

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chair Sharon Schwartz at 12:00 P.M. on March 26, 2007 in Room 514-S of the Capitol.

All members were present except:

Representative Lee Tafanelli- excused
Representative Tom Sawyer- excused

Committee staff present:

Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Becky Krahl, Legislative Research Department
Amy Deckard, Legislative Research Department
Aaron Klaassen, Legislative Research Department
Amy VanHouse, Legislative Research Department
Jim Wilson, Revisor of Statutes
Nikki Feuerborn, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees appearing before the committee:

Others attending:

See attached list.

- Attachment 1 Budget Committee Report on **HB 2144**
- Attachment 2 Budget Committee Report on **HB 2547**
- Attachment 3 Amendment to **HB 2547**
- Attachment 4 Budget Committee Report on **HB 2236**

Representative Feuerborn moved to introduce legislation for a House Resolution to prohibit House members from requesting an amendment to be drafted after 11:00 p.m. during the first 85 days of the Legislative Session. The motion was seconded by Representative Gatewood. Motion carried.

Representative Schwartz moved to introduce legislation concerning SRS oversight committee. The motion was seconded by Representative Bethell. Motion carried.

Discussion and Action on HB 2144 - Nursing facility reimbursement rates, rolling base year.

Representative Bethell, Chair of the Social Services Budget Committee, presented the Budget Committee report on **HB 2144** and moved for the adoption of the Budget Committee recommendation (Attachment 1). The motion was seconded by Representative Kelsey. Motion carried.

The Budget Committee explained that **HB 2144** would amend existing law to change the nursing facility reimbursement rate methodology from the three-year average of 2003, 2004, and 2005 to be rebased at least once every seven years to the average of the three most recent calendar years. During the 2006 Legislative Session, a proviso was added to the appropriations bill to accomplish the same function. The Budget Committee stated that the passage of **HB 2144** would increase expenditures in the Department on Aging's nursing facility program by \$8.0 million from all funding sources, of which \$3.2 million is from the FY 2008 State General Fund (SGF). This amount would be in addition to the Governor's Budget Report.

Representative Bethell moved to recommend **HB 2144** favorable for passage. The motion was seconded by Representative Kelsey.

Representative Bethell made a substitute motion to amend **HB 2144** by adding language to postpone the implementation date until FY 2009. The motion was seconded by Representative Ballard. Motion carried.

Some Committee members voiced concern regarding the action to amend **HB 2144** at this time and

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 12:00 P.M. on March 26, 2007 in Room 514-S of the Capitol.

preferred to hold action until Omnibus to determine if the funding of \$3.2 million is available and where it can best be used. Another opinion voiced indicated that they thought it is important to look at Home and Community Bases Services (HCBS) waiting lists and rate increases before restricting the use of \$3.2 million SGF to **HB 2144**.

Representative Bethell moved to recommend **HB 2144** as amended favorable for passage. The motion was seconded by Representative Kelsey. Motion carried.

Discussion and Action on HB 2547 - Primary care safety net clinic capital loan guarantee act.

Representative Bethell, Chair of the Social Services Budget Committee, presented the Budget Committee report on **HB 2547** and moved for the adoption of the Budget Committee report (Attachment 2). The motion was seconded by Representative Kelsey. Motion carried.

Representative Bethell moved to recommend **HB 2547** favorable for passage. The motion was seconded by Representative Kelsey.

Representative Bethell made a substitute motion to amend **HB 2547** by the striking language and insertion of other language (Attachment 3). The motion was seconded by Representative Kelsey. Motion carried.

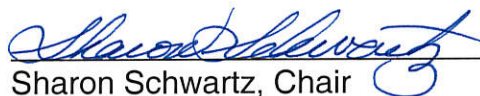
The Budget Committee stated that the bill would allow not-for-profit entities to borrow money at a lower interest rate because of the state guarantee.

Representative Bethell moved to recommend **HB 2547** as amended favorable for passage. The motion was seconded by Representative Kelsey. Motion carried.

Discussion and Action on HB 2236 - Geriatric mental health act.

Representative Bethell, Chair of the Social Services Budget committee, presented the Budget Committee report on **HB 2236** and moved for the adoption of the Budget Committee report to recommend **HB 2236** for an interim study (Attachment 4). The motion was seconded by Representative Ballard. Motion carried.

The meeting was adjourned at 12:45 p.m. The next meeting of the Committee will be "on call of the Chair".


Sharon Schwartz, Chair

House Appropriations Committee

March 26, 2007

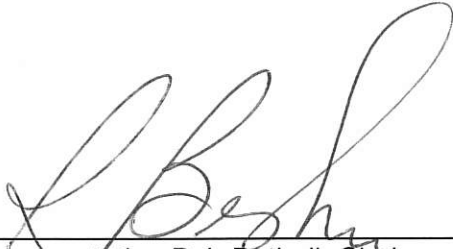
~~9:00 A.M.~~

12:00 P.M.

| NAME | REPRESENTING |
|-------------|--------------|
| Kala Finnel | ATMU |
| Mely Becht | Dale Brader |
| Ken Suckin | Jen Law Firm |
| Mary Sloan | KATHA |
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SOCIAL SERVICES BUDGET COMMITTEE

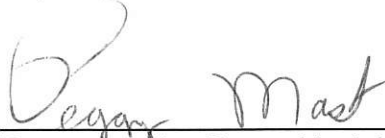
HB 2144



Representative Bob Bethell, Chair



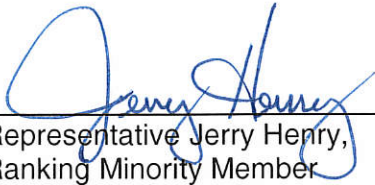
Representative Pat George



Representative Peggy Mast, Vice-Chair



Representative Tom Hawk



Representative Jerry Henry,
Ranking Minority Member



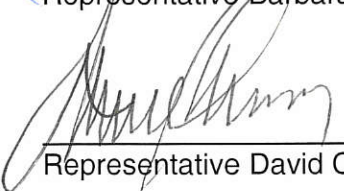
Representative Dick Kelsey



Representative Barbara Ballard



Representative Marc Rhoades



Representative David Crum

HOUSE APPROPRIATIONS

DATE 3-26-2007
ATTACHMENT 1

House Social Services Budget Committee Recommendation on HB 2144

Brief

HB 2144 would amend existing law to change the nursing facility reimbursement rate methodology from the three year average of 2003, 2004, and 2005 to be rebased at least once every seven years to the average of the three most recent calendar years.

Background

The fiscal note on the bill indicates passage of this bill will cost an estimated \$8.0 million all funds, including \$3.2 million from the State General Fund, in FY 2008.

The three year increase, holding caseloads steady and assuming the same federal matching rate, would be an increase of \$36.3 million, including \$14.7 million from the State General Fund.

Representatives from the Kansas Health Care Association, Golden Ventures, the Kansas Association of Homes and Services for the Aging, and Schowalter Villas appeared in support of the bill at the hearing. A representative of the Kansas Department on Aging appeared as a neutral conferee at the hearing.

SOCIAL SERVICES BUDGET COMMITTEE

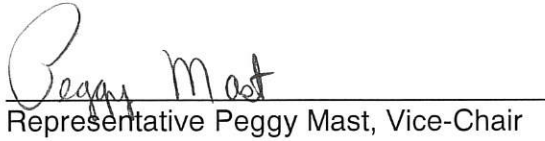
HB 2547



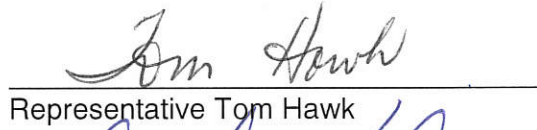
Representative Bob Bethell, Chair



Representative Pat George



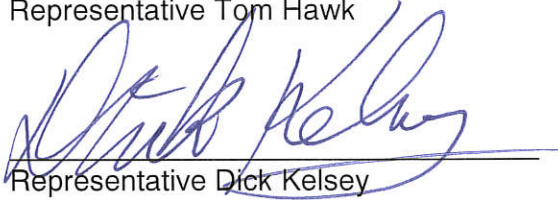
Representative Peggy Mast, Vice-Chair



Representative Tom Hawk



Representative Jerry Henry,
Ranking Minority Member



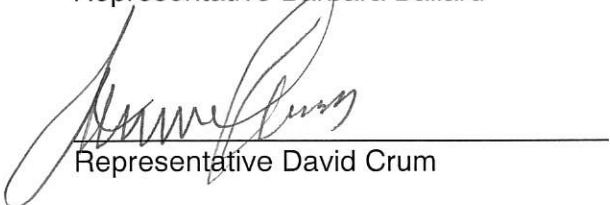
Representative Dick Kelsey



Representative Barbara Ballard



Representative Marc Rhoades



Representative David Crum

HOUSE APPROPRIATIONS

DATE 3-26-2007
ATTACHMENT 2

House Social Services Budget Committee

Recommendation on House Bill 2547

The Social Services Budget Committee recommends amendments to allow the Kansas Development Finance Authority to provide capital financing for primary care safety net clinic capital projects. Amendments also include limiting payment for claims against the state for other than default of a capital loan guarantee, which is paid from the guarantee fund established by the bill, to appropriations by the Legislature after a claim has been filed with the Joint Committee on Special Claims Against the State. The Committee recommends decreasing the aggregate loan amount, not including accrued interest, to \$15,000,000. Amendments also include striking language requiring the Kansas Development Finance Authority, the Kansas Health Policy Authority, and the Kansas Association for the Medically Underserved to submit a list of names for nomination to the Review Committee. The Committee also recommends amending the bill to allow the Secretary of Health and Environment to charge fees to recover part or all of the costs associated with the bill.

Brief

HB 2547 enacts the Primary Care Safety Net Clinic Capital Loan Guarantee Act. The bill authorizes the Secretary of Health and Environment to provide capital loan guarantees against risk of default for eligible primary care safety net clinics in Kansas. Agreements may be entered into between the Secretary and primary care safety net clinics, financial institutions, and other public or private entities. The aggregate outstanding principal amount for any single borrowing organization cannot exceed \$3,000,000, with the total aggregate outstanding amount for all loan guarantees not exceeding \$25,000,000.

The bill would create a five member Primary Care Safety Net Clinic Loan Guarantee Review Committee to review all proposals for loan financing guarantees. The members would be appointed by the Secretary of Health and Environment as follows: two members representing the Department of Health and Environment, one member appointed from a list of Kansas Development Finance Authority nominees, one member appointed from a list of Kansas Health Policy Authority nominees, and one member appointed from a list of Kansas Association for the Medically Underserved nominees. Nominees may be officers or employees of the nominating agency or organization, and no more than three members may be affiliated with the same political party. The Secretary of Health and Environment or his designee would serve as the non-voting chairperson of the Review Committee.

The bill would create the Primary Care Safety Net Clinic Loan Guarantee Fund.

The Secretary of Health and Environment is directed to prepare an annual report of the loan guarantee activity and submit the report to the Senate Ways and Means Committee or its appropriate subcommittee and to the House Appropriations Committee or the appropriate Budget Committee.

Background

Proponents presenting testimony to the Committee included the Executive Director of the Kansas Association for the Medically Underserved, the Director of the Office of Local and Rural Health of the Kansas Department of Health and Environment, the Grants and Project Officer of the Shawnee County Health Agency, Wichita Public Schools, and two primary care safety net clinics. Conferees indicated that the bill would create the capacity for the clinics to obtain higher loan amounts, strengthen loan applications, lower interest rates, and lengthen repayment terms. Overall, it was reported that the bill would reduce concerns surrounding lending funds to non-profit services organizations such as the clinics.

There were no opponents to the bill.

The fiscal note on the original bill indicates that the bill would result in increased expenditures of \$160,000 from the State General Fund and 1.0 FTE position for the Kansas Department of Health and Environment. Funding would include salaries and wages for the new position and associated costs, meeting and training costs, and professional legal and financial service fees.

The Kansas Department of Health and Environment reports that amendments to the bill would adjust the fiscal note, increasing expenditures by \$108,289 from the State General Fund and 1.0 FTE position for the agency. Amendments would eliminate the costs associated with professional legal and financial service fees.

HOUSE BILL No. 2547

By Committee on Appropriations

2-21

PROPOSED AMENDMENTS
For Consideration by the Committee on Appropriations
March 26, 2007

HOUSE APPROPRIATIONS

DATE 3-26-2007
ATTACHMENT 3

9 AN ACT enacting the primary care safety net clinic capital loan guar-
10 antee act; prescribing powers, duties and functions for the secretary
11 of health and environment; establishing the primary care safety net
12 clinic loan guarantee committee and fund.
13

14 *Be it enacted by the Legislature of the State of Kansas:*

15 Section 1. The provisions of sections 1 through 7 and amendments
16 thereto shall be known and may be cited as the primary care safety net
17 clinic capital loan guarantee act.

18 Sec. 2. As used in the primary care safety net clinic capital loan guar-
19 antee act:

20 (a) "Act" means the primary care safety net clinic capital loan guar-
21 antee act;

22 (b) "community health center" means an entity that receives funding
23 under section 330 of the federal health center consolidation act of 1996
24 and meets all of the requirements of 42 USC section 254b, relating to
25 serving a population that is medically underserved, or a special medically
26 underserved population comprised of migratory and seasonal agricultural
27 workers, the homeless, and residents of public housing, by providing,
28 either through staff and supporting resources of the center or through
29 contracts or cooperative arrangements, all required primary health serv-
30 ices as defined by 42 USC section 254b;

31 (c) "federally-qualified health center look-alike" means an entity
32 which has been determined by the federal health resources and services
33 administration to meet the definition of a federally qualified health center
34 as defined by section 1905(1)(2)(B) of the federal social security act, but
35 which does not receive funding under section 330 of the federal health
36 center consolidation act of 1996;

37 (d) "financial institution" means any bank, trust company, savings
38 bank, credit union or savings and loan association or any other financial
39 institution regulated by the state of Kansas, any agency of the United
40 States or other state with an office in Kansas which is approved by the
41 secretary for the purposes of this act;

42 (e) "indigent health care clinic" means an outpatient medical care
43 clinic operated on a not-for-profit basis which has a contractual agreement

3-2

1 in effect with the secretary of health and environment under K.S.A. 75-
2 6120 and amendments thereto to provide health care services to medically
3 indigent persons;

4 (f) "loan transaction" means a transaction with a financial institution
5 to provide capital financing for the renovation, construction, acquisition,
6 modernization, leasehold improvement or equipping of a primary care
7 safety net clinic;

8 (g) "medically indigent person" means a person who lacks resources
9 to pay for medically necessary health care services and who meets the
10 eligibility criteria for qualification as a medically indigent person estab-
11 lished by the secretary of health and environment under K.S.A. 75-6120
12 and amendments thereto;

13 (h) "primary care safety net clinic" means a community health center,
14 a federally-qualified health center look-alike or an indigent health care
15 clinic; and

16 (i) "secretary" means the secretary of health and environment.

17 Sec. 3. (a) ~~Subject to the provisions of appropriations acts, the~~ sec-
18 retary is hereby authorized to enter into agreements with primary care
19 safety net clinics, financial institutions, and other public or private entities,
20 including agencies of the United States government to provide capital
21 loan guarantees against risk of default for eligible primary care safety net
22 clinics in Kansas in accordance with this act.

23 (b) To be eligible for a capital loan guarantee under this act, a primary
24 care safety net clinic shall offer a sliding fee discount for health care and
25 other services provided that is based upon household income and shall
26 serve all persons regardless of ability to pay. The policies to determine
27 patient eligibility based upon income or insurance status may be deter-
28 mined by each primary care safety net clinic, but shall be posted in the
29 primary care safety net clinic and available to potential patients. The pa-
30 tient eligibility policies of a primary care safety net clinic shall reflect the
31 mission of the primary care safety net clinic to provide affordable, acces-
32 sible primary care to underserved populations in Kansas to be eligible for
33 a capital loan guarantee under this act.

34 (c) The secretary shall administer the provisions of this act and ~~shall~~
35 adopt rules and regulations which the secretary deems necessary for the
36 implementation or administration of this act. The ~~rules and regulations~~
37 shall include reporting requirements and financial ~~covenants, including~~
38 ~~reasonable financial performance covenants~~ that are appropriate for the
39 type of loan for the borrower. The secretary may enter into contracts that
40 the secretary deems necessary for the implementation or administration
41 of this act.

42 Sec. 4. (a) Each agreement entered into by the secretary to guar-
43 antee against default on a loan transaction shall be backed by the primary

[or the Kansas development finance authority

[The
Except as provided in section 6, and amendments thereto, for
payment for a loan guarantee for which the primary care safety net
clinic loan guarantee fund is liable, no claim against the state, the
secretary of health and environment or any other state agency
under this act shall be paid other than pursuant to an appropriation
act of the legislature after such claim has been filed with and
considered by th joint committee on special claims against the
state.

[may
loan guarantee agreement with the secretary
standards

[The secretary may impose fees and charges as may be necessary to
recover costs incurred for the administration of this act.

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1 care safety net capital loan guarantee fund and shall receive prior approval
2 by the primary care safety net clinic loan guarantee review committee
3 established under section 5, and amendments thereto.

4 (b) Each loan transaction eligible for a guarantee under this act shall
5 be for renovation, construction, acquisition, modernization, leasehold im-
6 provement or equipping of a primary care safety net clinic. Eligible costs
7 may include land and building purchases, renovation and new construc-
8 tion costs, equipment and installation costs, pre-development costs that
9 may be capitalized, financing, capitalized interest during construction,
10 limited working capital during a start-up phase and consultant fees which
11 do not include staff costs.

12 (c) The aggregate principal amount of outstanding loan guarantees
13 for any single borrowing organization shall not exceed \$3,000,000. The
14 aggregate outstanding amount of all loan guarantees for borrowing or-
15 ganizations, including accrued interest, under this act shall not exceed
16 ~~\$25,000,000~~ at any time.

17 (d) Eligible tax-exempt bonds or conventional loans may be guaran-
18 teed up to 100% under this act, subject to the other provisions of this act
19 and the rules and regulations adopted by the secretary of health and
20 environment therefor. Each eligible loan transaction shall require an eq-
21 uity investment by the borrowing organization and shall have a loan-to-
22 value ratio of at least 66%.

\$15,000,000

23 (e) The maximum term for an eligible loan transaction under this act
24 for machinery or equipment shall be 10 years. The maximum term for an
25 eligible loan transaction under this act for renovation, remodeling or
26 leasehold improvements shall be 10 years. The maximum term for an
27 eligible loan transaction under this act for new construction or land ac-
28 quisition shall be 25 years.

29 Sec. 5. (a) There is hereby established the primary care safety net
30 clinic loan guarantee review committee within the department of health
31 and environment. The committee shall consist of five members.

who is

32 (b) The members of the primary care safety net clinic loan guarantee
33 review committee shall be appointed by the secretary in accordance with
34 the following: (1) Two members shall be representatives of the depart-
35 ment of health and environment selected by the secretary, (2) one mem-
36 ber shall be appointed by the secretary from among a list of persons
37 nominated by the Kansas development finance authority, (3) one member
38 shall be appointed by the secretary from among a list of persons nomi-
39 nated by the Kansas health policy authority, and (4) one member shall be
40 appointed by the secretary from among a list of persons nominated by
41 the Kansas association for the medically underserved.

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42 (c) The secretary may appoint persons as members of the primary
43 care safety net clinic loan guarantee review committee who are officers

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1 or employees of the agencies or organizations they are nominated by or
2 that they are appointed to represent. Not more than three members of
3 the committee shall be affiliated with the same political party. Members
4 shall serve at the pleasure of the secretary.

5 (d) The primary care safety net clinic loan guarantee review com-
6 mittee shall review all proposals for loan financing guarantees under this
7 act and shall approve those proposals that the committee deems to rep-
8 resent reasonable risks and to have a sufficient likelihood of repayment.
9 The committee shall advise the secretary on matters regarding the ad-
10 ministration of this act when requested by the secretary and may provide
11 such advice when deemed appropriate by the committee.

12 (e) The secretary or the secretary's designee shall serve as a nonvoting
13 chairperson of the primary care safety net clinic loan guarantee review
14 committee, and the committee shall annually elect a vice-chairperson
15 from among its members. The committee shall meet upon call of the
16 chairperson or upon call of any two of its members. Three voting mem-
17 bers shall constitute a quorum for the transaction of business.

18 (f) Members of the primary care safety net clinic loan guarantee re-
19 view committee attending meetings of the committee, or attending a sub-
20 committee meeting thereof authorized by the committee, shall be paid
21 compensation, subsistence allowances, mileage and other expenses as
22 provided in K.S.A. 75-3223 and amendments thereto.

23 Sec. 6. (a) There is hereby established the primary care safety net
24 clinic loan guarantee fund in the state treasury for the purposes of facil-
25 itating the financing for the acquisition and modernization of primary care
26 safety net clinics in Kansas and the refinancing of capital improvements
27 and acquisition and installation of equipment therefor. The primary care
28 safety net clinic loan guarantee fund shall be administered by the secre-
29 tary. All moneys in the primary care safety net clinic loan guarantee fund
30 shall be used to provide guarantees against capital loan risks in accordance
31 with this act. ~~All expenditures from the primary care safety net clinic loan~~
32 ~~guarantee fund shall be made in accordance with appropriations acts upon~~
33 ~~warrants of the director of accounts and reports issued pursuant to vouch-~~
34 ~~ers approved by the secretary or the secretary's designee.~~

and to pay for the administrative costs associated with the act as
may be certified by the secretary

35 (b) ~~All moneys received by the secretary for the purposes of this act~~
36 ~~shall be remitted to the state treasurer in accordance with the provisions~~
37 ~~of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such~~
38 ~~remittance, the state treasurer shall deposit the entire amount in the state~~
39 ~~treasury to the credit of the primary care safety net clinic loan guarantee~~
40 ~~fund.~~

fees and charges imposed by the secretary and other

41 (c) Upon certification by the secretary to the director of accounts and
42 reports that the unencumbered balance in the primary care safety net
43 clinic loan guarantee fund is insufficient to pay an amount for a loan

1 guarantee for which the fund is liable under this act, the director of ac-
2 counts and reports shall transfer an amount equal to the insufficiency
3 from the state general fund to the primary care safety net clinic loan
4 guarantee fund. The secretary shall transmit a copy of each such certifi-
5 cation to the director of the budget and to the director of legislative
6 research at the same time that the secretary submits a certification to the
7 director of accounts and reports under this subsection.

8 (d) On or before the 10th of each month, the director of accounts
9 and reports shall transfer from the state general fund to the primary care
10 safety net clinic loan guarantee fund interest earnings based on:

11 (1) The average daily balance of moneys in the Kansas export loan
12 guarantee fund for the preceding month; and

13 (2) the net earnings rate of the pooled money investment portfolio
14 for the preceding month.

15 Sec. 7. The secretary shall prepare an annual report of the loan guar-
16 antee activity under this act, including new loans, loan repayment status
17 and other relevant information regarding activities under this act and shall
18 submit the report of its activities to the legislature at the beginning of
19 each regular session by submitting the annual report to the committee
20 on ways and means of the senate, or to the appropriate subcommittee
21 thereof, or to its successor committee, and to the committee on appro-
22 priations of the house of representatives, or to the appropriate budget
23 committee, or its successor committee.

24 Sec. 8. This act shall take effect and be in force from and after its
25 publication in the statute book.

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House Social Services Budget Committee

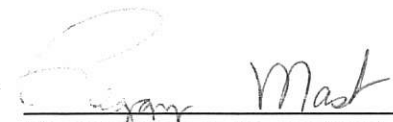
HB 2236



Representative Bob Bethell, Chair



Representative Pat George



Representative Peggy Mast, Vice-Chair



Representative Tom Hawk



Representative Jerry Henry,
Ranking Minority Member



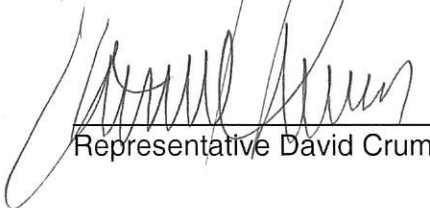
Representative Dick Kelsey



Representative Barbara Ballard



Representative Marc Rhoades



Representative David Crum

HOUSE APPROPRIATIONS

DATE 3-26-2007
ATTACHMENT 4

House Social Services Budget Committee Recommendation

The House Social Services Budget Committee recommends that the topic of mental health services for the elderly, including the provisions of 2007 HB 2236, which would establish the Geriatric Mental Health Act, be reviewed during the Interim.

Kansas Legislative Research Department

March 23, 2007

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