget as recommended by the Committee
 - All members have an opportunity to propose floor amendments that will further adjust the recommendations
 - Floor amendments should be prepared by the Revisor of Statutes office, in consultation with legislative fiscal staff

2-17

2-17

Conference Committee Process

- A 6-member Conference Committee, usually composed of the Chair, Vice-Chair, and Ranking Minority member of the House Appropriations Committee and Senate Ways and Means Committee meets to reconcile any differences in the House and Senate versions of the budget
- When the Conference Committee reaches an agreement, legislative staff prepares a Conference Committee Report and an explanation of the agreement

Conference Committee Process

(Continued)

- The full Chambers then vote on whether or not the Conference Committee Report should be approved
 - ▶ No amendments are allowed at this point of the process
- The Conference Committee Report generally combines all of the various appropriations bills into one bill
 - ▶ Usually another bill in the Conference Committee serves as the “vehicle” for the budget bill

Vetoes on Appropriations Bills

- As with any other bill, the Governor has the authority to veto an entire appropriations bill
 - ▶ The Legislature can, with a two-thirds majority in both Chambers, override the veto on the entire bill
- Unlike other bills, however, the Governor is authorized to veto specific line items in an appropriations bill
 - ▶ The Legislature can, with a two-thirds majority in both Chambers, override each individual line item veto



The Omnibus Bill

- At first adjournment in early April, the Legislature goes home for two to three weeks prior to the veto session
 - ▶ Usually about a week before the full Senate Ways and Means Committee returns to consider items to include in the last appropriations bill of the year, the Omnibus bill.



Why an Omnibus Bill?

2-22

- The Omnibus Bill is designed to make adjustments to agency budgets:
 - ▶ To reflect the impact of legislation passed during the session;
 - ▶ To address budget amendments recommended by the Governor;
 - ▶ To address items specifically deferred by the Committees (to allow for consideration of more current information or availability of additional resources);
 - ▶ To make technical adjustments needed to accurately reflect the Legislature's recommendation; and
 - ▶ To meet the requirement that the projected State General Fund ending balance is equal to 7.5 percent of approved expenditures.

2-22



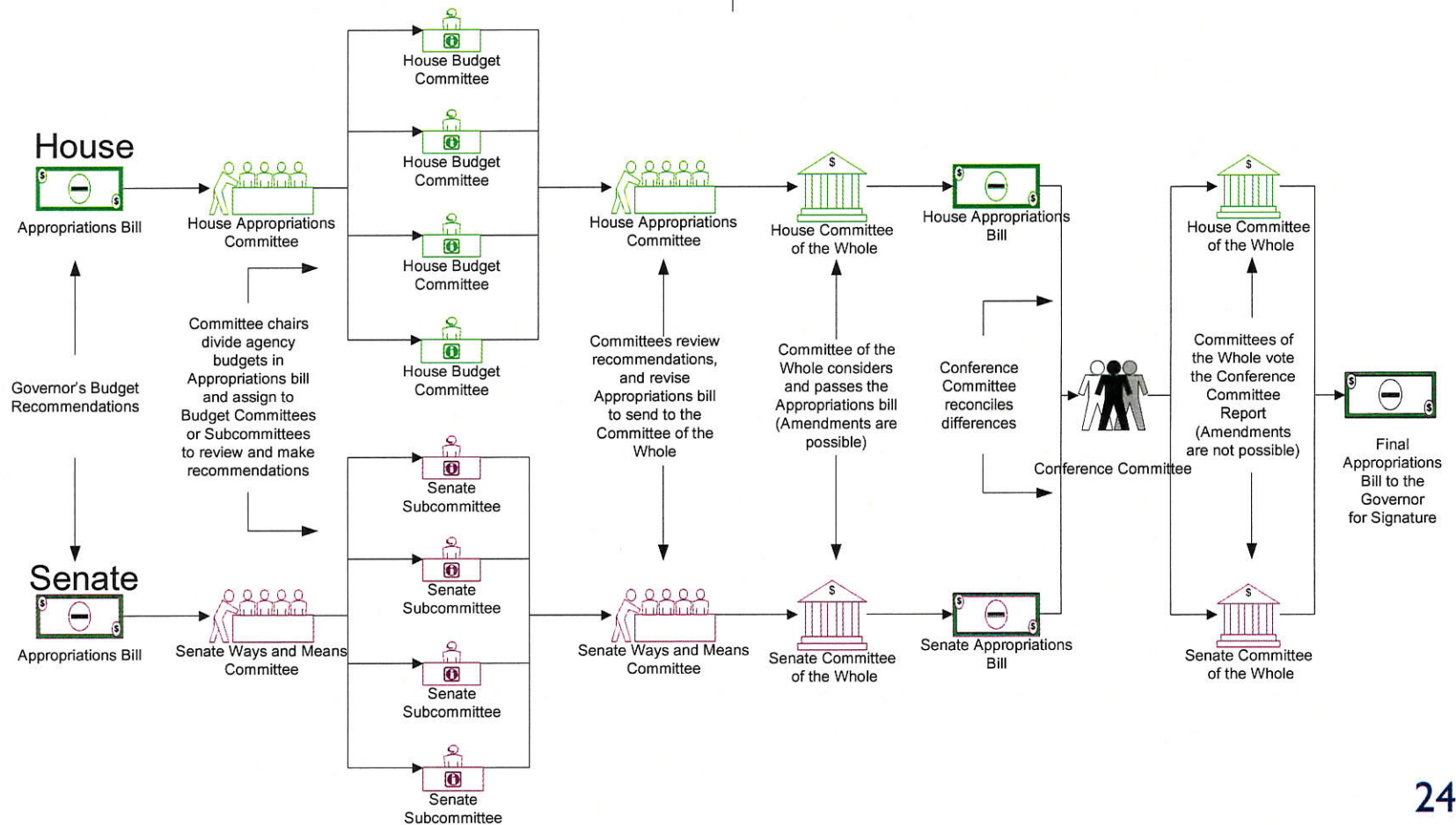
The Omnibus Process

- The Senate and House Committees develop their own versions of the bill
- The remaining process is similar to the regular session appropriation process, on a substantially shorter time frame

Basic Process to Pass an Appropriations Bill

Kansas Legislative Research Department

December 6, 2004





Consensus Estimating

- Twice each year, representatives of the Legislative Research Department and the Division of the Budget, in consultation with other agencies, develop consensus estimates in a number of areas:
 - ▶ Consensus Revenue Estimating
 - ▶ Education Funding
 - ▶ Transportation Funding
 - ▶ Social Services Caseloads and Funding



Consensus Revenue Estimating

- In November and April of each year, representatives of the Legislative Research Department, the Division of the Budget, and the Department of Revenue, along with three university economists, meet to project revenue to the State General Fund
 - ▶ The November estimate is used by the Governor to develop the initial budget recommendations
 - ▶ The April estimate is used by the Governor to amend the budget recommendations and by the Legislature to make necessary adjustments to the budget



The Ending Balance Law

2-27

- Statutory provisions require a projected State General Fund ending balance equal to 7.5 percent of expenditures (for FY 2006, approximately \$350-\$400 million). The requirement applies at two points:
 - ▶ The Governor's original budget recommendation must provide for the statutory ending balance in the budget year
 - ▶ The Legislature's final approved budget for the budget year must also provide for the required ending balance
 - ***The ending balance provisions have been waived by the Legislature in the last three years***



State Finance Council

- ▶ The State Finance Council is authorized to make certain budgetary decisions when the Legislature is not in session. The State Finance Council is composed of nine members:
 - Governor
 - Speaker of the House
 - President of the Senate
 - House and Senate Majority Leaders
 - House and Senate Minority Leaders
 - Chairs of House Appropriations and Senate Ways and Means Committees



How Do I Follow an Issue I Care About?

Sample Issue: Pay Raises for Legislators

- As the *Budget Analysis* indicates, the Governor initially recommended funding of \$69,869 from the State General Fund to provide a 3.0 percent salary increase for legislators
- The House Committee recommended that the funding be deleted as indicated in the *House bill explanation*
- The Senate Committee did not remove the funding -the *Senate bill explanation* does not include this item
- The Conference Committee compromised by making the pay raise effective at the beginning of calendar year 2005. This involved deleting part of the funding as noted in the *Conference Committee report explanation*.

LEGISLATURE

Expenditure	Actual FY 03	Agency Est. FY 04	Governor Rec. FY 04	Agency Req. FY 05	Governor Rec. FY 05
Operating Expenditures:					
State General Fund	\$ 10,813,131	\$ 12,482,482	\$ 12,482,482	\$ 13,070,236	\$ 13,253,654
Other Funds	116,989	168,855	168,855	84,500	84,500
TOTAL	\$ 10,930,120	\$ 12,651,337	\$ 12,651,337	\$ 13,154,736	\$ 13,338,154
Percentage Change:					
Operating Expenditures:					
All Funds	(8.7)%	15.7%	15.7%	4.0%	5.4%
State General Fund	(8.9)	15.4	15.4	4.7	6.2
FTE Positions	31.0	31.0	31.0	31.0	31.0
Non FTE Perm. Uncl. Pos.	0.0	0.0	0.0	0.0	0.0
TOTAL	31.0	31.0	31.0	31.0	31.0

AGENCY OVERVIEW

The legislative power of the State of Kansas is vested in a House of Representatives (125 members) and a Senate (40 members). The budget for this agency finances the operations of the House and the Senate, joint expenses, legislative claims, special maintenance and repair expenses, special expenses authorized by the Legislative Coordinating Council, and the retirement program for session only employees of the Legislature.

MAJOR ISSUES FROM PRIOR YEARS

In 2003, the Governor implemented a new placeholder budget process for all Legislative and Judicial branch agencies. The FY 2004 budget recommended by the Governor was the exact amount approved for FY 2003 by the 2002 Legislature. This process left all the budget decisions to be made by the Legislature during the session.

The 2003 Legislature reduced the legislative budget for FY 2004 by \$170,055 in out of state travel and \$150,000 for reduced interim days.

BUDGET SUMMARY AND KEY POINTS

The Governor modified the placeholder budget process that was used in 2003. This year both the Legislative Branch and the Judicial Branch budgets were recommended by the Governor as the agency requested, without proposed changes. However, the Governor has added funding to implement the base salary increase of three percent. While required under 2003 SB 21 to submit the judicial budget without change, it was a policy decision to use the same process for the Legislative Branch.

FY 2004 - Current Year. The agency is requesting in the current year estimate \$12,651,337, of which \$12,482,482 is State General Fund. This is an all fund increase of \$504,107 or 4.1 percent over the FY 2004 approved amount. The State General Fund increase is \$466,552 or 3.9 percent from the FY 2004 approved before reappropriations. After reappropriations are taken into consideration, the State General Fund is \$494,823 below total available. The Governor concurs with the agency's request.

FY 2005 - Budget Year. The agency's requested FY 2005 budget of \$13,154,736 is a increase of \$503,399 or 4.0 percent above the FY 2004 estimate. Most of this increase is attributable to annualizing the FY 2004 salary adjustment and fringe benefit increases. The Governor concurs with the agency's request and funds the three percent base salary adjustment.

Sec. 3 --Legislature

AGENCY REQUEST. The agency requests \$13,154,736 in operating expenditures for FY 2005. This request is funded with 99.4 percent State General Fund and 0.6 percent special revenue funds. The amount requested is an increase of \$503,399 or 4.0 percent from the FY 2004 agency estimate. It includes 33.0 FTE, also the same as the FY 2004 estimate.

GOVERNOR'S RECOMMENDATION. The Governor recommends \$13,338,154 in operating expenditures for FY 2005 of which \$13,253,654 is from the State General Fund. The recommendation is an increase of \$686,817, or 5.4 percent more than the FY 2004 recommendation. The recommendation is \$183,418 or 1.4 percent more than the FY 2005 agency request, all to fund the three percent base salary adjustment. The Governor does concur with the 33.0 FTE in the agency request.

HOUSE COMMITTEE RECOMMENDATION. The House Committee concurs with the Governor's recommendation with the following adjustments:

1. Add \$10,000 State General Fund in FY 2005 as an incentive bonus plan, \$250 annually for session secretaries who are working for multiple legislators.
2. Delete \$26,872 from the State General Fund to reduce dues paid to the National Conference of State Legislatures (\$10,000) and the Council of State Governments (\$16,872).
3. Delete \$69,869 from the State General Fund to eliminate the three percent base salary increase, only for legislators.
4. Delete \$10,000 State General Fund and adding language to limit the number of printed KSA volumes given to legislators to one complete set in their first year and only updated volumes and supplements annually after their first year.
5. Add \$21,000 State General Fund as an incentive bonus plan for returning session secretaries \$250 for those who remain through completion of at least their second session, including the veto session.
6. Add \$60,390 in FY 2005 for the legislative non-session expenditure allowance by approximately 20 percent, or \$55 bi-weekly starting January 1, 2005.

Sec. 4 --Division of Post Audit

AGENCY REQUEST. The agency requests \$1,921,820 in operating expenditures for FY 2005 all from the State General Fund. The amount requested is an increase of \$64,371 or 3.5 percent from the FY 2004 agency estimate. It includes 21.0 FTE, also the same as the FY 2004 estimate.

GOVERNOR'S RECOMMENDATION. The Governor recommends \$1,962,893 in operating expenditures for FY 2005 all from the State General Fund. The recommendation is an increase of \$105,444, or 5.7 percent more than the FY 2004 recommendation. The recommendation is \$41,073 or 2.1 percent more than the FY 2005 agency request, all to fund the three percent base salary adjustment. The Governor does concur with the 21.0 FTE in the agency request.

HOUSE COMMITTEE RECOMMENDATION. The House Committee concurs with the Governor's recommendation.

Sec. 5 --Office of the Governor

AGENCY REQUEST. The agency requests an FY 2005 operating budget of \$14,510,705, including \$1,632,475 from the State General Fund. The request reflects a reduction of \$71,154 (0.5 percent) from all funding sources, and a reduction of \$436,118 (21.1 percent) from the State General Fund. The reduction in State General Fund expenditures reflects several one-time expenditures budgeted in FY 2004 that are not planned to be repeated in FY

Bill Explanation for 2004 Senate Bill 538
As Amended by Senate Committee on Ways and Means

Sec. 2 --Legislative Coordinating Council

AGENCY REQUEST. The agency requests \$682,171 in operating expenditures for FY 2005 all from the State General Fund. The amount requested is a decrease of \$81,427 or 10.7 percent from the FY 2004 agency estimate. It includes 12.0 FTE, also the same as the FY 2004 estimate.

GOVERNOR'S RECOMMENDATION. The Governor recommends \$699,867 in operating expenditures for FY 2005 all from the State General Fund. The recommendation is a decrease of \$63,867, or 8.3 percent less than the FY 2004 recommendation. The recommendation is \$17,696 or 2.6 percent more than the FY 2005 agency request, all to fund the three percent base salary adjustment. The Governor does concur with the 12.0 FTE in the agency request.

SENATE COMMITTEE RECOMMENDATION. The Senate Committee concurs with the Governor's recommendation.

Sec. 2 --Legislative Research Department

AGENCY REQUEST. The agency requests \$2,784,810 in operating expenditures for FY 2005. This request is funded with 97.2 percent State General Fund and 2.8 percent special revenue funds. The amount requested is an increase of \$78,408 or 2.9 percent from the FY 2004 agency estimate. It includes 38.0 FTE, also the same as the FY 2004 estimate.

GOVERNOR'S RECOMMENDATION. The Governor recommends \$2,856,764 in operating expenditures for FY 2005 of which \$2,775,629 is from the State General Fund. The recommendation is an increase of \$150,362, or 5.6 percent more than the FY 2004 recommendation. The recommendation is \$71,954 or 2.6 percent more than the FY 2005 agency request, all to fund the three percent base salary adjustment. The Governor does concur with the 38.0 FTE in the agency request.

SENATE COMMITTEE RECOMMENDATION. The Senate Committee concurs with the Governor's recommendation.

Sec. 2 --Revisor of Statutes

AGENCY REQUEST. The agency requests \$2,393,558 in operating expenditures for FY 2005 all from the State General Fund. The amount requested is a decrease of \$76,554 or 3.1 percent from the FY 2004 agency estimate. It includes 26.0 FTE, also the same as the FY 2004 estimate.

GOVERNOR'S RECOMMENDATION. The Governor recommends \$2,446,056 in operating expenditures for FY 2005 all from the State General Fund. The recommendation is a decrease of \$24,056, or 1.0 percent less than the FY 2004 recommendation. The recommendation is \$52,498 or 2.2 percent more than the FY 2005 agency request, all to fund the three percent base salary adjustment. The Governor does concur with the 26.0 FTE in the agency request.

SENATE COMMITTEE RECOMMENDATION. The Senate Committee concurs with the Governor's recommendation.

Sec. 3 --Legislature

AGENCY REQUEST. The agency requests \$13,154,736 in operating expenditures for FY 2005. This request is funded with 99.4 percent State General Fund and 0.6 percent Special Revenue Funds. The amount requested is an increase of \$503,399 or 4.0 percent from the FY 2004 agency estimate. It includes 33.0 FTE, also the same as the FY 2004 estimate.

GOVERNOR'S RECOMMENDATION. The Governor recommends \$13,338,154 in operating expenditures for FY 2005 of which \$13,253,654 is from the State General Fund. The recommendation is an increase of \$686,817, or 5.4 percent more than the FY 2004 recommendation. The recommendation is \$183,418 or 1.4 percent more than the FY 2005 agency request, all to fund the three percent base salary adjustment. The Governor does concur with the 33.0 FTE in the agency request.

SENATE COMMITTEE RECOMMENDATION. The Senate Committee concurs with the Governor's recommendation with the following adjustments:

1. Delete \$97,176 from the State General Fund to reduce operating expenditures.
2. Add \$5,000 from the State General Fund for dues to the National Conference of Insurance Legislators.
3. Add language stating that no individual legislator will be reimbursed for out of state travel above an aggregate total of \$2,500 per calendar year without Legislative Coordinating Council approval.
4. Add language stating that no individual legislator, excluding the Speaker of the House and the President of the Senate, will be paid for more than a total of 150 days per calendar year with out Legislative Coordinating Council approval for each day above the 150 day total.
5. Add \$60,390 in FY 2005 to increase the legislative non-session expense allowance from \$600 to \$722 per month effective January 1, 2005. The current non-session expense allowance has not changed since 1985.

Sec. 4 –Division of Post Audit

AGENCY REQUEST. The agency requests \$1,921,820 in operating expenditures for FY 2005 all from the State General Fund. The amount requested is an increase of \$64,371 or 3.5 percent from the FY 2004 agency estimate. It includes 21.0 FTE, also the same as the FY 2004 estimate.

GOVERNOR'S RECOMMENDATION. The Governor recommends \$1,962,893 in operating expenditures for FY 2005 all from the State General Fund. The recommendation is an increase of \$105,444, or 5.7 percent more than the FY 2004 recommendation. The recommendation is \$41,073 or 2.1 percent more than the FY 2005 agency request, all to fund the three percent base salary adjustment. The Governor does concur with the 21.0 FTE in the agency request.

SENATE COMMITTEE RECOMMENDATION. The Senate Committee concurs with the Governor's recommendation.

Sec. 5 –Office of the Governor

AGENCY REQUEST. The agency requests an FY 2005 operating budget of \$14,510,705, including \$1,632,475 from the State General Fund. The request reflects a reduction of \$71,154 (0.5 percent) from all funding sources, and a reduction of \$436,118 (21.1 percent) from the State General Fund. The reduction in State General Fund expenditures reflects several one-time expenditures budgeted in FY 2004 that are not planned to be repeated in FY 2005.

GOVERNOR'S RECOMMENDATION. The Governor recommends an FY 2005 operating budget of \$14,502,709, including \$1,624,479 from the State General Fund. The request reflects a reduction of \$129,150 (0.9 percent) from all funding sources, and a reduction of \$444,114 (21.5 percent) from the State General Fund. The reduction in State General Fund expenditures reflects several one-time expenditures budgeted in FY 2004 that are not planned to be repeated in FY 2005. The recommendation includes reductions made in conjunction with the implementation of the Governor's Budget Efficiency Savings Team (BEST) recommendations (\$9,022 from the State General Fund). In addition, the Governor's recommendation includes \$40,095, including \$29,668 from the State General Fund for a 3.0 percent pay plan increase.

SENATE COMMITTEE RECOMMENDATION. The Senate Committee concurs with the Governor's recommendation.

Sec. 6 –Lieutenant Governor

AGENCY REQUEST. The agency requests an FY 2005 operating budget of \$115,540 (all from the State General Fund), a reduction of \$11,834 (9.3 percent) from the FY 2004 revised estimate. The reduction reflects several one-time expenditures budgeted in FY 2004 that are not planned to be repeated in FY 2005.

House Adjustments

Senate Adjustments

Conference Committee

Sec. 3 —Legislature

1. Delete \$26,872 from the State General Fund to reduce dues paid to the National Conference of State Legislatures (\$10,000) and the Council of State Governments (\$16,872).
2. Delete \$69,869 from the State General Fund to eliminate the salary increase only for legislators.
3. Delete \$10,000 State General Fund and add language to limit the number of printed KSA volumes given to legislators to one complete set in their first year and only updated volumes and supplements annually after their first year.
4. Add \$21,000 State General Fund as an incentive bonus plan for returning session secretaries. This bonus of \$250 would be paid upon the individual remaining through completion of at least their second session, including the veto session
5. Add \$10,000 State General Fund in FY 2005 as an incentive bonus plan, \$250 annually for session secretaries who are working for multiple legislators.
6. Add \$60,390 from the State General Fund to increase the legislative non-session expense allowance, effective January 1, 2005, an additional \$122 per month from \$600 per month to \$722. The last increase was in 1985.
7. Require that all statutory or joint committees except the Legislative Post Audit Committee would need LCC approval on the number of meeting days for the interim.
9. Did not consider
10. Did not consider

Sec. 3 —Legislature

1. Did not consider
2. Did not recommend
3. Did not consider
4. Did not consider
5. Did not consider
6. Concur with the House
7. Require that all statutory or joint committees except the Legislative Post Audit Committee and the Joint Committee on State Building Committee would need LCC approval on the number of meeting days for the interim.
9. Delete \$97,176 from the State General Fund to reduce operating expenditures.
10. Add \$5,000 from the State General Fund for dues to the National Conference of Insurance Legislators.

Sec. 72 —Legislature

1. Concur with the Senate, and do not delete the funding.
2. Delete \$5,829 from the State General Fund to eliminate the three percent base salary increase for legislator salaries paid prior to January 2, 2005. A three percent base salary increase for legislators will be implemented January 2, 2005.
3. Concur with the House
4. Concur with the House
5. Concur with the House
6. Concur with the House
7. Concur with the House
9. Concur with the House, and do not delete the funding.
10. Concur with the House, and do not add the funding.

House Adjustments

Senate Adjustments

Conference Committee

11. Did not consider

12. Add language eliminating any expenditures for the Legislative Compensation Commission during FY 2005.

13. Did not consider

14. Did not consider

11. Add language stating that no individual legislator will be reimbursed for out of state travel above an aggregate total of \$2,500 per calendar year with out Legislative Coordinating Council approval.

12. Did not consider

13. Add language stating that no individual legislator will be paid for more than 150 days per calendar year, without Legislative Coordinating Council approval for each day above 150 days.

14. Add language allowing Legislature to reimburse the Attorney General for expenditures related to 2002 HR 6003 which instructs the A.G. to bring suit regarding unborn children and expenditures of state funds.

11. Concur with the House, and delete the language.

12. Concur with the House

13. Add language stating that no individual legislator will be paid for more than 150 days per calendar year, excluding the President, Speaker, and Minority Leader of each chamber, without Legislative Coordinating Council approval for each day above 150

14. Concur with the Senate

Sec. 7 —Attorney General

- 1. Add \$200,000 from the State General Fund and 2.0 FTE in FY 2005 for a White Collar Crime Unit.
- 2. Did not consider

Sec. 7 —Attorney General

- 1. Did not consider
- 2. Increase estimated expenditures from the Tort Claims Fund by \$150,000 in FY 2005 to allow for expenditures to defend state officials, other than legislators, in litigation brought pursuant to 2002 HR 6003. In addition, add a proviso authorizing expenditures from the Tort Claims Fund for such a purpose.

Sec. 76 —Attorney General

- 1. Concur with the Senate, and do not recommend the funding, but review at Omnibus.
- 2. Concur with the Senate

Sec. 9 —State Treasurer

- 1. Adjust agency financing of \$1,387,991 from the Governor's recommendation of a fee on unclaimed property claims to the current year financing from cash management and voucher processing fees.

Sec. 9 —State Treasurer

- 1. Concur with the House

Sec. 78 —State Treasurer

- 1. Concur with the House

Sec. 10 —Insurance Department

- 1. Add \$12,936 in other assistance and a proviso for using the Monumental Life settlement fund for scholarship purposes for African-American students in actuarial studies at Washburn University and Kansas State University.

Sec. 10 —Insurance Department

- 1. Add \$12,936 in other assistance and a proviso for using the Monumental Life settlement funds for scholarship purposes for African-American students making satisfactory progress toward a degree in actuarial science at an accredited institution in Kansas.

Sec. 79 —Insurance Department

- 1. Add \$12,936 in other assistance and a proviso for using the Monumental Life settlement fund for scholarship purposes for African-American students who have taken the necessary courses to successfully complete the first or second actuarial exam and who are attending an accredited higher education institution in Kansas.