

## MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chair Sharon Schwartz at 9:00 A.M. on March 6, 2008, in Room 514-S of the Capitol.

All members were present except:  
Representative Powell - excused  
Representative Yoder - excused

Committee staff present:  
Alan Conroy, Legislative Research Department  
J. G. Scott, Legislative Research Department  
Reed Holwegner, Legislative Research Department  
Cody Gorges, Legislative Research Department  
Julian Efird, Legislative Research Department  
Amy Deckard, Legislative Research Department  
Jim Wilson, Revisor of Statutes  
Nobuko Folmsbee, Revisor of Statutes  
Nikki Feuerborn, Chief of Staff  
Shirley Jepson, Committee Assistant

Conferees appearing before the committee:  
Dr. Andy Allison, Medicaid Director, Kansas Health Policy Authority (KHPA)  
Don Jordan, Secretary, Department of Social and Rehabilitation Services (SRS)

Others attending:  
See attached list.

- Attachment 1 Budget Committee Report on Kansas Health Policy Authority (KHPA) and Department of Social and Rehabilitation Services (SRS)
- Attachment 2 Amendment Information for Budget Committee Report on SRS

### **Discussion and Action on HB 2673**

#### **Discussion and Action on HB 2673 - KPERS, employment after retirement, licensed professional nurses and licensed practical nurses employed at state institutions.**

Julian Efird, Legislative Research Department, explained that **HB 2673** removes a sunset provision that applied to current Kansas Public Employees Retirement System (KPERS) law allowing nurses in state institutions to return to work after retirement and not be subject to the earnings limitation. The bill also expands the coverage to nurses within the Juvenile Justice Authority.

Representative Bethell moved to recommend **HB 2673** favorably for passage. The motion was seconded by Representative Feuerborn. Motion carried.

The Committee expressed concern that the new KPERS plan, to become effective on July 1, 2009, and will add a new tier to the KPERS plan, could have an effect on **HB 2673**. It was noted that the new legislation applies only to new hires on and after July 1, 2009.

Representative Tafanelli made a substitute motion to amend **HB 2673** by adding language to set a 5-year sunset on the legislation. The motion was seconded by Representative Masterson. Motion failed on a 6-13 vote.

Some members of the Committee felt that the sunset needs to be removed to give employees an incentive to remain or return to work after retirement and not be subject to indecision as to whether the earnings limitation would be reinstated.

### **Kansas Health Policy Authority**

## CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on March 6, 2008, in Room 514-S of the Capitol.

Representative George, member of the Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the Kansas Health Policy Authority (KHPA) for FY 2008 and moved for the adoption of the Budget Committee recommendations for FY 2008 (Attachment 1). The motion was seconded by Representative Bethell. Motion carried.

Representative George, member of the Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the Kansas Health Policy Authority (KHPA) for FY 2009 and moved for the adoption of the Budget Committee recommendations for FY 2009 (Attachment 1). The motion was seconded by Representative Bethell.

Representative Bethell made a substitute motion to amend the Budget Committee report on the Kansas Health Policy Authority (KHPA) for FY 2009 by requesting that KHPA review online opportunities for individuals to procure a discount prescription drug card. The motion was seconded by Representative Henry. Motion carried.

The Committee voiced concern as to who has the responsible to honor the drug discount, whether it is the pharmaceutical companies or the pharmacies. The Committee also felt that extreme caution should be used in going forward with the online procedure.

With regard to a question from the Committee concerning the impact of possible reduction of federal funding, Dr. Andy Allison, Medicaid Director, KHPA, indicated that most of the reductions do not apply to KHPA but pass directly to the providers. The Committee voiced a concern with the possibility of reductions in federal funding and the impact on agency budgets resulting in the need for substantial FY 2009 supplemental budget requests before the 2009 Legislature.

With regard to a question concerning submission of performance measures by the agency, Dr. Allison stated that KHPA is an independent agency, not a cabinet agency, and not required to submit performance measures at this time; however, noted that the agency is in the process of developing comprehensive health measures for the State.

Representative Schwartz moved to amend the Budget Committee report on the Kansas Health Policy Authority for FY 2009 by adding language to require submission of performance measures by KHPA and provide a report to the Legislature. The motion was seconded by Representative Bethell. Motion carried.

Representative George moved for adoption of the Budget Committee recommendations on the KHPA for FY 2009 as amended. The motion was seconded by Representative Bethell. Motion carried.

### **Department of Social and Rehabilitation Services (SRS)**

Representative Kelsey, member of the Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the Department of Social and Rehabilitation Services (SRS) for FY 2008 and moved for the adoption of the Budget Committee recommendations for FY 2008 (Attachment 1). The motion was seconded by Representative Bethell. Motion carried.

- The Committee requested that the Budget Committee obtain additional information before Omnibus on Item No. 1 relating to the early childhood block grant.

Representative Bethell, Chair of the Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the Department of Social and Rehabilitation Services (SRS) for FY 2009 and moved for the adoption of the Budget Committee recommendations for FY 2009 (Attachment 1). The motion was seconded by Representative George.

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on March 6, 2008, in Room 514-S of the Capitol.

Representative Bethell made a substitute motion to amend the Budget Committee report on Page 3, Item No. 3 by removing language in lines 2 and 3, reading "child support enforcement program" and insert "child protective services". The motion was seconded by Representative Ballard. Motion carried.

The Budget Committee stated that the reauthorized Federal Temporary Assistance for Needy Family (TANF) program has established stricter work participation rate requirements for states. Because of the new regulations, the State could have a loss of \$5,096,000 in TANF funding. SRS has developed an administrative approach to address the situation (Attachment 2).

Representative Bethell moved to amend the Budget Committee report by adding language to the report to incorporate the administrative solution as presented by SRS in response to the TANF requirements (Attachment 2). The motion was seconded by Representative Kelsey. Motion carried.

The Budget Committee indicated that the above action will eliminate the loss of federal funding.

Responding to a question from the Committee, Don Jordan, Secretary, Department of Social and Rehabilitation Services, stated that the agency does not have an official ombudsman within the Department; however, have staff dedicated to responding to concerns of constituents and clients who believe that their cases were not handled properly. Secretary Jordan noted that the issue was recently addressed by the Child Protective Task Force who determined that an ombudsman within the agency would be too costly. Additionally, the Governor has recommended an enhancement in the Attorney General's office budget in order for that office to provide oversight over child and adult protective services in SRS and Department on Aging.

Representative Schwartz moved to amend the language in Item No. 22 of the Budget Committee Report on SRS for FY 2009 to request that the funding for the compliance visits be reviewed at Omnibus to determine the funding source. The motion was seconded by Representative Bethell. Motion carried.

Representative Bethell renewed the motion to adopt the Budget Committee report on the Department of Social and Rehabilitation Services for FY 2009 as amended. The motion was seconded by Representative Kelsey. Motion carried.

The meeting was adjourned at 10:45 a.m. The next meeting of the Committee will be held at 9:00 a.m. on March 7, 2008.

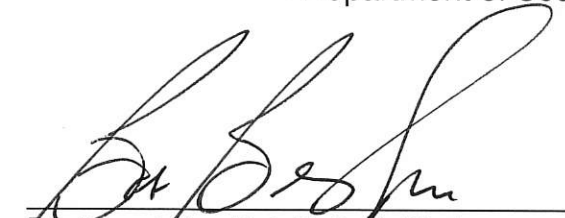
  
Sharon Schwartz, Chair



FY 2008 and FY 2009

**SOCIAL SERVICES BUDGET COMMITTEE**

Kansas Health Policy Authority  
Department of Social and Rehabilitation Services



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Representative Bob Bethell, Chair




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Representative Pat George



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Representative Peggy Mast, Vice-Chair



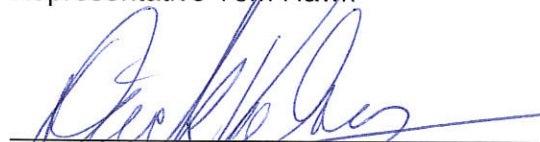
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Representative Tom Hawk



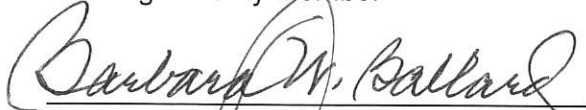
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Representative Jerry Henry,  
Ranking Minority Member




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Representative Dick Kelsey



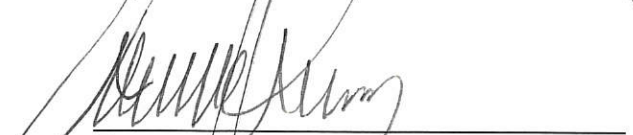
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Representative Barbara Ballard



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Representative Marc Rhoades



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Representative David Crum

**HOUSE APPROPRIATIONS**

DATE 3-06-2008  
ATTACHMENT 1

# House Budget Committee Report

**Agency:** Kansas Health Policy Authority **Bill No.** HB 2947

**Bill Sec.** 29

**Analyst:** Deckard

**Analysis Pg. No.** Vol.1-230

**Budget Page No.** 185

Expenditure Summary	Agency Estimate FY 08	Governor's Recommendation FY 08	House Budget Committee Adjustments
Reportable Operating Expenditures:			
State General Fund	\$ 488,730,425	\$ 465,130,425	\$ 0
Other Funds	877,681,109	876,281,109	0
Total - Reportable Operating	\$ 1,366,411,534	\$ 1,341,411,534	\$ 0
Non-Reportable Operating Expenditures:			
State General Fund	\$ 0	\$ 0	0
Other Funds	34,393,796	34,393,796	0
Total - Non-Reportable Operating	\$ 34,393,796	\$ 34,393,796	\$ 0
GRAND TOTAL	\$ 1,400,805,330	\$ 1,375,805,330	\$ 0
FTE Positions	64.7	64.7	0.0
Non FTE Uncl. Perm. Pos.	1.6	1.6	0.0
TOTAL	66.3	66.3	0.0

## Agency Estimate

The **agency** estimates a revised FY 2008 reportable budget totaling \$1.4 billion, an increase of \$9.6 million, or 0.7 percent, above the amount approved by the 2007 Legislature. Requested State General Fund expenditures total \$488.7 million, an increase of \$1.8 million, or 0.4 percent, above the approved amount. The request would fund 199.2 FTE positions and 8.4 Non-FTE positions. This is a decrease of 26.6 FTE positions and a decrease of 1.6 Non-FTE positions below the approved amount. The Kansas Health Policy does not have a position limitation established in law. Major adjustments to the FY 2007 approved budget include:

The agency submitted a supplemental request of \$4.0 million, including \$2.0 million from the State General Fund, to begin development of an integrated eligibility and enrollment system for Medicaid, Healthwave Premium Assistance and the State Employees Health Benefits Plan. The system will be web-based and completed in coordination with the Department of Social and Rehabilitation Services. The agency also requested funding for this project in FY 2009.

Additionally, there is a recommended State General Fund lapse of \$3.3 million. This lapse is partially offset by a \$3.0 million reappropriation from the State General Fund. Additionally, there was a federal funds increase of \$2.1 million and \$425,188 in higher than anticipated fee funds than in the approved budget.

## **Governor's Recommendation**

The **Governor** recommends FY 2008 reportable operating expenditures of \$1.3 billion, a decrease of \$15.4 million, or 1.1 percent, below the approved amount. The recommendation does not include the supplemental funding requested by the agency to begin an integrated eligibility and enrollment system. The recommendation does include savings of \$21.0 million, including \$6.6 million from the State General Fund, for the regular medical program identified in the fall 2007 consensus caseload process. Additionally, the recommendation shifts \$15.0 million from the State General Fund to the Medical Programs Fee Fund. The shift is a one time adjustment, as the funding was available due to a settlement received from the federal government in response to underclaiming of federal funds. The issue with the Medicaid Management Information System (MMIS) program was resolved last year and correct claims are now being submitted to the federal government.

## **House Budget Committee Recommendation**

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

# House Budget Committee Report

**Agency:** Kansas Health Policy Authority **Bill No.** HB 2946

**Bill Sec.** 32

**Analyst:** Deckard

**Analysis Pg. No.** Vol. I- 230

**Budget Page No.** 185

Expenditure Summary	Agency Request FY 09	Governor's Recommendation FY 09	House Budget Committee Adjustments*
Reportable Operating Expenditures:			
State General Fund	\$ 498,211,387	\$ 513,700,254	\$ (9,330,172)
Other Funds	892,639,526	886,864,938	(11,390,667)
Total - Reportable Operating	\$ 1,390,850,913	\$ 1,400,565,192	\$ (20,720,839)
Non-Reportable Operating Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	34,929,061	35,045,271	0
Total - Non-Reportable Operating	\$ 34,929,061	\$ 35,045,271	\$ 0
<b>GRAND TOTAL</b>	<b>\$ 1,425,779,974</b>	<b>\$ 1,435,610,463</b>	<b>\$ (20,720,839)</b>
FTE Positions	64.7	64.7	(3.0)
Non FTE Uncl. Perm. Pos.	1.6	1.6	0.0
<b>TOTAL</b>	<b>66.3</b>	<b>66.3</b>	<b>(3.0)</b>

\*Of the Budget Committee's recommended reductions, \$408,339, including \$155,172 from the State General Fund, is related to pay plan adjustments.

## Agency Request

The **agency** requests a FY 2009 reportable budget of \$1.4 billion, an increase of \$24.4 million, or 1.8 percent, above the revised current year estimate. The request includes State General Fund expenditures of \$498.2 million, an increase of \$9.5 million, or 1.9 percent, above the revised current year estimate. The request would fund 199.2 FTE positions, and 8.4 Non-FTE positions, the same as the revised FY 2008 estimate.

The request includes enhancement funding of \$25.1 million, including \$11.3 million from the State General Fund. **Absent the enhancement requests**, the FY 2009 request would be a reduction of \$660,621, or less than 0.1 percent, and a State General decrease of \$1.5 million, or 0.3 percent, below the FY 2008 revised estimate.

The enhancements requested by the agency include: \$12.1 million, including \$5.0 million from the State General Fund, for implementation of a premium assistance program for low income families; \$12.0 million including \$6.0 million from the State General Fund for an integrated eligibility and enrollment system for Medicaid, Healthwave, Premium Assistance, and the State Employees Health Benefits Plan; \$825,000, including \$206,250 from the State General Fund, for an automated Medicaid prescription drug authorization system; \$100,000, including \$50,000 from the State General Fund, to continue the enhanced care management pilot program in Sedgwick County; and \$100,000, including \$50,000 from the State General Fund, for a community health record.

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## Governor's Recommendation

The **Governor** recommends FY 2009 reportable operating expenditures of \$1.4 billion, including \$513.7 million from the State General Fund. The recommendation is an increase of \$9.7 million above the agency's request. Additionally, the recommendation is an increase of \$59.2 million, or 4.4 percent, above the Governor's FY 2008 recommendation.

The Governor recommends a portion of the agency's enhancement requests including: the addition of \$450,000 from the State General Fund to fund the Health Information Exchange Commission recommendations; the addition of \$1,037,500, including \$518,750 from the State General Fund, and 3.0 FTE positions for premium assistance administration; the addition of \$10.0 million, including \$4.0 million from the State General Fund, for premium assistance aid; the addition of \$8.0 million, including \$4.0 million from the State General Fund, for an integrated eligibility and enrollment system; the addition of \$100,000, including \$50,000 from the State General Fund, for the enhanced care management program; and the addition of \$825,000, including \$206,250 from the State General Fund, for the Medicaid Prescription drug prior authorization system. The Governor also recommends the addition of \$275,965, including \$108,548 from the State General Fund, for the 2.5 percent base salary adjustment for state employees and \$46,814, including \$20,069 from the State General Fund, for the under market rate adjustment.

The Governor's recommendation also includes a reduction of \$7.9 million to recognize savings from the creation of a restricted formulary for MediKan. In addition, the Governor's recommendation includes the addition of \$22.0 million, including \$20.4 million from the State General Fund, to fund consensus caseload items at the level agreed to at the fall 2007 meeting.

## House Budget Committee Recommendation

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

1. **Pay Plan Adjustments.** Delete \$408,339, including \$155,172 from the State General Fund, to remove the following pay plan adjustments recommended by the Governor. Pay plan adjustments will be considered in a separate bill.
  - a. **State Employee Pay Increases.** Delete \$275,965, including \$108,548 from the State General Fund, to remove the amount recommended by the Governor for the 2.5 percent base salary adjustment.
  - b. **Classified Employee Pay Plan.** Delete \$46,814, including \$20,069 from the State General Fund, to remove the amount recommended by the Governor for FY 2009 pay increases for basic vocational classes and for those employees identified as having the most disparity relative to market rate.
  - c. **Longevity Pay.** Delete \$85,560, including \$26,555 from the State General Fund, to remove the amount recommended by the Governor for longevity bonus payments.
2. Delete \$11,037,500, including \$4,518,750 from the State General Fund, and 3.0 FTE positions, to remove funding for premium assistance for review at Omnibus. The funding includes \$10.0 million, including \$4.0 million from the State General Fund, for premium assistance aid, and \$1,037,500, including \$518,750 from the State General Fund, and 3.0 FTE positions for administration of the program.

The Budget Committee notes that the authorization for this program was included in 2007 SB 11.

3. Delete \$8.0 million, including \$4.0 million from the State General Fund, to remove funding for an integrated enrollment system for review at Omnibus. The system is a joint project with the Department of Social and Rehabilitation Services. The Budget Committee recommends removing funding for both agencies totaling \$15.0 million, including \$8.2 million from the State General Fund, for this project for review at Omnibus. The Budget Committee notes that the project would begin the replacement of an antiquated computer system that relies on mainframe technology and warrants discussion.
4. Delete \$825,000, including \$206,250 from the State General Fund, to remove funding for an automated prior authorization system for review at Omnibus. The Budget Committee notes that the automation of this process could result in the reduction in other expenditures at the agency and wants to review the reduction estimates in conjunction with the entire project at Omnibus.
5. Delete \$450,000, all from the State General Fund, to remove funding to implement the recommendations of the Health Information Technology Commission. The Budget Committee recommends that the recommendations of the Health Information Technology Commission are discussed prior to Omnibus.
6. Review the shift of \$5.0 million from the Children's Initiatives Fund to the State General Fund, including \$2.0 million for Healthwave and \$3.0 million for Medical Assistance prior to Omnibus. The Governor's recommendation shifts funding of these programs to the State General from the Children's Initiatives Fund. The Budget Committee recommends a review of the source of funding for these programs at Omnibus.
7. Review the reduction of \$7,291,000, all from the State General Fund, for a Medikan Preferred Drug Formulary prior to Omnibus. The reduction was recommended by the Governor after being submitted by the agency as a reduced resources option. The agency indicated that upon further review, their submission may have been overly optimistic, and that it was unclear if the implementation of a Medikan Preferred Drug Formulary would result in that level of savings. In addition, the Budget Committee notes testimony that expressed concern if mental health drugs are not excluded from the preferred drug formulary.
8. Review the shift of \$15.0 million from fee funds to the State General Fund at Omnibus. The Budget Committee notes that Governor added \$15.0 million from the State General Fund in FY 2009 to replace fee fund expenditures in FY 2008. The Budget Committee wants to review the State General Fund expenditures.
9. The Budget Committee notes it is responsible for reviewing funding for programs relied on by some of the most vulnerable residents of Kansas and acutely feels the obligation to ensure that the programs that provide services to these individuals are adequately funded in the budget.

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## House Budget Committee Report

**Agency:** Department of Social and Rehabilitation Services    **Bill No.** HB 2947    **Bill Sec.** 28

**Analyst:** Deckard                      **Analysis Pg. No.** Vol.1-406                      **Budget Page No.** 365

Expenditure Summary	Agency Estimate FY 08	Governor's Recommendation FY 08	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 673,302,947	\$ 658,093,239	\$ 0
Other Funds	847,729,281	868,577,359	(5,000,000)
Subtotal - Operating	<u>\$ 1,521,032,228</u>	<u>\$ 1,526,670,598</u>	<u>\$ (5,000,000)</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	0
Other Funds	7,669,185	7,309,185	0
Subtotal - Capital Improvements	<u>\$ 7,669,185</u>	<u>\$ 7,309,185</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 1,528,701,413</u></u>	<u><u>\$ 1,533,979,783</u></u>	<u><u>\$ (5,000,000)</u></u>
FTE Positions	3,668.6	3,668.6	0.0
Non FTE Uncl. Perm. Pos.	72.6	72.6	0.0
<b>TOTAL</b>	<u><u>3,741.2</u></u>	<u><u>3,741.2</u></u>	<u><u>0.0</u></u>

### Agency Estimate

The **agency** estimates a revised FY 2008 budget totaling \$1.5 billion, an increase of \$22.2 million, or 1.5 percent, above the amount approved by the 2007 Legislature. Requested State General Fund expenditures total \$673.3 million, an increase of \$19.6 million, or 3.0 percent, above the approved amount. The request includes 3,668.6 FTE positions and 72.6 Non-FTE positions, a decrease of 2.0 FTE positions and an increase of 7.0 Non-FTE positions from the revised current year estimate. Major adjustments to the FY 2007 approved budget include supplemental requests of: \$9.2 million, including \$7.5 million from the State General Fund, to implement child welfare non-medicaid residential placements changes; \$10.5 million from the State General Fund for replacement of federal funds; and \$2.0 million, including \$1.6 million from the State General Fund, for the Home and Community Based Services for persons with developmental disabilities (HCBS/DD) waiver change.

The revised FY 2008 budget includes a State General Fund reappropriation of \$1.2 million from FY 2007. The FY 2008 budget also includes \$10.1 million in additional federal funds. The agency is requesting to move 2.0 FTE positions to Osawatomie State Hospital in FY 2008 and to transfer \$1.1 million from the State General Fund to Rainbow Mental Health Facility. The additional funds at Rainbow Mental Health Facility will help increase the number of inpatient mental health beds available in Kansas.

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## Governor's Recommendation

The **Governor** recommends FY 2008 operating expenditures \$1.5 billion, including \$658.1 million from the State General Fund. The Governor's recommendation include the following changes to the agency's request:

- The addition of \$5.0 million, all from the Children's Initiatives Fund (CIF), for the new early childhood block grant to be administered by the Children's Cabinet. The block grant is to be used for grants to school districts, child care centers and homes, Early Head Start sites, Head Start sites, and community-based programs that provide research-based child development services for at-risk infants, toddlers and their families, and preschool for three and four year olds. The Governor's recommendation also includes funding of \$18.0 million for this block grant in FY 2009.
- The addition of \$9.0 million from the State General Fund for improved intake and assessment for Child Protective Services, to fund a portion of the agency's \$10.5 million supplemental request for the replacement of federal funds for out of home placements for children.
- The addition of \$2,241,040 from federal disaster funding to provide emergency and ongoing mental health services to victims of the Greensburg tornado and the Southeast Kansas flooding.
- Addition of \$1,678,955, all from federal funds, for the mental health administrative claiming payments to Community Mental Health Centers.
- The Governor's recommendation includes adjustments to reflect the November 2007 consensus caseload estimates for entitlement programs. The estimate for FY 2008 was revised upward by \$13.0 million, while the State General Fund estimate is a reduction of \$645,235.

## House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation with the following adjustment and notation:

1. Delete \$5.0 million, all from the Children's Initiatives Fund, for the new early childhood block grant to be reviewed at Omnibus. The Budget Committee notes that this is a new block grant which the Governor recommended funding in both FY 2008 and FY 2009. The new block grant is to be administered by the Children's Cabinet and the funds are to be used for grants to school districts, child care centers and homes, Early Head Start sites, Head Start sites, and community based programs that provide research-based child development services for at-risk infants, toddlers and their families, and preschool for three- and four-year olds.
2. The Budget Committee requests that KAR 30-5-61a(a)(1), concerning withholding of payments to Medicaid providers, be reviewed during the 2008 Interim. The Budget Committee recommends that the review include consideration of preventing the state from recoupment of funds in dispute until a fair hearing is held. Additionally, the review should include consideration of payment of attorney fees if the family involved is found not to be at fault. The review should also

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include consideration of the method of recoupment, to ensure that the recoupment process will not be detrimental to the clients and their care.

The Budget Committee received testimony from a family which stopped receiving Medicaid payments for their son, who is receiving services from the Home and Community Based Services for individuals with developmental disabilities, until the past payments at issue had been recouped. The payments at issued totaled more than \$16,000 and created hardships for the family.

## House Budget Committee Report

**Agency:** Department of Social and Rehabilitation Services    **Bill No.** HB 2946    **Bill Sec.** 33

**Analyst:** Deckard                      **Analysis Pg. No.** Vol.1-406                      **Budget Page No.** 365

Expenditure Summary	Agency Request FY 09	Governor's Recommendation FY 09	House Budget Committee Adjustments*
Operating Expenditures:			
State General Fund	\$ 713,172,171	\$ 680,003,835	\$ (24,285,971)
Other Funds	881,179,056	887,430,237	(34,563,816)
Subtotal - Operating	<u>\$ 1,594,351,227</u>	<u>\$ 1,567,434,072</u>	<u>\$ (58,849,787)</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	0
Other Funds	20,951,880	4,730,500	0
Subtotal - Capital Improvements	<u>\$ 20,951,880</u>	<u>\$ 4,730,500</u>	<u>\$ 0</u>
 TOTAL	 <u><u>\$ 1,615,303,107</u></u>	 <u><u>\$ 1,572,164,572</u></u>	 <u><u>\$ (58,849,787)</u></u>
 FTE Positions	 3,678.6	 3,669.6	 0.0
Non FTE Uncl. Perm. Pos.	72.6	72.6	0.0
TOTAL	<u><u>3,751.2</u></u>	<u><u>3,742.2</u></u>	<u><u>0.0</u></u>

\*Of the Budget Committee's recommended reductions, \$7,924,349, including \$3,340,878 from the State General Fund, is related to pay plan adjustments.

### Agency Request

The **agency** requests a FY 2009 operating budget of \$1.6 billion, an increase of \$73.3 million, or 4.8 percent, above the revised current year estimate. The request includes State General Fund expenditures of \$713.3 million, an increase of \$39.9 million, or 5.9 percent, above the revised current year estimate. The request includes 3,678.6 FTE positions and 72.6 Non-FTE positions, an increase of 10.0 FTE positions above the revised current year estimate.

The request includes enhancement funding of \$96.6 million, including \$66.2 million from the State General Fund, and 9.0 FTE positions. **Absent the enhancement requests**, the request in FY 2009 would total \$1.5 billion, including \$647.0 million from the State General Fund, representing a total decrease of \$23.3 million, or 1.7 percent, and a State General Fund reduction of \$26.3 million, or 3.9 percent.

### Governor's Recommendation

The **Governor** recommends \$1.6 billion, including \$680.0 million from the State General Fund, for FY 2009 operating expenditures. The recommendation is an increase of \$40.8 million, or 2.7 percent, above the Governor's FY 2008 recommendation. The Governor's FY 2009 recommendation is a decrease of \$26.9 million, or 1.7 percent, below the agency's request.

The recommendation includes the following adjustments to the agency request: the addition of \$3,658,214, including \$1,543,832 from the State General Fund, for the Governor's recommended 2.5 percent base salary adjustment; addition of \$2,285,025, including \$969,993 from the State General Fund, for the Governor's recommended below market recommendation; reduction of \$7.0 million, all from the State General Fund, for Community Mental Health Centers certified match; addition of \$9.0 million from the State General Fund for improved intake and assessment for Child Protective Services, to fund a portion of the agency's \$10.5 million supplemental request for the replacement of federal funds for out of home placements for children; and a reduction of \$1.0 million, all from the State General Fund, to eliminate the state only funded portion of the Low Income Energy Assistance program (LIEAP).

The recommendation also includes the following adjustments to the agency request: addition of \$734,000, including \$602,133 from the State General Fund, for the purchase of a total of 55 replacement vehicles to be allocated between SRS and the five state hospitals (SRS and the state hospitals had requested \$1,627,322, including \$1,334,965 from the State General Fund, for 110 replacement vehicles); addition of \$7.0 million, including \$4.2 million from the State General Fund, for a human service information management system; addition of \$8,728,033, all from federal funds, for the mental health administrative claiming payments to Community Mental Health Centers; addition of \$2,467,680, all from the State General Fund, for child care caseload increases; addition of \$15,100,930, including \$6,052,452 from the State General Fund, to decrease HCBS waivers waiting list; addition of \$18.0 million, all from the Children's Initiatives Fund, for the new early childhood block grant to be administered by the Children's Cabinet; and the addition of \$14.0 million, including \$9.1 million to the agency's request for consensus caseload adjustments.

## House Budget Committee Recommendation

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

1. **Pay Plan Adjustments.** Delete \$7,924,349, including \$3,340,878 from the State General Fund (or all from the State General Fund, or all from special revenue funds), to remove the following pay plan adjustments recommended by the Governor. Pay plan adjustments will be considered in a separate bill.
  - a. **State Employee Pay Increases.** Delete \$3,658,214, including \$1,543,832 from the State General Fund, to remove the amount recommended by the Governor for the 2.5 percent base salary adjustment.
  - b. **Classified Employee Pay Plan.** Delete \$2,285,025, including \$969,993 from the State General Fund, to remove the amount recommended by the Governor for FY 2009 pay increases for basic vocational classes and for those employees identified as having the most disparity relative to market rate.
  - c. **Longevity Pay.** Delete \$1,981,110, including \$827,053 from the State General Fund to remove the amount recommended by the Governor for longevity bonus payments.
2. Delete \$7.0 million, including \$4.2 million from the State General Fund, to remove funding for an integrated enrollment system for review at Omnibus. The system is a joint project with the Health Policy Authority. The Budget Committee recommends removing funding totaling in FY 2009 for both agencies of \$15.0 million, including \$8.2 million from the State General Fund,

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for this project for review at Omnibus. The Budget Committee notes that the project would begin the replacement of an antiquated computer system that relies on mainframe technology and warrants discussion.

3. Delete \$9.0 million, all from the State General Fund, which was recommended by the Governor to replace federal funds for the child support enforcement program for review at Omnibus. Changes in federal regulation now only allow federal Title IV-E funding for those children that are candidates for out of home placement. This has reduced the amount of federal funding that SRS has been able to receive for administration costs. The agency had requested \$10.5 million from the State General Fund to maintain the current level of service. The Budget Committee requests that the agency report on any other sources of revenue to pay for these services.
4. Delete \$118,500, all from the State General Fund, to replace federal funds, for the Kansas Youth Empowerment Grant for review at Omnibus. The federal Rehabilitation Services Administration (RSA) interprets federal regulations regarding use of Title I Vocational Rehabilitation funds. The RSA interprets the regulations to prohibit state agencies from issuing grants funded from this source. To comply with this interpretation, the Department of Social and Rehabilitation Services requested the enhancement funds to replace the portion of this grant previously matched by federal vocational rehabilitation funds with State General Funds.

The Budget Committee received testimony that the funding for programs provided in this grants illustrate to those who are disabled that they can get things accomplished even if they are disabled. Testimony cited the following information:

- One out of five adults with disabilities has not graduated from high school, compared to less than one out of ten adults without disabilities.
  - Youth with severe emotional disabilities (57.6 percent) and youth with learning disabilities (36.0 percent) have the highest drop out rates of all disability groups.
  - Only 14.0 percent of youth with disabilities attend post secondary school versus 53.0 percent in the general population.
  - Nationally, 70.0 percent of youth with disabilities are unemployed two years after exiting from high school.
5. Delete \$15,100,930, including \$6,052,452 from the State General Fund, to decrease HCBS waivers waiting list for review at Omnibus. This includes funding of:
    - \$1.0 million, including \$400,800 from the State General Fund, for the HCBS for persons with a Head Injury waiver;
    - \$2,783,382, including \$1,151,652 from the State General Fund, for the HCBS/PD waiver; and
    - \$11,227,548, including \$4,500,000 from the State General Fund for the HCBS/DD waiver.



The Budget Committee notes that there are currently 1,317 individuals waiting for services from the HCBS/DD waiver. The Budget Committee recommends consideration of a plan over the next three years to eliminate the HCBS/DD waiting list. The Budget Committee notes that it is currently the only HCBS waiver that has a waiting list. The Budget Committee recognizes that the waiting list can not be eliminated all at once, but notes the need to consider how the waiting list should be addressed. The Budget Committee notes the need to make an effort to address the needs of the HCBS waivers.

The Budget Committee also notes that if funding for the HCBS waivers are not added during Omnibus there is potential for creation of waiting lists for other HCBS waivers during FY 2009.

6. Delete \$500,000, all from the State General Fund, to increase Centers for Independent Living (CIL) grants for review at Omnibus. Funding for CIL grants also comes from Social Security Rehabilitation Incentives funds. Revenue from this funding source varies from year to year due to the Social Security Administration (SSA) review and approval processes. The revenue is no longer sufficient to provide the amount of funding used for CIL grants. The \$500,000 recommended by the Governor is to replace this dwindling source of revenue for the CILs grants.
7. Delete \$734,000, including \$602,133 from the State General Fund, for the purchase of a total of 55 replacement vehicles to be allocated between SRS and the five state hospitals for review at Omnibus. SRS and the state hospitals had requested \$1,627,322, including \$1,334,965 from the State General Fund, for 110 replacement vehicles.
8. Delete \$375,000, all from the State General Fund, for assistive technology for Kansans for review at Omnibus. The Budget Committee notes testimony received that indicated that this money is used to support five regional access sites across the state to help provide services to Kansans that have little or no ability to secure services elsewhere.
9. Delete \$97,008, all from the State General Fund, for the child protection single toll-free line for review at Omnibus. The toll free calls regarding child abuse and neglect reports from the public would be received at the protection report center, and the calls would be transferred to the local regional protection report center for action.
10. Delete \$18.0 million, all from the Children's Initiatives Fund, for the new early childhood block grant to be reviewed at Omnibus. The Budget Committee notes that this is a new block grant which the Governor recommended funding in both FY 2008 and FY 2009. The new block grant is to be administered by the Children's Cabinet and the funds are to be used for grants to school districts, child care centers and homes, Early Head Start sites, Head Start sites, and community based programs that provide research-based child development services for at-risk infants, toddlers and their families, and preschool for three- and four-year olds.
11. The Budget Committee recommends the removal of the language in the appropriations bill that places a 80 person limit on the number of persons that can be moved for money follows the person program. The Budget Committee

notes that Kansas received a five-year \$37.0 million, money follows the person demonstration federal grant to transition individuals from institutional settings to the community.

12. Review the addition of \$1.0 million, all from the Children's Initiatives Fund, at Omnibus to reinstate funding for therapeutic preschool. The Budget Committee notes that therapeutic preschool facilities provide important early intervention for children who have severe emotional disorders.
13. Review the addition of \$228,000, all from the Children's Initiatives Fund, at Omnibus to reinstate funding for the school violence prevention program. The Budget Committee notes that the programs provide children with mental health support and services in the school setting with a focus on issues related to school violence.
14. The Budget Committee requests a report from SRS prior to Omnibus regarding the merger of HCBS/TA waiver and the ACIL program. In addition, the Budget Committee recommends a review of the current rates for the ACIL program and what rates for those services will be once the programs have merged. The Budget Committee received testimony the federal Centers for Medicare and Medicaid Services (CMS) has determined that Kansas may no longer administer the Attendant Care for Independent Living (ACIL) program as it has in the past. CMS indicated that because the ACIL program is only available to a specific group of medically fragile children, it is not allowable under the state Medicaid plan.

The Department of Social and Rehabilitation Services also administers the Technology Assisted (TA) Children's waiver. This waiver targets medically fragile children who are not Medicaid eligible due to family income. The waiver allows the parental income to be disregarded, making the children eligible for services based on their medical conditions. The decision was made by SRS to merge the TA waiver and the ACIL program, effective July 1, 2008. Changes to the waiver will be required to make this happen, including increasing the age limit from 18 to 21, and adding services including skilled nursing services, attendant care, respite services, and home modifications.

The Department of Social and Rehabilitation Services indicated that if a child is receiving services through the HCBS/DD waiver and receiving ACIL services, they will be offered the choice of the HCBS/TA waiver or the HCBS/DD waiver, so they can choose the waiver that best meets their needs.

The Budget Committee notes that concern was expressed that some children currently receiving services from the ACIL program will not be eligible for the HCBS/TA waiver or the HCBS/DD waiver. In addition, concern was noted by conferees that services previously available under the ACIL program will no longer be provided. The Budget Committee recommends that these concerns be reviewed at Omnibus when more information regarding the impact on specific children may be more available.

15. Review the addition of \$7.0 million, all from the State General Fund, to restore funding for the Community Mental Health Centers (CMHCs) to the FY 2008 level. The 2007 Legislature added \$17.0 million, all from the State General Fund, in FY 2008 to maintain the public community mental health system after the elimination of the certified match process for Medicaid and the

implementation of the Prepaid Ambulatory Health Plan (PAHP) system. The Governor's recommendation for FY 2009 included funding of \$10.0 million to maintain this support. The Budget Committee recommends reviewing the addition of \$7.0 million more for FY 2009 to bring the total amount to the FY 2008 level of \$17.0 million.

In addition, the Budget Committee recommends a review at Omnibus of the addition of another \$8.8 million to bring the CMHCs to the same funding level prior to the end of certified match. Testimony indicated that the CMHCs would require the additional funding to continue to provide the same amount of services.

The Budget Committee notes that in many cases the CMHCs are the only place that many people can get services. The Budget Committee notes that the CMHCs have a state mandate to serve everyone who walks through their doors, regardless of ability to pay. Money has not necessarily followed the person into the community. The Budget Committee notes that the state needs to protect the services provided in the community.

The Budget Committee recommends that during Omnibus a determination should be made if funding provided to the CMHCs can be used for those individuals with the greatest need, or if there is a requirement who the funding is used for.

16. The Budget Committee recommends a review of raising the protected income level to the appropriate level at Omnibus. The House Budget Committee notes testimony that this may be an increase of \$22 per month, but requests input from interested parties as to the appropriate level.
17. Review the addition of \$2.5 million, including \$1.0 million from the State General Fund, for Autism Waiver Waiting List. The funding would allow approximately 100 additional young children with autism spectrum disorders and their families to be served on the Autism Waiver for a full year in FY 2009. The Budget Committee notes that there are currently 134 children on the waiting list to receive waiver services. The Budget Committee notes that it received testimony that 1 in 150 children is diagnosed with autism and that a new case is diagnosed approximately every 20 minutes. Additionally, testimony indicated that studies have shown that approximately half of children with autism who receive early intensive services will not need support in older childhood and adulthood.
18. The Budget Committee notes that Targeted Case Management was reduced by \$2.4 million between FY 2008 and FY 2009. The Budget Committee received testimony that the federal Centers for Medicare and Medicaid Services (CMS) indicated that the previous method of operation used by Kansas to provide targeted case management services was not going to be allowed in the future, and failure to change methodologies might result in federal deferrals.

The Kansas Health Policy Authority (KHPA), in conjunction with Kansas Department of Health and Environment, Department of Social and Rehabilitation Services, and the Department on Aging met to address the concerns and develop a plan to move forward. A contractor conducted a rate study to develop a uniform rate methodology that was equitable, defensible,

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and met CMS approval. A Medicaid state plan amendment was submitted to CMS and was approved on December 7, 2007.

The Budget Committee recommends a review of the targeted case management issue at Omnibus, including its impacts on the consumers.

19. The Budget Committee notes the collaboration that is occurring between business leaders, parents, law enforcement, and other interested Kansans who came together to support an investment in early childhood education. The Budget Committee notes that the Kansas Coalition for School Readiness is dedicated to increasing the number of children that have the opportunity to participate in voluntary, high quality early learning opportunities.
20. The Budget Committee notes that the Governor's recommendation included moving the Pre-K pilot program to the Department of Education. The Budget Committee recommends a review of the best location for this program. The Budget Committee recommends that this review include an assessment of the LEPC recommendation to move these programs to the Department of Education.
21. The Budget Committee notes testimony it received regarding the Health in Pregnancy Program. The Health in Pregnancy program is a voluntary program for pregnant women who have had substance abuse issues. There are programs located in Douglas, Barton, Ellis, and Sedgwick counties. The Department of Social and Rehabilitation Services indicated that it is still reviewing the success of the current pilot program, including the effect of the treatment provided by the program. The Budget Committee notes the it is interested in reviewing the research on the outcomes of this program and the possibility of expanding the program to statewide implementation.
22. The Budget Committee notes testimony received that indicate the addition of \$1.1 million from the State General Fund would allow two compliance visits to be made at each tobacco retailer location, each month, for twelve months per year under the BARS program. The BARS program is currently receiving \$100,000 from the Department of Social and Rehabilitation Services.
23. The Budget Committee notes that the 2007 Legislature added funding of \$156,000 in FY 2008 to increase the rate to provide burial services from \$550 to \$680. The Budget Committee notes that this rate for the Funeral Assistance program had not increased since FY 1998. In addition, the 2007 Legislature added \$134,000 to address increases in the number of funerals covered by the program. The Budget Committee notes the importance of providing funding for these services and comments that if the state does not pay for burial of indigent citizens the counties would have to pick up the cost.
24. The Budget Committee recommends a review at Omnibus of the addition of \$4.2 million, including \$1.7 million from the State General Fund, to expand the Home and Community Based Services for persons with Traumatic Brain Injury (HCBS/TBI) waiver to serve persons with strokes.

The Budget Committee received testimony about the HCBS waiver for persons with traumatic brain injury, including the definition of brain injury that controls eligibility for the waiver. The Budget Committee notes that this waiver is unique in that it is designed to be a short term program to rehabilitate persons with

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traumatic brain injury to their best level of functioning, after which they will no longer need services or will transition to other programs such as the HCBS waiver for persons with physical disabilities.

Conferees testified that the current definition used to determine eligibility for the waiver excludes person who have a non-traumatic brain injury. The conferees requested that the definition be changed to an acquired brain injury or that a separate waiver be created to these types of injury.

The Budget Committee notes that people who receive the appropriate level of care, use the appropriate amount of funding. Ensuring that individuals use the appropriate level of funding allows the Department of Social and Rehabilitation Services to do more with less.



*Kathleen Sebelius, Governor*  
*Don Jordan, Secretary*

[www.srskansas.org](http://www.srskansas.org)

March 3, 2008

The Honorable Bob Bethell  
Kansas House of Representatives  
Capitol - Room 161-W  
Topeka, Kansas 66612

Dear Representative Bethell:

In follow up to our meeting last week regarding the TANF work participation difficulty were are facing and the likely federal penalty if we do nothing, I wanted to summarize in writing the issue and our administrative approach to fixing this through an earnings disregard and transitional payment.

**TANF Work Participation Requirement**

The reauthorized Federal Temporary Assistance for Needy Families (TANF) program established stricter work participation rate requirements for states. Kansas is not meeting the participation rate because we have been successful in moving families off the welfare rolls. Once full time employment is reached most families lose TANF assistance and cannot be counted in the Work Participation rate. States may receive a fiscal penalty each year of from 1% to 5% of the TANF block grant for failure to meet the required participation rates. For Kansas the maximum first year penalty would be a loss of \$5,096,000 in TANF funds, followed by the requirement to increase state expenditures by \$5,096,000 in the next year.

**Administrative Solution**

Kansas is taking the following administrative approach to address this situation, using existing TANF dollars.

- Increase the earned income disregard from the current rate of 40% to 60% for low-income employed families. The earned income disregard allows families to continue TANF eligibility and receive a small TANF benefit after they begin working. The benefit will be phased out over time as the earnings grow. Because the family continues to receive a small TANF benefit they are counted in the participation rate for the state.
- Provide a monthly \$50 stipend to a family for 5 months following the month in which the family would otherwise lose TANF eligibility due to income. This stipend rewards and encourages families to maintain full-time employment, and helps Kansas meet the work participation requirement because the family is still receiving a payment from the TANF program.

Thank you for the opportunity to meet with you. I appreciate your on-going support of SRS.

Sincerely,

Don Jordan  
Secretary

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**HOUSE APPROPRIATIONS**

DATE 3-06-2008  
ATTACHMENT 2