

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:40 A.M. on January 16, 2008 in Room 123-S of the Capitol.

All members were present except:

Senator Jay Emler - Excused
Senator Mark Taddiken - Excused

Committee staff present:

Jill Wolters, Senior Assistant, Revisor of Statutes
Alan Conroy, Director, Kansas Legislative Research Department
Kristen Clarke Kellems, Assistant Revisor of Statutes
Audrey Dunkel, Kansas Legislative Research Department
Cody Gorges, Kansas Legislative Research Department
Aaron Klaassen, Kansas Legislative Research
J. G. Scott, Kansas Legislative Research Department
Amy VanHouse, Kansas Legislative Research Department
Jarod Waltner, Kansas Legislative Research Department
Melinda Gaul, Chief of Staff, Senate Ways & Means
Mary Shaw, Committee Assistant

Conferees appearing before the committee:

Dr. Marcia Nielsen, PhD, Executive Director, Kansas Health Policy Authority
Fire Chief John Lloyd, Chairman, Kansas Fire Training Commission
Dan McLaughlin, State Fire Marshal

Others attending:

See attached list.

Bill Introduction

Senator Morris moved, with a second by Senator Teichman, to introduce a conceptual bill regarding establishing a rural policy commission (7rs1733). Motion carried on a voice vote.

Chairman Umbarger welcomed Dr. Marcia Nielsen, PhD, Executive Director, Kansas Health Policy Authority, who presented an overview of the Kansas Health Policy Authority Programs: Medicaid, HealthWave and the State Employee Health Plan, which are detailed in Dr. Nielsen's written testimony (Attachment 1). Copies of the Kansas Health Policy Authority Board Health Reform Recommendations, updated, January 10, 2008, were also distributed (Attachment 2). Committee questions and discussion followed.

The Chairman turned the Committee's attention to consideration of the following bills:

HB 2587--Creating the wildlife and parks nonrestricted fund

On Tuesday, January 15, 2008, a motion was made by Senator Teichman, with a second by Senator Kelly, to recommend HB 2587 favorable for passage and be placed on the Consent Calendar. Motion carried on a roll call vote.

HB 2491--Increasing transfer of certain balances in the motor carrier license fees fund to the state highway fund

A hearing was held on HB 2491 on March 22, 2007. A motion was made, with a second, to recommend HB 2491 favorable for passage. Motion carried on a roll call vote.

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:30 A.M. on January 16, 2008 in Room 123-S of the Capitol.

The Chairman turned the Committee's attention to discussion of state agencies that receive financing from fire insurance premiums.

Amy VanHouse, Kansas Legislative Research Department, who presented a staff briefing on Fire Insurance Premiums (Attachment 3).

Chairman Umbarger welcomed the following conferees:

Glen Pribbenow, Director, Fire and Rescue Training Institute, University of Kansas, who explained the pertinent history to provide a traveling instructional service for the Kansas fire service (Attachment 4). He also explained the application of the mission, which is their first priority, to train firefighters. Their program has three primary forms of oversight: the University of Kansas, Fire Service Training Commission, and the Legislature.

Fire Chief John Lloyd, Kansas Fire Training Commission, was present for questions. Chief Lloyd explained that without these dollars, they would not have been able to provide a training class for the Wellington, Winfield volunteer/private company. He noted that this was especially important for the South Haven Fire Department and it has been a successful program. (No written testimony was submitted.)

Dan McLaughlin, State Fire Marshal, provided information that since the splitting of the fire marshal fee fund a few years ago, it has had a negative impact on the agency that will continue into the future (Attachment 5). He noted that the agency is completely a fee funded agency. Mr. McLaughlin explained that as a public safety agency and a partner in Homeland Security and Disaster Response, they need to keep their programs operational and serve the citizens of Kansas. They asked for consideration on the distribution of these available funds and on making sure that they are able to continue in their operations in a financially responsible way in the future.

Due to time constraints, Robert Waller, Emergency Medical Services, was invited back to the Committee at a future meeting to continue the discussion.

The meeting adjourned at 11:30 p.m. The next meeting was scheduled for January 17, 2008.

**SENATE WAYS AND MEANS
GUEST LIST**

Date January 16, 2008

NAME	REPRESENTING
Mandy Cowley	KHPA
Barry Pappas	KHPA
John Nylund	KCC
Jeri Pesch	PMCA of KS
Carolyn Middendorf	Ks St No Assn
Pat Kehman	KFSA
Margaret Smith	KHPA
Phillip Hayes	KHPA
Dieter Kewerth	KDWP
Patti Arizer	KBEMS
Robert Walk	KBEMS
John Kirk	DOB
Julie Guerrero	DOB
Becky Bahr	KSFEM
Paul Johnson	Ks Cath Conf
St Therese Bangerter	Ks. Cath. Conf.
Patrick Woods	SRS
Dan McLaughlin	KSFMO
Hal Miller	KSFMO
Tracy Weller	KAMU
Dennis Phillips	KSCFF
Bill Bray	Gen Sklerer
Austin Hayden	Hein Law Firm



KHPA Agency Overview for Senate Ways and Means

January 16, 2008

Marcia Nielsen, PhD, MPH
Executive Director
Kansas Health Policy Authority

1

Objectives

- Kansas Health Policy Authority
 - Agency Overview
 - Programs
 - Budget Overview
 - Health Reform Overview
- State Employee Health Plan (SEHP)
 - Historical Health Plan Funding
 - Future Plan Management

2

Senate Ways and Means
1-16-08
Attachment 1

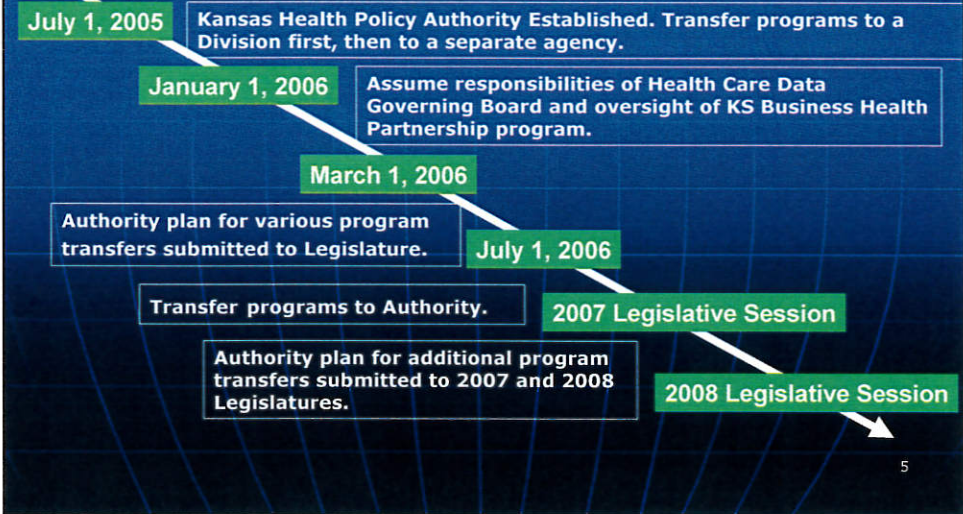
Agency Overview

3



- KHPA created in 2005 Legislative Session
- Built on Governor Sebelius' "Executive Reorganization Order"
- Modified by State Legislature to:
 - Create a nine member Board to govern health policy
 - Executive Director reports to Board
 - Added a specific focus on health promotion and data driven policy making

4



Programs Transferred to KHPA in 2006

- Medicaid (Regular Medicaid)
 - MediKan
 - State Children's Health Insurance Program
 - Ticket to Work/Working Healthy
 - Medicaid Management Information System
 - Medicaid Drug Utilization Review & related programs
 - State Employee Health Insurance
 - State Workers Compensation
 - Health Care Data Governing Board
 - Business Health Partnership Program
- 6

KHPA Board Members

- **Nine voting board members**
 - Three members appointed by the Governor
 - Six members appointed by legislative leaders.
- **Seven nonvoting, *ex officio* members include:**
 - Secretaries of Health and Environment, Social and Rehabilitation Services, Administration, and Aging; the Director of Health in the Department of Health and Environment; the Commissioner of Insurance; and the Executive Director of the Authority.

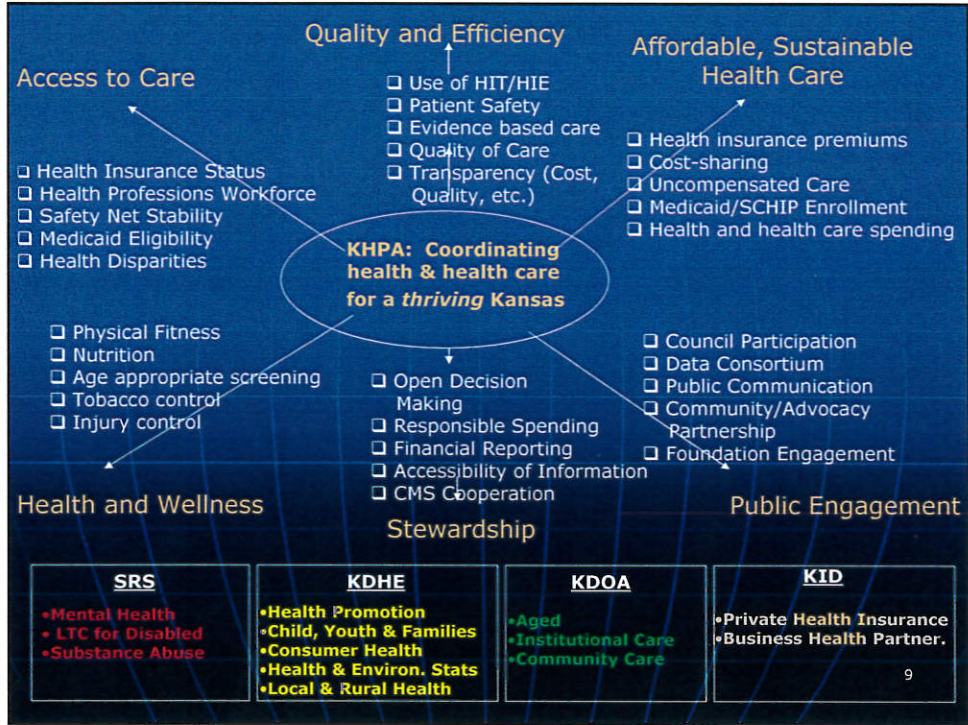
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Vision Principles & Health Indicators

- Adopted by the Board in 2006
- Provides governance and operational direction to the Board
- Provides guiding framework to analyze health reform options
- Provides "yardstick" to measure over time improved health in Kansas

8



KHPA Programs

Medicaid, HealthWave, and the State Employee Health Plan (SEHP)

10

Definition of Medicaid

- Medicaid is an optional source of matching funds for states wishing to purchase healthcare for selected populations
 - Run by states, governed jointly
 - Federal share varies by state from 50%-90%
 - Significant federal requirements
 - Serves as a payment source; considered an insurance product

11

Background: Kansas Medicaid

- **Beneficiaries:** Medicaid and the State Children's Health Insurance Program (SCHIP) provides health insurance coverage to nearly 300,000 Kansans
 - Around 61% of these beneficiaries are children (under age 19)
 - Health care services covered include medical, preventive, long-term care, mental health, in-patient hospital care, office visits, prescriptions, etc.
- **Spending:** Medical care spending of about \$1.2 billion this fiscal year
- **Claims:** Process over million health claims per month directly, and nearly 300,000 through private health plans
- **Scope of providers:** Medicaid reimburses
 - Thousands of different services
 - Twenty thousand providers
 - Hundreds of institutions

12

Background: HealthWave

- Began in 1999 as program name for State Children's Health Insurance Program (SCHIP) in Kansas
- Delivery of health care services to SCHIP and Medicaid families was integrated in 2002
- **Beneficiaries:**
 - Managed care program delivers health care services to:
 - 123,000 Medicaid beneficiaries
 - 38,000 SCHIP beneficiaries
- HealthWave in second year of new contracts with two private health plans:
 - UniCare Health Plan of Kansas
 - Children's Mercy's Family Health Partners

13

Accomplishments in 2007: Medicaid/HealthWave

- Implemented Medicaid MCO – transition to new contractors and defended MCO contracting process
- Successful Audits and Deferral Negotiations with CMS
- Managed impact of new Citizenship/Identification requirements – managed public, legislative, and CMS impacts
- Presumptive Medical Disability – shortened process time and reduced backlog
- Reformed DSH payment policies through a hospital stakeholder process
- Increased number of dental providers and beneficiaries

14

Accomplishments in 2007: Medicaid/HealthWave (2)

- Established Work Opportunities Reward Kansans (WORK) program -- cash and counseling supports for working disabled Kansans
- Enhanced match for Data Analytic Interface (DAI)
- Completed National Provider Identification (NPI) implementation
- Enhanced Care Management Pilot Project to provide high-risk beneficiaries with improved quality of care (focus on chronic disease)
- Community Health Record Pilot Program (Sedgwick County), expanding to 20 additional sites in 2008
- Linked state immunization registry with Medicaid Management Information System (MMIS)

15

Background: State Employee Health Plan

- **Participants** (State & Non-State Groups)
 - Over 51,000 contracts
 - Around 87,300 covered lives
 - In 2007, 92% of employees enrolled:
 - 56% carry single coverage
 - 44% provide coverage for their dependents
 - Non-State Employer Group
 - In 2007, 33 educational groups (3,640 contracts)
 - In 2007, 57 local government units (1,788 contracts)
 - Around 10,055 covered lives:
 - 5,225 employees
 - 4,830 dependents

16

Background: Dental Plans

- Delta Dental
 - Nearly 79,300 State/Non-State participants (includes dependents)
 - Over 11,350 Retiree participants
 - Cost over \$32.6 million from Oct. 2006 to Sept. 2007 (rolling year)
 - Over 95% of people enrolled in dental coverage use this benefit

17

Background: Retiree Health Plan

- Coverage, Usage & Costs
 - Over 11,000 covered lives including over 700 dependents
 - Medical costs (includes drugs) over \$47.8 million from Oct. 2006 to Sept. 2007
 - 100% of participants incurred a claim in 2007
- Plan Design
 - Participants pay 100% of premium
 - Eligible to enroll in all health plans except Qualified High Deductible Health Plan
 - Eligible to enroll in dental, prescription drug, and vision coverage
 - If Medicare eligible, have 3 additional options:
 - Medigap Policy
 - Coventry Advantra Preferred Provider Organization
 - Coventry Advantra Private Fee-For-Service (only available in 27 counties in KS and 9 in MO)

18

Accomplishments in 2007 : State Employee Health Plan

- Negotiated Wellness Contract for State Employee Health Plan with focus on personal responsibility
- Added Benefit selector/Plan Selector Tool
- Increase in employer contribution for dependents (from 45 to 55%)
- Improved benefit design with focus on prevention, health and wellness
- Improved marketing materials
- Initiated financial reporting to Health Care Commission (HCC)

19

Additional Agency Accomplishments

20

Accomplishments in 2007: Agency Infrastructure

- New positions authorized and filled – staff now at operating capacity
- Integrating programs across the agency: finance, contracts, legal, operations
- Mills Move/10th Floor expansion
- Established KHPA Intranet for internal communications
- Developed internal policies to promote consistent & uniform decision making

21

Accomplishments in 2007: Interagency Partnerships

- Long Term Care Partnership Program (KHPA, KDOA, KID) to offer ways to protect assets for elderly Kansans applying to Medicaid
- Updated interagency agreements between SRS, KDOA, Kansas Juvenile Justice Authority (JJA), and KHPA
- Implemented CMS-required reforms: Targeted Case Management and Local Educations Agencies
- Supported implementation of Prepaid Inpatient Health Plan (PIHP) and Prepaid Ambulatory Health Plan (PAHP), waiver for dental coverage, autism waiver

22

Accomplishments in 2007: Health Reform Recommendations

- KHPA Board developed health reform recommendations aimed at increasing personal responsibility for health, paying for prevention and promoting medical homes, and improving access to affordable health insurance
- Solicited significant stakeholder input – public meetings/Advisory Councils, etc
- Successful Listening Tour in 22 communities
- Foundation funding for health reform stakeholder/data analysis process

23

Accomplishments in 2007: New Initiatives

- Added significant health policy research and analysis staff capacity
- Initiated first meeting of the Data Consortium
- Developed and designing Premium Assistance program to provide private health insurance for low income Kansans: Kansas Healthy Choices
- Established Inspector General's Office to provide oversight and investigate performance for delivery of services

24

Fulfilling our Statutory Requirements

Effective Health Care Purchasing	Health Promotion and Public Health	Coordinating Health and Health Care
<ul style="list-style-type: none"> ■ Implemented Medicaid MCO ■ Successful CMS Deferral Negotiations ■ Reformed DSH Payments ■ Initiated financial reporting to HCC ■ Added Benefit/Plan Selector Tool to SEHP ■ LTC Partnership ■ Increased dental providers and beneficiaries 	<ul style="list-style-type: none"> ■ Health and wellness focus for SEHP ■ Improved benefit design for SEHP ■ Developed health reform recommendations ■ Solicited stakeholder input in health reform ■ Listening tour on health reform 	<ul style="list-style-type: none"> ■ Managed impact of new citizenship identification requirements ■ Shortened process time and backlog for Presumptive Medical Disability ■ WORK program launched ■ Completed National Provider Identification implementation ■ Community Health Record Pilot Program ■ Expanding Enhanced Care Management Pilot Project ■ Linked State immunization records to MMIS ■ Established KHPA Intranet

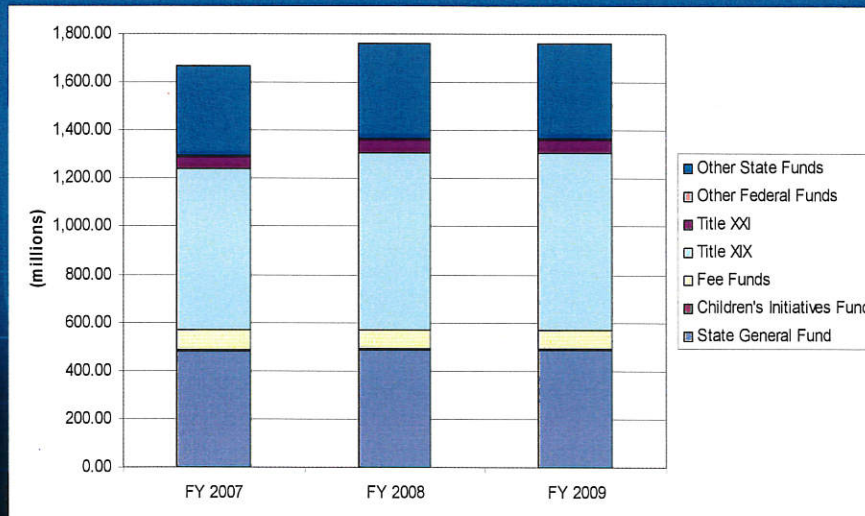
Budget Overview

Budget Overview

- Expenditures trends for Medicaid (Title 19), HealthWave (Title 21), and the State Employee Health Plan (SEHP)
- KHPA Board enhancement requests
 - Summary table
 - Detailed information on system improvements
- Summary of health reform recommendations

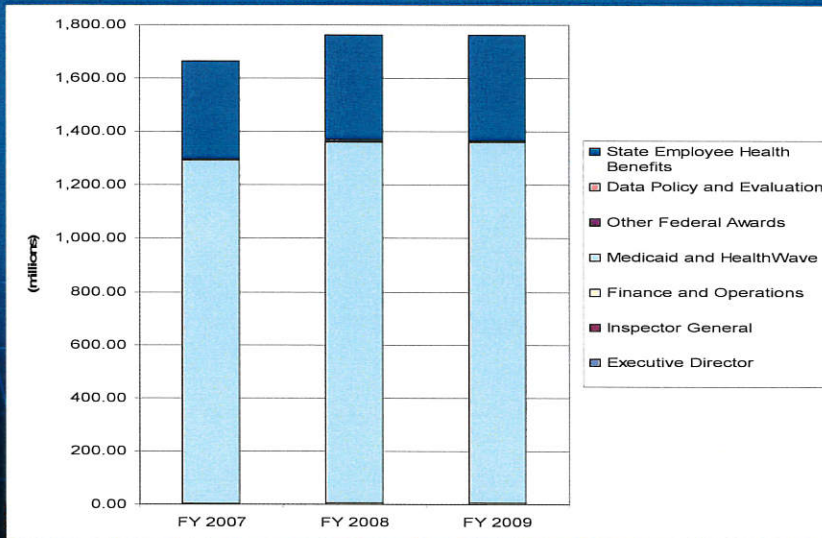
27

Expenditures by Funding Source



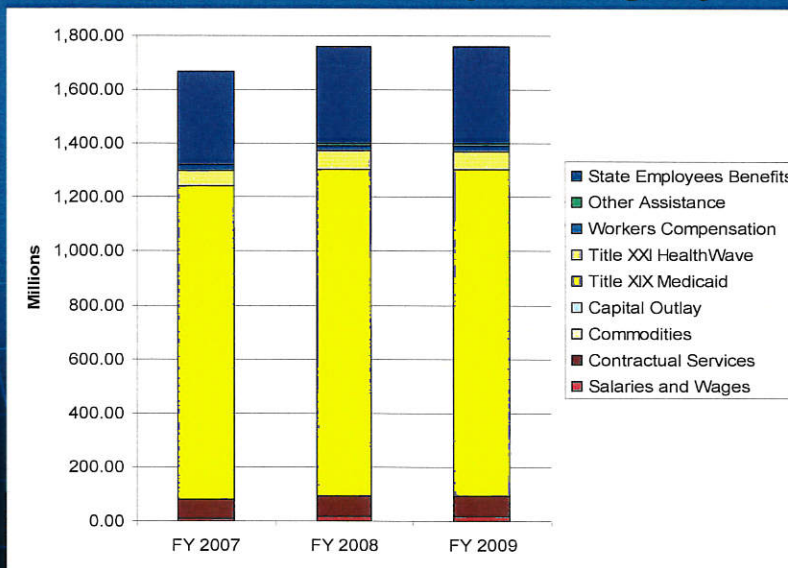
28

Expenditures by Program



29

Expenditures by Category



30

FY 2009 Budget Enhancement Requests*

Priority	Description	State General Fund	All Funds
1	Premium Assistance Implementation (1)	5,037,000	12,075,000
2	Integrated Enrollment System	4,000,000	8,000,000
3	Medicaid Prescription Drug Prior Authorization System	206,250	825,000
4	Expand Enhanced Care Management	50,000	100,000
5	Community Health Record	50,000	100,000
Total Request		\$ 11,343,250	\$ 25,100,000

* Reflects most recent request from our Budget Appeal

1) This item includes \$10.0 million for health benefits for those eligible for Premium Assistance and \$2.1 million for administrative costs. ³¹

Premium Assistance Implementation

- **Enhancement Request FY 2009:**
 - SGF 5,037,000; All Funds 12,075,000
- **Purpose:** To implement first year of new private health insurance assistance program (*Kansas Healthy Choices*) in Jan 2009
 - Employer-sponsored health insurance
 - State-procured private health insurance
- **Population Served:** 8,500 very low income Kansas parents

32

Integrated Eligibility and Enrollment System

- Enhancement Request FY 2009:
 - SGF 4,000,000; All Funds 8,000,000
- Purpose: To procure a modern integrated eligibility and enrollment software system to improve functionality, productivity, and cost-effectiveness for state operated programs
- Population Served: All Medicaid, HealthWave, and ultimately SEHP beneficiaries (also populations served by SRS). Approximately 388,000 Kansans

33

Medicaid Prescription Drug Prior Authorization System

- Enhancement Request FY 2009:
 - SGF \$206,250; All Funds \$825,000
- Purpose: To procure a statewide automated prior authorization system that can be accessed at the point of care by pharmacists in order to improve patient safety and cost-effectiveness
- Population Served: All Medicaid and HealthWave beneficiaries, pharmacy and medical providers

34

Benefits of Automated System

- Enhances relations with providers and pharmacists through real-time approval of drugs and quicker reimbursements
- Immediate cost savings & quality improvement in drug program
- Improves beneficiary access to needed medications and minimizes delays
- Automates 60-90% of Prior Authorization requests
- Ultimately can be used for authorization of durable medical equipment and selected medical procedures

35

Experiences with Automated System

- Missouri
 - Implemented in 2002
 - In FY 2002-2003, annual increase in fee for service pharmacy claims increased by 4.5%
 - significantly less than the 10.4% increase during the previous FY
 - significantly less than the 15-18% national average increase for the same time period
 - Since 2004, Missouri Medicaid claims editing & prior authorization system has saved approximately 9% per year in prescription drug expenditures
 - Estimated \$85 million of savings annually for prescription drug expenditures
- Idaho
 - Allowed the State to validate over 700,000 claims per year (up from 69,000 per year prior to implementation)
 - Cost savings of \$4.7 million per year in drug expenditures

36

Projected Contract Costs

	SGF	Other Funds	Total
Web-Based Program	187,500	562,500	\$750,000
EDS (MMIS Changes)	18,750	56,250	\$75,000
Subtotal	206,250	618,750	\$825,000

37

Estimated Expenditures

	Budget Year	Out Year 1	Out Year 2	Out Year 3
	FY 2009	FY 2010	FY 2011	FY 2012
Salaries & Wages				
Contractual Services	825,000	750,000	750,000	750,000
Commodities				
Capital Outlay	-	-	-	-
Assistance	-	-	-	-
TOTAL	\$825,000	\$750,000	\$750,000	\$750,000

38

Estimated Financing

	Budget Year	Out Year 1	Out Year 2	Out Year 3
	FY 2009	FY 2010	FY 2011	FY 2012
SGF	206,250	250,000	250,000	250,000
Fees Fund				
Federal Funds	618,750	500,000	500,000	500,000
Other Funds				
TOTAL	\$825,000	\$750,000	\$750,000	\$750,000

39

Pilot: Enhanced Care Management Program

- Enhancement Request FY 2009:
 - SGF 50,000; All Funds 100,000
- Purpose: To continue a care/disease management pilot program targeted at low income chronically ill Kansans in order to improve health outcomes, prevent further illness, and help to control health care costs
- Population Served: Medicaid beneficiaries in Sedgwick County who have volunteered to participate. After evaluation, potential for statewide implementation

40

Pilot: Community Health Record

- Enhancement Request FY 2009:
 - SGF 50,000; All Funds 100,000
- Purpose: To continue and expand the community health record pilot project in order to promote the use of health information technology and exchange, improve health outcomes, and control administrative costs of health care
- Population Served: Medicaid beneficiaries and providers in Sedgwick County. Statewide implementation is recommended as part of health reform

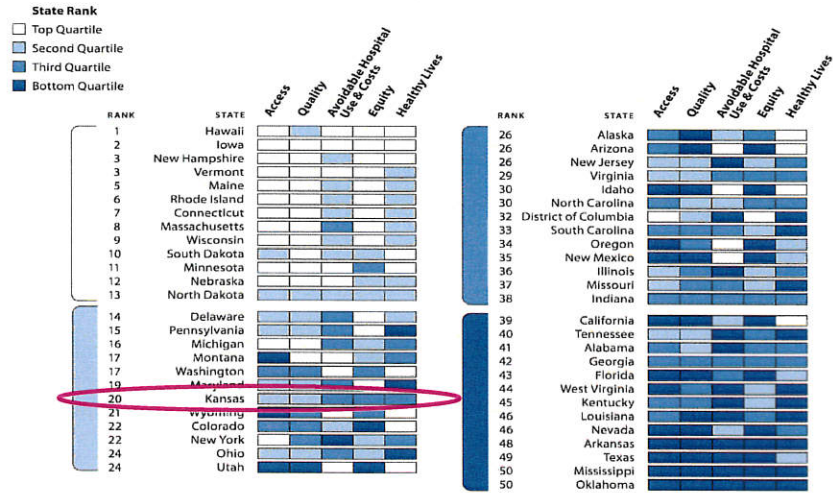
41

Health Reform Overview

42

Health in Kansas: Room for Improvement

State Scorecard Summary of Health System Performance Across Dimensions

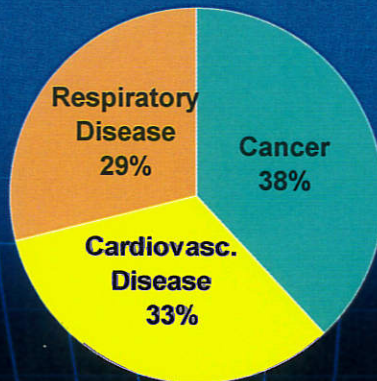


SOURCE: Commonwealth Fund State Scorecard on Health System Performance, 2007

43

Tobacco Related Deaths in Kansas

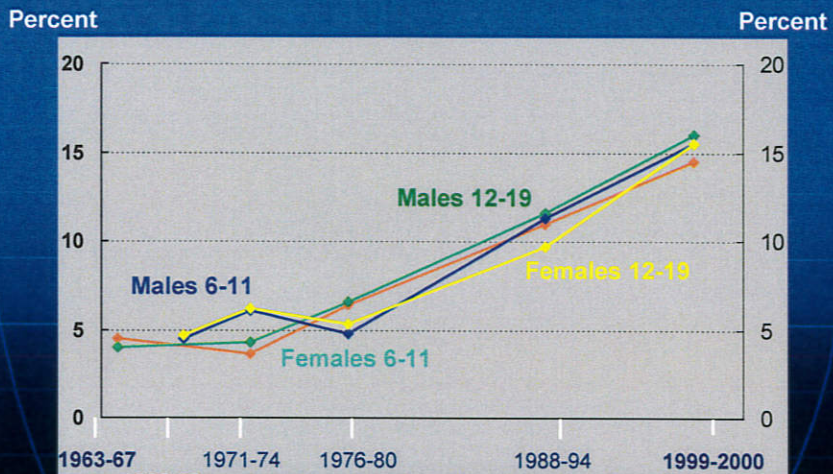
Average of 3,900 Deaths per Year in Kansas Due to Smoking



Source: Smoking Attributable Morbidity, Mortality and Economic Cost, CDC

44

U.S. Trends for Overweight Children and Adolescents

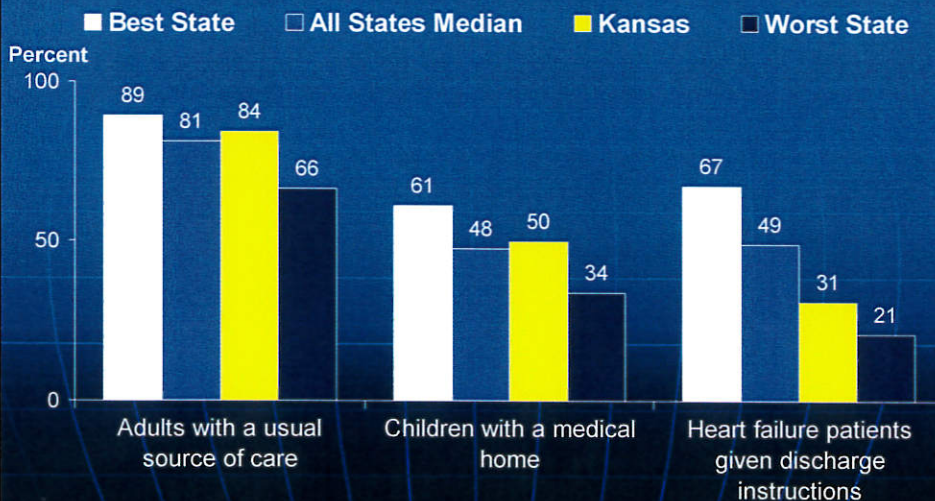


Note: Overweight is defined as BMI \geq gender- and weight-specific 95th percentile from the 2000 CDC Growth Charts for the United States. Source: National Health Examination Surveys II (ages 6-11) and III (ages 12-17), National Health and Nutrition Examination Surveys I, II, III and 1999-2000, NCHS, CDC.

45

QUALITY: COORDINATED CARE

State Variation: Coordination of Care Indicators



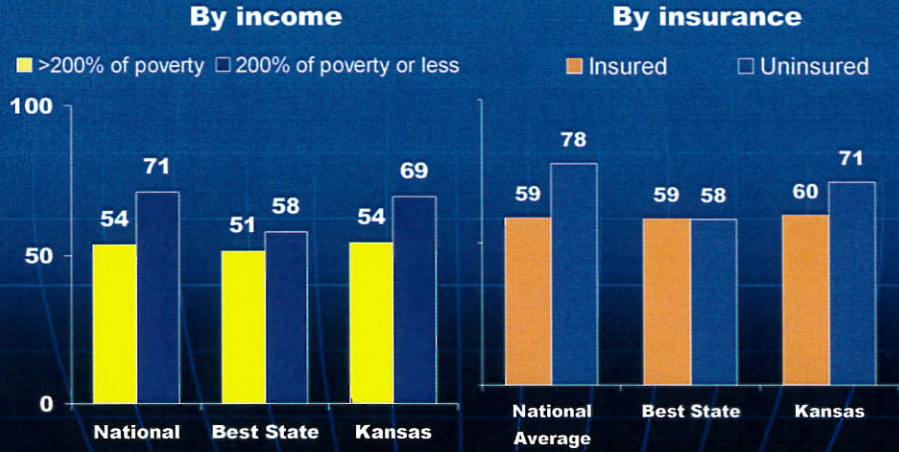
DATA: Adult usual source of care – 2002/2004 BRFSS. Child medical home – 2003 National Survey of Children's Health. Heart failure discharge instructions – 2004-2005 CMS Hospital Compare SOURCE: Commonwealth Fund State Scorecard on Health System Performance, 2007

46

EQUITY

Lack of Recommended Preventive Care by Income and Insurance

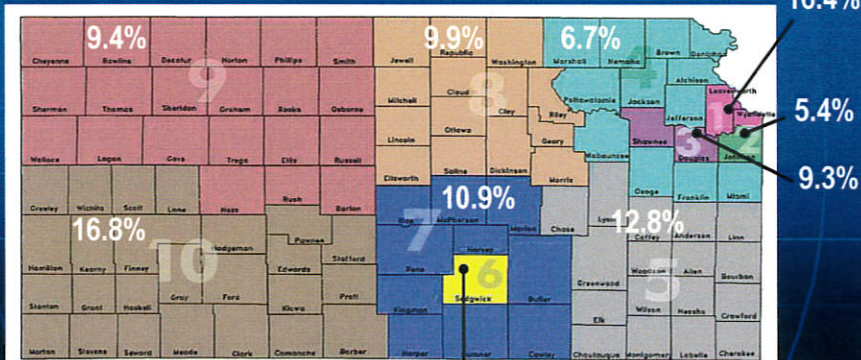
Percent of adults age 50+ who did NOT receive recommended preventive care



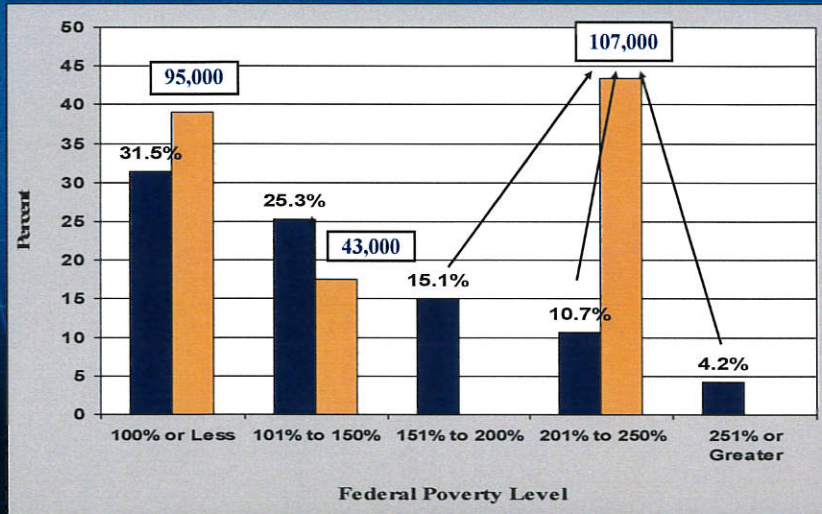
Note: Best state refers to state with smallest gap between national average and low income/uninsured.
 DATA: 2002/2004 BRFSS. SOURCE: Commonwealth Fund State Scorecard on Health System Performance, 47 2007

Uninsured Kansans Under Age 65, by Region

Total Uninsured in Kansas: 10.5%

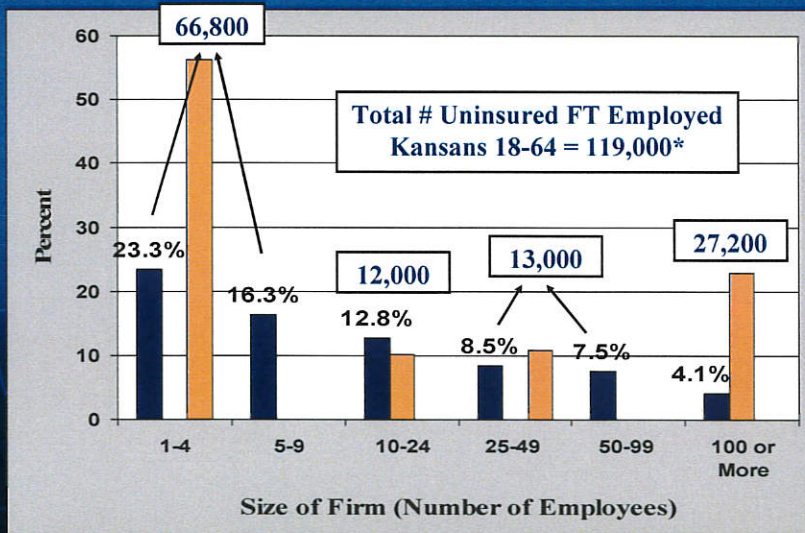


Uninsured Kansans under Age 65 by Income as a Percent of FPL and Distribution of Uninsured



49

Uninsured Full-Time Employed Kansans Age 18-64 by Size of Firm



50

KHPA Board 2007 Health Reform Recommendations

Submitted to the Governor and
Legislature on November 1, 2007

51

KHPA Reform Priorities

- **Promoting personal responsibility (P1)**
 - Responsible health behaviors
 - Informed purchase of health care services
 - Contributing to the cost of health insurance, based on ability to pay
- **Prevention and medical homes (P2)**
 - Focus on obesity, tobacco control, chronic disease management and incentives for primary care medical homes
- **Providing and protecting affordable health insurance (P3)**
 - Focus on small businesses, children, and the uninsured

52

Summary: Personal Responsibility Policy Options (P1)

- **Improve Health Behaviors**
 - Encourage healthy behaviors by individuals, in families, communities, schools, and workplaces
 - Policies listed under P2 – pay for prevention
- **Informed Use of Health Services**
 - Transparency for consumers – health care cost & quality transparency project
 - Promote Health Literacy
- **Shared Financial Contributions** for the cost of health care
 - Policies listed under P3

53

Summary: Medical Home Policy Options (P2)

- **Promote “Medical Home” Model of Care**
 - Define medical home
 - Increase Medicaid provider reimbursement for prevention/primary care
 - Implement statewide Community Health Record
 - Promote insurance card standardization

54

Summary: Pay for Prevention Policy Options (P2)

- **Healthy Behaviors in Families & Communities:**
 - Increase tobacco user fee
 - Statewide Smoking ban in public places
 - Partner with community organizations
- **Healthy Behaviors in Schools:**
 - Include Commissioner of Education on KHPA Board
 - Collect information on health/fitness of Kansas school children
 - Promote healthy food choices in schools
 - Increase physical education

55

Summary: Pay for Prevention Policy Options (P2 Cont.)

- **Healthy Behaviors in Workplaces:**
 - Wellness grant program for small businesses
 - Healthier food options for state employees
- **Additional Prevention Options:**
 - Provide dental care for pregnant women
 - Improve tobacco cessation within Medicaid
 - Expand cancer screenings

56

Summary: Provide & Protect Affordable Health Insurance Policy Options (P3)

- **Three targeted initiatives**
 - Expand private insurance for low-income Kansans through premium assistance program: **Kansas Healthy Choices**
 - Improve access to coverage for Kansas children, with specific targets for enrollment
 - Increase affordable coverage for solo business owners and other small businesses

57

Priorities: System Reform and Better Health

Transforming Medical Care	Improving Public Health	Expanding Affordable Insurance
<ul style="list-style-type: none"> ■ Transparency project: health care cost and quality ■ Health literacy ■ Medical home definition ■ Medicaid provider reimbursement ■ Community Health Record (HIE) ■ Form standardization 	<ul style="list-style-type: none"> ■ Increase tobacco user fee ■ Statewide smoking ban ■ Partner with community organizations ■ Education Commissioner ■ Collect fitness data in schools ■ Promote healthy foods in schools ■ Increase physical fitness ■ Wellness for small businesses ■ Healthier food for state employees ■ Dental care for pregnant women ■ Tobacco cessation in Medicaid ■ Expand cancer screening 	<ul style="list-style-type: none"> ■ Aggressive outreach and enrollment of eligible children (target population: 20,000) ■ Premium assistance for low income adults without children (target population: 39,000) ■ Small business initiatives (target population: 15,000 young adults and 12,000 employees of small businesses)

58

Financing Health Reform

- Fifty cent increase in tobacco user fee
 - Estimate of **\$69.7 million annually**
- Increased federal matching dollars
- Hidden tax in Kansas – cost shifting
 - As much as 7%
- Cost containment - built into majority of proposals

59

Future Goals for KHPA

- **(1): To improve consumer communication and provide data rich information in order to improve health and public policy.**
- **(2): To strengthen and improve leadership and organizational development within the agency.**
- **(3): To successfully implement new initiatives and programs, while consistently improving ongoing programs/initiatives.**

60



<http://www.khpa.ks.gov/>



Kansas Health Policy Authority Board
Health Reform Recommendations
UPDATED

January 10, 2008

PREPARED BY:



Senate Ways and Means
1-16-08
Attachment 2

EXECUTIVE SUMMARY

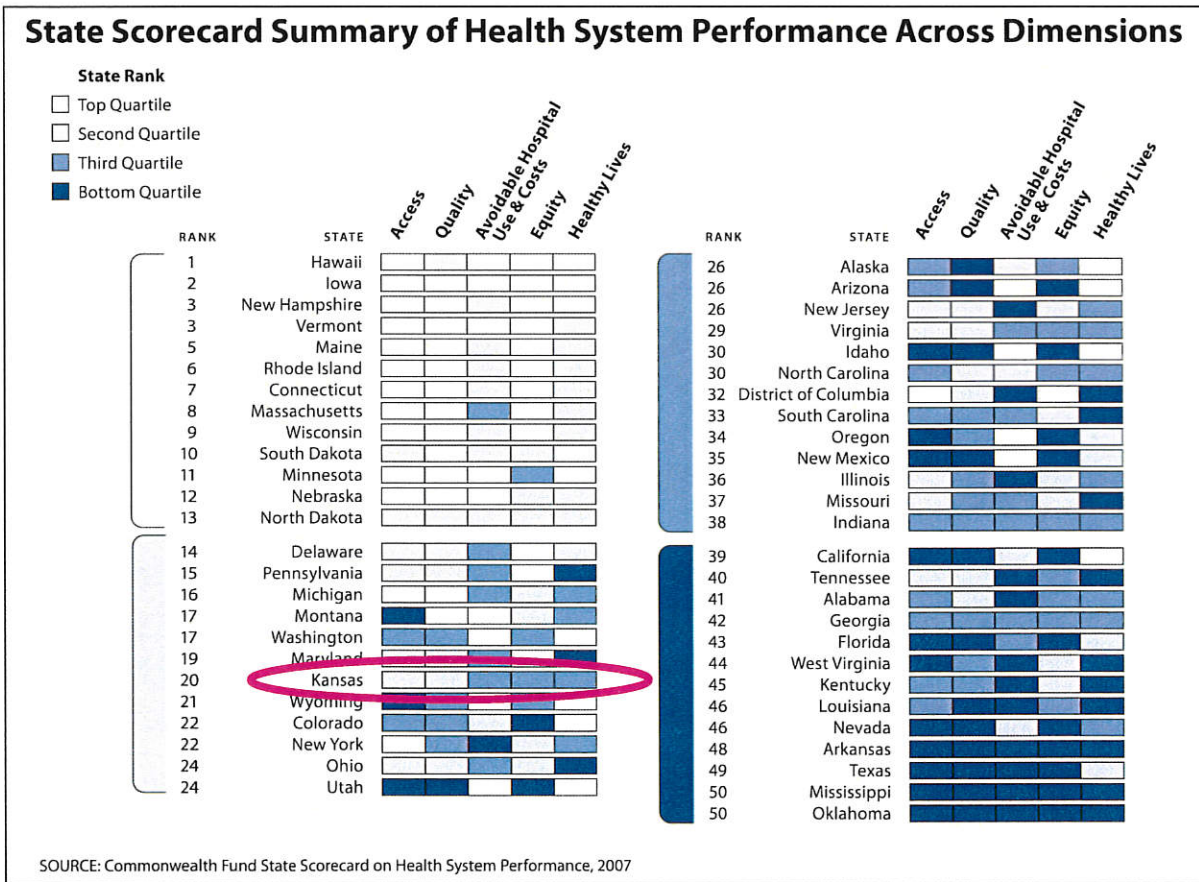
BACKGROUND

The current health system in Kansas and the nation face many challenges. Health care costs continue to rise at an unsustainable rate, the health system is inefficient and fragmented, and the health status of many Kansans is at risk. From the perspective of health system performance, Kansas currently ranks 20th in the nation¹ – we can and should do better (Figure 1). The goals of the health reform recommendations described in this report are twofold: 1) to begin the *transformation* of our underlying health system in order to address the staggering rise in health care costs and chronic disease, as well as the underinvestment in the coordination of health care; and 2) to provide Kansans in need with affordable access to health insurance. Taken together, these reforms lay out a meaningful first step on the road to improve the health of Kansans, and we respectfully submit them to the Governor and Legislature for their consideration.

These health reform recommendations were requested by both the Governor and the Legislature. During the 2007 legislative session, the Kansas Legislature passed House Substitute for Senate Bill 11 (SB 11), which included a number of health reform initiatives. This Bill passed unanimously by both the House and Senate, and was signed into law by the Governor. In addition to creating a new “Premium Assistance program” to expand access to private health insurance, the Bill directed the Kansas Health Policy Authority (KHPA) to develop health reform options in collaboration with Kansas stakeholders.

The health reform recommendations described herein are the result of deliberations of the KHPA Board, four Advisory Councils (140 members), a 22 community listening tour, and feedback from numerous stakeholder groups and other concerned citizens of Kansas – over 1,000 Kansans provided us with their

Figure 1



*For more information about the Study, go to http://www.commonwealthfund.org/publications/publications_show.htm?doc_id=494551



advice and suggestions. In addition, four Kansas foundations – the United Methodist Health Ministry, the Sunflower Foundation, the REACH Foundation, and the Health Care Foundation of Greater Kansas City – funded an independent actuarial and policy analysis of various health insurance models as well as the coordination of the four Advisory Councils. The modeling was instrumental in the development of the health insurance recommendations offered by the KHPA Board, and a separate document describing these models is available through the United Methodist Health Ministry Fund (www.healthfund.org).

These health reform recommendations represent just one of the many chapters required to write the story of improved health and health care in Kansas. Ultimately, the solution for our fragmented health system requires leadership at the federal level. However, the state of Kansas should debate and embrace reform solutions that can help our citizens right now. Additional policy issues – such as health professions workforce development, and a focus on the safety and quality of care – must also be addressed in subsequent health reform proposals over the course of the coming months and years.

PRIORITIES

Kansas established three priorities for health reform:

- 1) **Promoting Personal Responsibility** – for healthy behaviors, informed use of health care services, and sharing financial responsibility for the cost of health care;
- 2) **Promoting Medical Homes and Paying for Prevention** – to improve the coordination of health care services, prevent disease before it starts, and contain the rising costs of health care; and
- 3) **Providing and Protecting Affordable Health Insurance** – to help those Kansans most in need gain access to affordable health insurance.

The combination of these health reforms helps to improve the health status of Kansans, begins to contain the rising cost of health care in our state, and improves access to affordable health insurance.

The table below outlines the reform priorities recommended by the KHPA Board on November 1, 2007. Those policy initiatives identified as high priority are marked by an asterisk.

SUMMARY OF REFORM RECOMMENDATIONS

Promoting Personal Responsibility (P1)		
Policy Option	Population Served	Estimated Cost
Improve Health Behaviors. Encourage healthy behaviors by individuals, in families, communities, schools, and workplaces. (Policies listed under P2)		
Informed Use of Health Services		
*P1 (1) Transparency for Consumers: Health Care Cost & Quality Transparency Project. Collect and publicize Kansas specific health care quality and cost information measures which will be developed for use by purchasers and consumers	All Kansans with access to the Internet (or access to public libraries)	\$200,000 State General Fund (SGF) for Phase II of the Transparency project
*P1 (2) Promote Health Literacy. Provide payment incentives to Medicaid/HealthWave providers who adopt health literacy in their practice settings	Medicaid/HealthWave enrollees under care of these providers	\$280,000 All Funds (AF) \$140,000 SGF for pilot program with Medicaid/ Health-Wave providers
Shared Financial Responsibility. Asking all Kansans to contribute to the cost of health care. (Policies listed under P3)		
Estimated Costs for P1		\$480,000 AF \$340,000 SGF



Promoting Medical Homes and Paying for Prevention (P2)		
Policy Option	Population Served	Estimated Cost
<i>Promoting Medical Homes</i>		
*P2 (1) Define Medical Home. Develop statutory/regulatory definition of medical home for state-funded health programs – Medicaid, HealthWave, State Employee Health Plan (SEHP)	Beneficiaries of state-funded health care plans	Planning process should incur minimal costs to KHPA
*P2 (2) An Analysis of and Increase in Medicaid Provider Reimbursement. Increased Medicaid/HealthWave reimbursement for primary care and prevention services	Beneficiaries and providers in Medicaid and HealthWave programs	\$10 million AF; \$4 million SGF
P2 (3) Implement Statewide Community Health Record (CHR). Design statewide CHR to promote efficiency, coordination, and exchange of health information for state-funded health programs (Medicaid, HealthWave, SEHP)	Beneficiaries of state-funded health care plans	\$1.8 million AF; \$892,460 SGF
P2 (4) Promote Insurance Card Standardization. Promote and adopt recommendations from Advanced ID Card Project for state-funded health programs	Kansans who qualify/enrolled in state-funded health care plans	\$172,000 AF; \$86,000 SGF
<i>Paying for Prevention: Healthy Behaviors in Families/Communities</i>		
*P2 (5) Increase Tobacco User Fee. Institute an increase in the tobacco user fee \$.50 per pack of cigarettes, and an increase in the tax rate of other tobacco products to 57% of wholesale price.	Total Kansas population	Provides revenues of \$61.57 million. Dept of Revenue estimate 12/07
*P2 (6) Statewide Restriction on Smoking in Public Places. Enact statewide smoking ban in public places, couples with Governor's Executive Order requiring state agencies to hold meetings in smoke-free facilities	1.4 million working adults in Kansas	No cost to the state; limited evidence of other cost implications
*P2 (7) Partner with Community Organizations. Expand the volume of community-based health and wellness programs through partnerships between state agencies and community organizations	All residents and visitors to state of Kansas	Costs dependent upon scope of project (number of organizations)
<i>Paying for Prevention: Healthy Behaviors in Schools</i>		
*P2 (8) Include Commissioner of Education on KHPA Board. Expand the KHPA Board to include an ex-officio seat for the Kansas Commissioner of Education	Kansas school children	No cost
*P2 (9) Collect Information on Health/Fitness of Kansas School Children. Support the establishment of a state-based surveillance system to monitor trends of overweight, obesity, and fitness status on all public school-aged children in Kansas	Kansas school children K-12; for 2006-07 year, there were 465,135 enrolled K-12 students	Schools would incur some indirect costs for staff training and body mass index (BMI) measurement



Promoting Medical Homes and Paying for Prevention (P2) (continued)		
Policy Option	Population Served	Estimated Cost
<i>Paying for Prevention: Healthy Behaviors in Schools</i>		
*P2 (10) Promote Healthy Food Choices in Schools. Adopt policies that encourage Kansas school children to select healthy food choices by competitively pricing and marketing these foods and restricting access to foods with little or no nutritional value	Kansas school children K-12; for 2006-07 year, there were 465,135 enrolled K-12 students	Depending on pricing policies, implementation of this initiative may reduce or increase the revenue generated
*P2 (11) Increase Physical Fitness and School Health Programs. Strengthen physical education (PE) requirements and expand Coordinated School Health (CSH) programs	465,135 enrolled K-12 students	\$8,500 per participating school. KDHE has requested \$1.8 million SGF for the CSH program for participation of 100 districts
<i>Paying for Prevention: Healthy Behaviors in Workplace</i>		
*P2 (12) Wellness Grant Program for Small Business. Develop a community grant program to provide technical assistance and start-up funds to small businesses to assist them in the development of workplace wellness programs	Kansas employees of small firms	\$100,000 SGF for pilot project
*P2 (13) Healthier Food Options for State Employees. Expand healthy food choices in state agency cafeterias and vending machines	Approximately 45,000 state employees	Costs depend on contract negotiations and pricing policies
<i>Paying for Prevention: Additional Prevention Options</i>		
*P2 (14) Provide Dental Care for Pregnant Women. Include coverage of dental health services for pregnant women in the Kansas Medicaid program	6,600 Pregnant women enrolled in Medicaid	\$1.3 million AF; \$524,000 SGF
*P2 (15) Improve Tobacco Cessation within Medicaid. Improve access to Tobacco Cessation programs in the KS Medicaid program to reduce tobacco use, improve health outcomes, and decrease health care costs	Approximately 84,000 Medicaid beneficiaries who smoke	\$500,000 AF; \$200,000 SGF for an annual cost
*P2 (16) Expand Cancer Screenings. Increase screenings for breast, cervical, prostate, and colon cancer through expansion of the Early Detection Works (EDW) program	7,500 women (for Breast/Cervical screenings); 6,100 men (for prostate cancer screening); and 12,000 Kansans (for colorectal cancer screenings)	KDHE has requested \$6.7 million SGF for cost of expansion of all three cancer screenings
Estimated Costs for P2	\$22.4 million AF \$14.3 million SGF	



Providing and Protecting Affordable Health Insurance (P3)		
Policy Option	Population Served	Estimated Cost
*P3 (1) Access to Care for Kansas Children and Young Adults		
<ul style="list-style-type: none"> Aggressive targeting and enrollment of children eligible for Medicaid and HealthWave Include specific targets and timelines for improved enrollment. Inability to meet targets will "trigger" additional action by the KHPA, to include the consideration of mandating that all children in Kansas have health insurance Allow parents to keep young adults (through age 25 years) on their family insurance plan Develop Young Adult policies with limited benefit package and lower premiums 	<p>Estimated 20,000 Medicaid/HealthWave eligible</p> <p>Estimated 15,000 young adults</p>	<p>\$22 million AF \$14 million SGF</p>
*P3 (2) Expanding Insurance for Low-Income Kansans**		
<ul style="list-style-type: none"> Expansion population for the Premium Assistance program <ul style="list-style-type: none"> Adults (without children) earning up to \$10,210 annually [100% federal poverty level (FPL)] 	Estimated 39,000 low income Kansas adults	\$119 million AF \$ 56 million SGF
*P3 (3) Affordable Coverage for Small Businesses		
<ul style="list-style-type: none"> Encourage Section 125 plans (develop Section 125 "toolkits") and education campaign for tax-preferred health insurance premiums Develop a "voluntary health insurance clearinghouse" to provide on-line information about health insurance and Section 125 plans for small businesses and their employees Add sole proprietors and reinsurance to the very small group market (VSG: one to ten employees). Stabilize and lower health insurance rates for the smallest (and newest) businesses: obtain grant funding for further analysis Pilot projects – support grant program in the Department of Commerce for small business health insurance innovations 	<p>Estimated 12,000 small business owners and their employees</p> <p>(***Note: At the person level, the uncompensated care costs for the previously uninsured are reduced due to this change, hence the reduction in All Funds shown above. Practically, however, at the program level, the State of Kansas will not change the State's Disproportionate Share Hospital reimbursement methodology.)</p>	<p>-\$5 million AF*** \$1 million SGF</p>
Estimated Costs for P3 Cost of all 3 policy options is:		<p>\$136 million AF \$ 71 million SGF</p>
Total Costs		<p>\$158.9 million AF** \$ 85.7 million SGF ** (includes federal matching dollars)</p>

Two additional components of health reform, separate from the policies listed here, are being submitted to the Governor and Legislature as part of the KHPA budget. Funding for each is essential as the "building blocks" of health reform: 1) **Premium Assistance. As designed in SB 11, this request asks for a \$5.037 million enhancement (\$12.075 AF) for the Premium Assistance program in FY2009; these funds will provide private health insurance to parents of children

eligible for Medicaid who earn less than 50% of the FPL (approximately \$10,000 for a family of four); and 2) **Web-Based Enrollment System**. The KHPA budget asks for a \$4 million enhancement for FY2009 (\$8 million AF) to implement a new electronic eligibility system that can support premium assistance, enhanced outreach, and program participation through web-based enrollment.



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January 15, 2008

Fire Insurance Premiums

Prior to 2002, KSA 75-1508 required each fire insurance company doing business in Kansas to pay a levy not to exceed 1.25 percent of the gross cash receipts on all fire business transacted by the company in the preceding calendar year. The levy was remitted to the Insurance Commissioner on or before March 15 each year. This funding was transferred to the State Fire Marshal, and was utilized to support the operations of the Fire Marshal's Office.

KSA 75-1508 was amended by the 2002 Legislature reducing the portion received by the Fire Marshal from 1.25 percent to 1.0 percent, and providing the remaining 0.25 percent to the Emergency Medical Services (EMS) Board in support of its operations. At the time, the 0.25 percent was estimated to provide \$750,000 annually to the EMS Board.

KSA 75-1508 was further amended by the 2004 Legislature to reduce the amount received by the Fire Marshal from 1.0 percent to 0.8 percent. The remaining 0.2 percent is transferred to the Fire Services Training Institute at the University of Kansas. During FY 2003 and FY 2004, the Fire Services Training Institute was supported with a transfer of \$750,000 from the Fire Marshal Fee Fund which was discontinued beginning in FY 2005. In addition, the statute was amended requiring the Fire Services Training Institute to submit an annual report of expenditures and activities to the House Appropriations Committee on or before February 1 of each year beginning in 2005.

KSA 75-1514 requires that 20 percent of the receipts received from the levy, with a cap of \$200,000, be remitted to the State General Fund. This transfer is intended to reimburse State General Fund financed agencies for administrative services provided to this agency. KSA 75-1514 specifies that this amount shall be transferred from the portion of the funded credited to the Fire Marshal Fee Fund.

The following table shows the amounts from the fire insurance premium levy received by each agency, and the amount credited to the State General Fund from FY 2000 through the FY 2009 estimate. KSA 75-1514 abolished the State General Fund transfers for FY 2003 and FY 2004.

<u>FY</u>	<u>SGF</u>	<u>Fire Marshal</u>	<u>EMS</u>	<u>KU</u>	<u>TOTAL</u>
2000 act.	\$ 200,000	\$ 3,441,816	-	-	\$ 3,641,816
2001 act.	200,000	3,741,088	-	-	3,941,088
2002 act.	200,000	4,194,396	-	-	4,394,396
2003 act.	-	4,979,219	-	-	4,979,219
2004 act.	-	4,449,340	622,269	419,198	5,490,807
2005 act.	200,000	3,376,228	1,119,049	895,080	5,590,357
2006 act.	200,000	3,428,131	1,133,791	907,033	5,668,955
2007 act.	200,000	3,486,720	1,150,215	920,170	5,757,105
2008 est.	200,000	3,504,378	1,156,041	924,831	5,785,250
2009 est.	200,000	3,521,900	1,161,822	929,455	5,813,177

[Home](#) > [Statutes](#) > [Statute](#)

[Previous](#)

[Next](#)

75-1508

Chapter 75.--STATE DEPARTMENTS; PUBLIC OFFICERS AND EMPLOYEES

Article 15.--STATE FIRE MARSHAL

75-1508. Taxes on fire insurance business; imposition and purpose; support of state fire marshal, emergency medical services board and fire service training program of university of Kansas. (a) For the purpose of maintaining the department of the state fire marshal and the payment of the expenses incident thereto, each fire insurance company doing business in this state shall pay to the commissioner of insurance, on or before March 15 each year, in addition to the taxes, fees and charges now required by law to be paid by it, such levy as may be made by the state fire marshal. The levy shall not be more than .80% for calendar year 2004, and each calendar year thereafter, of a sum equal to the gross cash receipts as premiums of such company on all fire business transacted by it in the state of Kansas during the calendar year next preceding, as shown by its annual statement under oath to the state insurance department.

(b) For the purposes of maintaining the emergency medical services board and the payment of the expenses incident thereto, each fire insurance company doing business in this state shall pay to the commissioner of insurance, on or before March 15 each year, beginning with calendar year 2002 and each calendar year thereafter, in addition to the taxes, fees and charges now required by law to be paid by it, such levy as may be made by the emergency medical services board. The levy shall not be more than .25% of a sum equal to the gross cash receipts as premiums of such company on all fire business transacted by it in the state of Kansas during the calendar year next preceding, as shown by its annual statement under oath to the state insurance department.

(c) For the purposes of maintaining the fire service training program of the university of Kansas and the payment of the expenses incident thereto, each fire insurance company doing business in this state shall pay to the commissioner of insurance, on or before March 15 each year, beginning with calendar year 2004, and each calendar year thereafter, in addition to the taxes, fees and charges now required by law to be paid by it, such levy as may be made by the Kansas fire service training commission. The levy shall not be more than .20% of a sum equal to the gross cash receipts as premiums of such company on all fire business transacted by it in the state of Kansas during the calendar year next preceding, as shown by its annual statement under oath to the state insurance department.

(d) The director of the fire service training program of the university of Kansas shall submit a report concerning expenditures and activities of the fire service training program of the university of Kansas to the house committee on appropriations on or before February 1, 2005, and each ensuing year thereafter.

History: R.S. 1923, 75-1508; L. 1939, ch. 297, § 6; L. 1957, ch. 440, § 1; L. 1973, ch. 309, § 41; L. 1983, ch. 277, § 1; L. 2002, ch. 147, § 2; L. 2003, ch. 6, § 1; L. 2004, ch. 49, § 1; Apr. 15.

[Home](#) > [Statutes](#) > Statute

[Previous](#)

[Next](#)

75-1514

Chapter 75.--STATE DEPARTMENTS; PUBLIC OFFICERS AND EMPLOYEES Article 15.--STATE FIRE MARSHAL

75-1514. Same; remittance and disposition of tax proceeds; fire marshal fee fund; emergency medical services board operating fund; fire service training program fund. (a) The commissioner of insurance shall remit all moneys received by the commissioner under subsection (a) of K.S.A. 75-1508, and amendments thereto, to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the fire marshal fee fund for the fiscal years ending June 30, 2003, and June 30, 2004, and the state treasurer shall credit 20% of each such deposit to the state general fund and shall credit the remainder of each such deposit to the fire marshal fee fund for the fiscal year ending June 30, 2005, and ensuing fiscal years.

(b) There is hereby created the fire marshal fee fund in the state treasury. All expenditures from the fire marshal fee fund shall be made in accordance with appropriations acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the state fire marshal or a person or persons designated by the state fire marshal.

(c) The commissioner of insurance shall remit all moneys received by the commissioner under subsection (b) of K.S.A. 75-1508, and amendments thereto, to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the emergency medical services board operating fund.

(d) The commissioner of insurance shall remit all moneys received by the commissioner under subsection (c) of K.S.A. 75-1508, and amendments thereto, to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the fire service training program fund.

History: L. 1983, ch. 278, § 1; L. 1992, ch. 220, § 3; L. 2001, ch. 5, § 368; L. 2002, ch. 147, § 3; L. 2004, ch. 49, § 2; Apr. 15.

[Home](#) > [Statutes](#) > Statute

[Previous](#)

[Next](#)

75-3170a

Chapter 75.--STATE DEPARTMENTS; PUBLIC OFFICERS AND EMPLOYEES

Article 31.--SALARIES AND ASSISTANTS; MISCELLANEOUS PROVISIONS

75-3170a. Use and purpose of twenty percent charge to fee agencies; when charge not applicable. (a) The 20% credit to the state general fund required by K.S.A. 1-204, 2-3506, 9-1703, 16-609, 16a-2-302, 17-2236, 17-5609, 17-5610, 17-5612, 17-5701, 20-1a02, 20-1a03, 31-133a, 31-134, 44-324, 44-926, 47-820, 49-420, 55-155, 55-176, 55-609, 55-711, 55-901, 58-2011, 58-3074, 58-4107, 65-6b10, 65-1718, 65-1817a, 65-2011, 65-2855, 65-2911, 65-4610, 65-5413, 65-5513, 66-1,155, 66-1503, 74-715, 74-1108, 74-1405, 74-1503, 74-1609, 74-2704, 74-3903, 74-5805, 74-7009, 74-7506, 75-1119b, 75-1308, 75-1514, 84-9-411 and 84-9-413, and K.S.A. 2006 Supp. 17-12a601, and amendments thereto, is to reimburse the state general fund for accounting, auditing, budgeting, legal, payroll, personnel and purchasing services, and any and all other state governmental services, which are performed on behalf of the state agency involved by other state agencies which receive appropriations from the state general fund to provide such services.

(b) Nothing in this act or in the sections amended by this act or referred to in subsection (a), shall be deemed to authorize remittances to be made less frequently than is authorized under K.S.A. 75-4215 and amendments thereto.

(c) Notwithstanding any provision of any statute referred to in or amended by this act or referred to in subsection (a), whenever in any fiscal year such 20% credit to the state general fund in relation to any particular fee fund is \$200,000, in that fiscal year the 20% credit no longer shall apply to moneys received from sources applicable to such fee fund and for the remainder of such year the full 100% so received shall be credited to such fee fund, except as otherwise provided in subsection (d) and except that during the fiscal year ending June 30, 1993, with respect to the fire marshal fee fund, when the 20% credit to the state general fund prescribed by K.S.A. 31-133a, 31-134 and 75-1514 and amendments thereto, in the aggregate, is \$400,000, then in that fiscal year such 20% credit no longer shall apply to moneys received from sources applicable to the fire marshal fee fund and for the remainder of such fiscal year the full 100% so received shall be credited to the fire marshal fee fund.

History: L. 1973, ch. 309, § 43; L. 1975, ch. 440, § 1; L. 1976, ch. 374, § 2; L. 1976, ch. 382, § 1; L. 1977, ch. 194, § 2; L. 1978, ch. 211, § 10; L. 1978, ch. 196, § 2; L. 1978, ch. 239, § 11; L. 1978, ch. 352, § 4; L. 1978, ch. 336, § 24; L. 1980, ch. 269, § 1; L. 1980, ch. 242, § 10; L. 1980, ch. 270, § 1; L. 1982, ch. 9, § 3; L. 1982, ch. 228, § 22; L. 1983, ch. 286, § 13; L. 1986, ch. 323, § 18; L. 1986, ch. 322, § 18; L. 1986, ch. 187, § 3; L. 1988, ch. 399, § 2; L. 1988, ch. 342, § 1; L. 1991, ch. 6, § 9; L. 1992, ch. 220, § 4; L. 1997, ch. 160, § 41; L. 2000, ch. 116, § 13; L. 2004, ch. 154, § 63; July 1, 2005.

**Report to the Kansas Senate
Ways and Means Committee
January 16, 2008**

Kansas Fire & Rescue Training Institute, University of Kansas Continuing Education

Pertinent History

- Established by KSA 76-327, 1949 to provide a traveling instructional service for the Kansas fire service.
- KSA 76-327 revised in 2002. Revisions included:
 - Updated the language related to the services provided via the program.
 - Awarded \$750,000 temporary funding for FY 2003 and FY 2004.
 - Established the Fire Service Training Commission.
 - 12 members from the following Kansas fire service and allied professional organizations

Kansas State Fire Fighters Assn.

Kansas Assn. of Professional Fire Chiefs

Kansas State Assn. of Fire Chiefs

International Assn. of Arson Investigators, Kansas Chapter

Kansas Fire Marshal's Assn.

Fire Educators Assn. of Kansas

Kansas State Council of Fire Fighters

Kansas Community College Fire Training Programs

Kansas State Fire Marshal's Office

Kansas Forest Service, Kansas State University

The University of Kansas

Kansas Board of Emergency Medical Services

The Commission:

- Adopts rules and regulations
- Assures high quality and consistent programs
- Approves curriculum
- Approves selection of the Director
- Consults in preparation of and approves the budget
- Publishes an annual report to the fire service in conjunction with KU
- Requires KU to report semi-annually on financial status
- Consults with the commission of long range planning
- Prepares activity and financial reports to keep commission advised of activities
- Provides information from which the annual report to the fire service can be created

Application of mission

- “Mobile” fire academy
 - Provides mobile fire training props and instructors
 - Delivers training in the local communities
- Training classes delivered at no cost to the individuals or fire departments
- Conservative fiscal management has allowed expansion of program to meet training demands from the Kansas fire service.

- Limited staff growth
- Commission established priorities for training and programs early in process
 - Training delivery is first priority
 - Investment in a training support infrastructure of mobile equipment and props as funds allow

Oversight of Program

- Three primary forms of oversight
 - KU - Includes multiple levels:
 - Continuing Education Executive Director
 - Office of the Provost
 - KU Office of Budget Management and Fiscal Services
 - Kansas Board of Regents
 - Legislative oversight of KU
 - Fire Service Training Commission
 - Includes all organizations funded by KSA 75-1508
 - KU
 - State Fire Marshal
 - Kansas Board of Emergency Medical Services
 - Legislature
 - KSA 75-1508 requires the director of fire training to report annually to the House Committee on Appropriations.

**Training Services Delivery
Fiscal Years 2003 through 2007**

	FY 03	FY 04	FY 05	FY 06	FY 07
	Fire Insurance <u>Funding</u>	Fire Insurance <u>Funding</u>	Fire Insurance <u>Funding</u>	Fire Insurance <u>Funding</u>	Fire Insurance <u>Funding</u>
	\$750,000	\$750,000	\$840,000	\$913,862	\$907,031
<u>TRAINING & CERTIFICATION EVENTS</u>					
Events Delivered	448	513	527	687	684
Number of Participants	7,975	8,335	7,919	9,730	8,958
Instructional Hours	6,131	6,384	9,076	11,278	9,796
Student Contact Hours	113,950	85,470	92,659	142,091	115,953
<u>CITIES/ORGANIZATIONS SERVED</u>					
Kansas FDs/Organizations	467	515	481	510	510
Kansas Counties	96	102	99	95	95
Other Organizations	66	51	65	100	67

KSA 76-327

**Chapter 76.--STATE INSTITUTIONS AND AGENCIES; HISTORICAL PROPERTY
Article 3.--UNIVERSITY OF KANSAS**

76-327. Training of firefighters; fire service training program; traveling instructors; federal aid. The university of Kansas shall, through its fire service training program, provide for a traveling instruction service to train firefighters in the jurisdictions of this state requesting such instruction. This fire service training program shall include training in appropriate subject matter related to fire service professional responsibilities and such other instruction as will provide the municipalities with better trained firefighters. Traveling instructors shall be employed who shall visit and instruct in such places as the director of fire service training of the Kansas university shall determine. The instructors shall be allowed actual and necessary traveling and hotel expenses incurred in the performance of their duties and shall receive such salary as the university may deem appropriate. The university shall conduct an annual fire school. The university of Kansas shall have the authority to contract with existing training entities to deliver regional fire training. The university of Kansas is hereby authorized and empowered to accept any grants in aid that may be available from any federal agency. The university of Kansas shall have the authority to award certifications for fire and related emergency response personnel in fire service profession areas as prescribed by the national fire protection association and other applicable professional standards.

History: L. 1949, ch. 81, § 1; L. 2002, ch. 174, § 1; July 1.

76-327a

**Chapter 76.--STATE INSTITUTIONS AND AGENCIES; HISTORICAL PROPERTY
Article 3.--UNIVERSITY OF KANSAS**

76-327a. Same; Kansas fire service training commission; membership; qualifications; terms. (a) There is hereby created within the university of Kansas a Kansas fire service training commission which shall consist of 12 members which shall include:

(1) A member representing the Kansas state firefighters association, to be selected by the governor who shall consider, but not be limited to, a list of three nominees submitted therefor by the Kansas state firefighters association;

(2) a member representing the Kansas state association of fire chiefs, to be selected by the governor who shall consider, but not be limited to, a list of three nominees submitted therefor by the Kansas state association of fire chiefs;

(3) a member representing the Kansas state association of professional fire chiefs, to be selected by the governor who shall consider, but not be limited to, a list of three nominees submitted therefor by the Kansas state association of professional fire chiefs;

(4) a member representing the international association of arson investigators, to be selected by the governor who shall consider, but not be limited to, a list of three nominees submitted therefor by the international association of arson investigators;

(5) a member representing the Kansas fire marshal's association, to be selected by the governor who shall consider, but not be limited to, a list of three nominees submitted therefor by the Kansas fire marshal's association;

(6) a member representing the **Kansas fire educators association, to be selected by the governor** who shall consider, but not be limited to, a list of three nominees submitted therefor by the Kansas fire educators association;

(7) a member representing the **Kansas state council of firefighters, to be selected by the governor** who shall consider, but not be limited to, a list of three nominees submitted therefor by the Kansas state council of firefighters;

(8) a member representing the **Kansas community college fire training, to be selected by the governor** who shall consider, but not be limited to, a list of three nominees submitted therefor by the Kansas community college fire training;

(9) a member representing the **Kansas state fire marshal, to be selected by the governor** who shall consider, but not be limited to, a list of three nominees submitted therefor by the Kansas state fire marshal;

(10) a member representing the **Kansas forest service, to be selected by the governor** who shall consider, but not be limited to, a list of three nominees submitted therefor by the Kansas forest service;

(11) a member representing the **Kansas university fire service training, to be selected by the governor** who shall consider, but not be limited to, a list of three nominees submitted therefor by the Kansas university fire service training; and

(12) a member representing the **emergency medical services board, to be selected by the governor** who shall consider, but not be limited to, a list of three nominees submitted therefor by the emergency medical services board.

(b) Six members initially appointed to a position described in subsection (a) shall serve for a two-year term and thereafter the term of members appointed to such positions shall be four years. The members who shall serve two-year terms shall be chosen by lottery at the first commission meeting. The initial two-year terms shall expire on July 1, 2004 and four-year terms shall expire on July 1, 2006. Vacancies in any position shall be filled in the same manner as original appointments.

(c) The chairperson and vice-chairperson shall be selected by the members of the commission at the first meeting of the commission and shall serve for a term of two years. No chairperson shall serve more than two consecutive terms. In the absence or disability of the chairperson, the vice-chairperson shall exercise all the powers of the chairperson.

(d) The Kansas fire service training commission shall meet at least quarterly in each year on dates fixed by the commission. Special meetings may be held upon call of the chairperson of the commission or upon petition to the chairperson by not less than seven commission members. The date and place of all special meetings shall be designated in the call.

(e) Members of the commission shall receive mileage, tolls and parking as provided in K.S.A. 75-3223, and amendments thereto, for attendance at any meeting of the commission or any subcommittee meeting authorized by the commission.

76-327b

**Chapter 76.--STATE INSTITUTIONS AND AGENCIES; HISTORICAL PROPERTY
Article 3.--UNIVERSITY OF KANSAS**

76-327b. Same; acceptance of gifts, grants and contributions authorized; receipt and expenditure of moneys. The Kansas fire service training program is authorized to receive any grants, gifts, contributions or bequests made for the purpose of supporting the fire service training and to expend the same.

76-327c

**Chapter 76.--STATE INSTITUTIONS AND AGENCIES; HISTORICAL PROPERTY
Article 3.--UNIVERSITY OF KANSAS**

76-327c. Fire service training program fund established; expenditures. (a) There is hereby created in the state treasury the fire service training program fund. All moneys credited to such fund under the provisions of this act or any other law shall be expended only for the purpose and in the manner prescribed by law, including the expenditures for the operation of the Kansas fire service training program to carry out duties as mandated by law.

(b) All moneys received shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the fire service training program fund.

76-327d

**Chapter 76.--STATE INSTITUTIONS AND AGENCIES; HISTORICAL PROPERTY
Article 3.--UNIVERSITY OF KANSAS**

76-327d. Kansas fire service training commission; powers; reporting requirements. The Kansas fire service training commission shall:

(a) Consult with the director of university of Kansas fire service training program and adopt rules of procedure for commission meetings;

(b) consult with the director of university of Kansas fire service training program and **adopt rules and regulations necessary for the fire service training operations;**

(c) approve and monitor a means to **assure fire service training provided pursuant to the fire service training program is of high quality and delivered in a consistent manner;**

(d) recommend and **approve fire service training program curriculum;**

(e) **approve selection of the director of fire service training,** who shall be appointed by the dean of the division of continuing education of the university of Kansas;

(f) participate and consult with the director of fire services training of the university of Kansas in the preparation and **approval of the Kansas fire service training program budget;** and

(g) **publish an annual report** in conjunction with the university of Kansas fire service training program concerning the activities and duties of the Kansas fire service training program and commission.

76-327e

**Chapter 76.--STATE INSTITUTIONS AND AGENCIES; HISTORICAL PROPERTY
Article 3.--UNIVERSITY OF KANSAS**

76-327e. Same; duties. (a) The university of Kansas shall have the following duties regarding the Kansas fire service training commission:

- (1) **Report semi-annually on the financial status of the program;**
- (2) **consult with such commission on long range planning issues;**
- (3) **prepare appropriate activity and financial reports as to keep such commission advised of program activity and to provide adequate information from which the commission's annual report concerning fire service can be created;**
- (4) provide administrative support for official commission activities;
- (5) pay reasonable travel and expenses to commission members for expenses related to attending scheduled commission meetings; and
- (6) shall maintain an appropriate system of training records related to individual participation in this training system.

76-327f

**Chapter 76.--STATE INSTITUTIONS AND AGENCIES; HISTORICAL PROPERTY
Article 3.--UNIVERSITY OF KANSAS**

76-327f. Transfers to fire service training fund authorized. On July 1, 2002, and July 1, 2003, or as soon after each such date as moneys are available, notwithstanding any other provision of law to the contrary, the director of accounts and reports shall transfer \$750,000 from the fire marshal fee fund of the state fire marshal to the fire service training program fund.

75-1508

**Chapter 75.--STATE DEPARTMENTS; PUBLIC OFFICERS AND EMPLOYEES
Article 15.--STATE FIRE MARSHAL**

75-1508. Taxes on fire insurance business; imposition and purpose; support of state fire marshal, emergency medical services board and fire service training program of university of Kansas. (a) For the purpose of maintaining the department of the state fire marshal and the payment of the expenses incident thereto, each fire insurance company doing business in this state shall pay to the commissioner of insurance, on or before March 15 each year, in addition to the taxes, fees and charges now required by law to be paid by it, such levy as may be made by the state fire marshal. The levy shall not be more than .80% for calendar year 2004, and each calendar year thereafter, of a sum equal to the gross cash receipts as premiums of such company on all fire business transacted by it in the state of Kansas during the calendar year next preceding, as shown by its annual statement under oath to the state insurance department.

(b) For the purposes of maintaining the emergency medical services board and the payment of the expenses incident thereto, each fire insurance company doing business in this state shall pay to the commissioner of insurance, on or before March 15 each year, beginning with calendar year 2002 and each calendar year thereafter, in addition to the taxes, fees and charges now required by law to be paid by it, such levy as may be made by the emergency medical services board. The levy shall not be more than .25% of a sum equal to the gross cash receipts as premiums of such company on all fire business transacted by it in the state of Kansas during the calendar year next preceding, as shown by its annual statement under oath to the state insurance department.

(c) For the purposes of maintaining the fire service training program of the university of Kansas and the payment of the expenses incident thereto, each fire insurance company doing business in this state shall pay to the commissioner of insurance, on or before March 15 each year, beginning with calendar year 2004, and each calendar year thereafter, in addition to the taxes, fees and charges now required by law to be paid by it, such levy as may be made by the Kansas fire service training commission. The levy shall not be more than .20% of a sum equal to the gross cash receipts as premiums of such company on all fire business transacted by it in the state of Kansas during the calendar year next preceding, as shown by its annual statement under oath to the state insurance department.

(d) The director of the fire service training program of the university of Kansas shall submit a report concerning expenditures and activities of the fire service training program of the university of Kansas to the house committee on appropriations on or before February 1, 2005, and each ensuing year thereafter.

History: R.S. 1923, 75-1508; L. 1939, ch. 297, § 6; L. 1957, ch. 440, § 1; L. 1973, ch. 309, § 41; L. 1983, ch. 277, § 1; L. 2002, ch. 147, § 2; L. 2003, ch. 6, § 1; L. 2004, ch. 49, § 1; Apr. 15.



K A N S A S

DAN McLAUGHLIN
FIRE MARSHAL

OFFICE OF THE KANSAS STATE FIRE MARSHAL

KATHLEEN SEBELIUS
GOVERNOR

**Testimony before the Senate Ways and Means Committee
By Dan McLaughlin,
State Fire Marshal
January 16, 2008**

I would like to thank you Chairman Umbarger and the committee for the opportunity to review and address the splitting of the fire marshal fee fund a few years ago. From our agency review, the splitting of this fund has had a negative impact on the agency that will continue into the future.

As you are well aware, this agency is completely a fee funded agency. Prior to FY 2004, our funds were dispersed through a number of discretionary transfers to the state general fund, the Board of EMS and to the Kansas Fire and Rescue Training Institute. Since 2000 there have been transfers of over 6.6 million dollars. When our fee Fund was officially "split" in FY 2004, the fees were allocated as followed: .80 percent going to the fire marshal, .25 percent going to EMS, and .20 going to the Kansas Fire and Rescue Training Institute.

Enclosed in your documents is a line chart of fee fund revenues vs. operating expenditures for the fire marshal's share of the fee fund. You will note the revenue and operating expenditure lines have intersected in year 2005. This is the year when we had to borrow \$225,000 from our hazmat emergency fund to meet budget. To date we have not had sufficient funding to pay back any that we have borrowed. Furthermore, we do not have the discretionary ability to place any carryover funds into the Hazmat response fund. As the disparity continues each year we have been fortunate to have carryover funds to pay the bills. As illustrated this funding gap continues to widen with the future.

In the documents we have distributed to the committee we have included a copy of a portion of the performance audit report reviewing this agencies funding and administration. In the summary of this report for Question 3 it concludes that an eye needs to be kept on the actual growth of the fund. When the agency began transferring funds to EMS and KFRTI the insurance premium growth was estimated to be 30%. Not in one year has this estimate been met and the most it increased was 14% one year. To date the fee fund has never averaged more than 4% since 2004.

We would also like to point out in the governor's recommended budget released yesterday the FY08 Adjusted budget request balance forward is \$1,337,942 which is less than half of the funding necessary to carry the agency through the first half of a fiscal year and in FY09 it will only be about 25% of the needed funding for operations. We also found out that in the proposed budget that \$99,000 was being transferred to Kansas Department of Health and Environment for their juvenile firesetter program. Just a 2.5% step increase in salaries isn't possible without additional revenues. We have also noted that of the three funds for Fire Marshal, EMS, and KFRTI our agency is the only one contributing to the statutory general fund transfer of \$200,000 per KSA 78-317a.

What does the future hold for the Fire Marshal's Office?

The ability to cover expenses including fleet vehicle replacement, increases in salaries due to cola's, Memorandums of Understanding with 2 unions, travel expenses, known increase in office space rent, and general increases in operating costs.

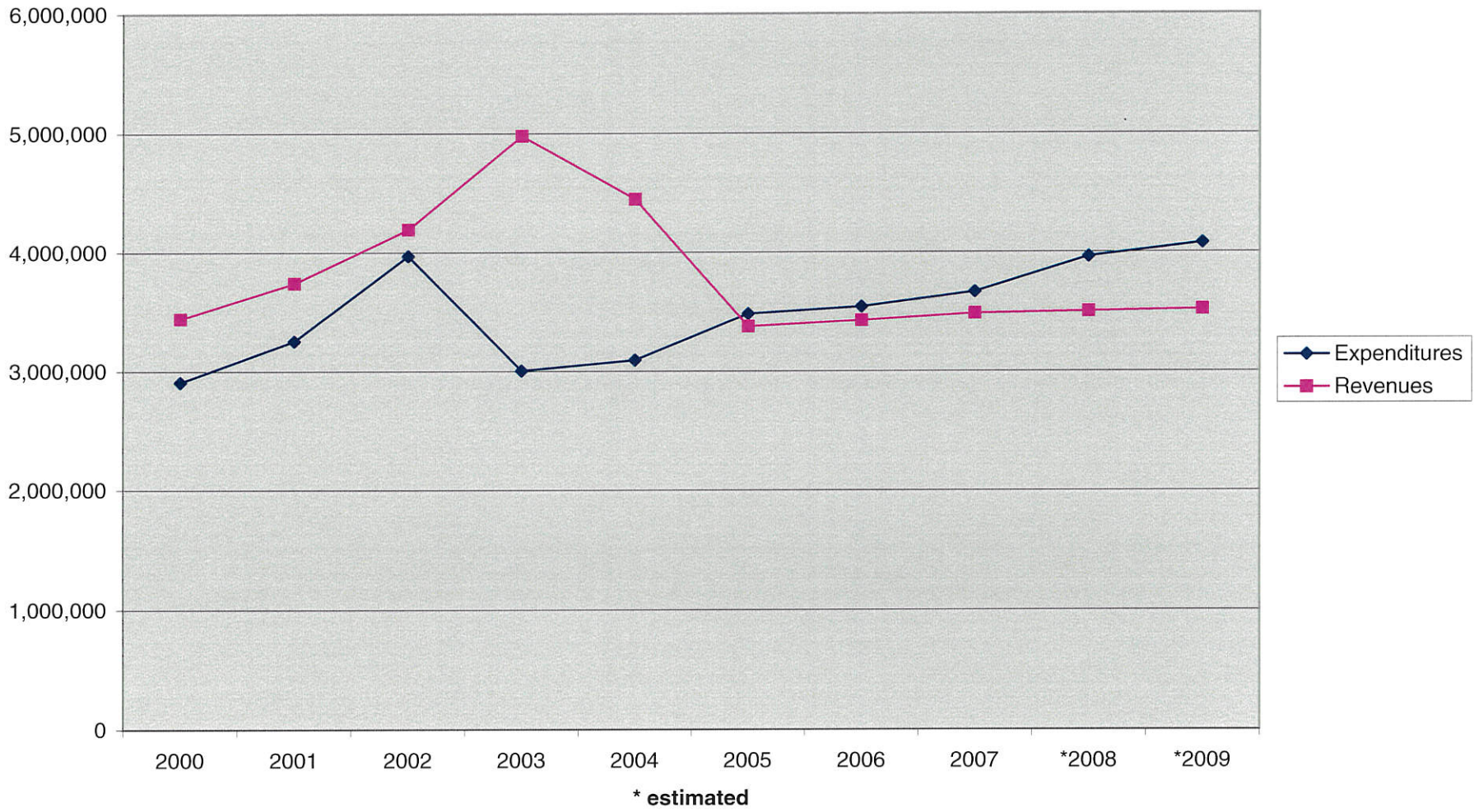
Our inability to repay the money borrowed from our hazmat emergency response fund to the tune of \$225,000. The Hazmat Emergency Response fund took a big hit this last year due to all the disasters with the unlikelihood of federal reimbursement.

New legislated programs that include new FTE's without a funding source have and will continue to impact the bottom line. This includes legislation for licensing of sprinkler and fire alarm companies, users of explosives, and the authority to recover costs of a hazardous materials response from a spiller.

Continuation of the state bomb response unit once the grant funding expires. This will occur in May of 08. This includes personnel, vehicles, and equipment. This unit is jointly manned by our personnel and personnel from the highway patrol.

As a public safety agency and a partner in Homeland security and disaster response we need to keep these programs operational and serve the citizens of Kansas. We are only asking for your consideration on the distribution of these available funds and on making sure that we are able to continue these operations in a financial responsible way in the future.

Kansas State Fire Marshal Fee Fund Revenue vs Operating Expenditures FY2000 - FY2009



Question 3: How Does the Amount of Money Generated by the Levy on Fire Insurance Premiums Compare to the Amount Needed to Operate the Fire Marshal's Office?

The Fire Marshal's Office is funded by a 1.25% levy placed on all fire insurance premiums sold within the State. Over time, that levy had generated far more money each year than the Fire Marshal's Office needed to fund its operations, resulting in a \$3.9 million balance in the Fire Marshal Fee Fund at the end of 2002. For 2003 through 2005, the Legislature divided the levy between the Fire Marshal's Office and 2 other programs, and authorized large transfers from the Fee Fund to the General Fund. As a result, the Fee Fund balance is projected to drop to about \$775,000 by the end of 2005. If current projections hold, the Fire Marshal's Office will experience a cash shortfall in early fiscal year 2006. These and other findings are discussed in the sections below.

Over Time, the Levy on Fire Insurance Premiums Generated Far More Money Each Year Than The Fire Marshal's Office Needed

Since its inception in 1913, the Fire Marshal's Office has been funded by a levy that insurance companies were required to pay on the fire insurance premiums they sold throughout the State. The 1983 Legislature authorized the Fire Marshal to set that levy at up to 1.25%. The Fire Marshal began assessing the levy at the maximum amount in 1998.

Until fiscal year 2003, the revenues generated by that levy were used only to support the Fire Marshal's Office. The Office also receives a small amount of additional revenue each year from its contracts with KDHE and the Department on Aging for inspecting federally certified health care facilities and a variety of smaller grants and fees.

As shown in the shaded rows of *Table III-1* to the right, from 2000 through 2002 the levy on fire insurance premiums generated between \$3.4 million and \$4.2 million each year, for an average of \$4.0 million a year in revenues for the Fire Marshal's Office. This is compared with average expenditures of just \$3.4 million a year. During that time, the balance in the Fire Marshal Fee Fund grew from about \$2.8 million to \$3.9 million, a 39% increase.

It's important to note in *Table III-1* that we have replaced the budget estimates for fiscal years 2004 and 2005 reported to the Legislature with our own revised estimates. For revenues, we've used projections developed by the Insurance Department. We've also updated the estimate of how much money will be transferred to other programs in light of recent changes to how levy revenues are to be shared and in light of more recent information on transfers that have already occurred.

Table III-1
History of the Fire Insurance Levy and Fire Marshal Fee Fund
Fiscal Years 2000 to 2005

	Fiscal Year					
	2000	2001	2002	2003	2004 (LPA Est.)	2005 (LPA Est.)
FIRE INSURANCE LEVY						
Levy on Fire Insurance Premiums	\$ 3,641,805	\$ 3,942,012	\$ 4,394,396	\$ 4,979,219	\$ 5,200,000	\$ 5,408,000
Less Transfers of the Levy to:						
State General Fund	\$ (200,000)	\$ (200,000)	\$ (200,000)	\$ -	\$ -	\$ (200,000)
Board of Emer. Medical Services (a)	\$ -	\$ -	\$ -	\$ (1,218,090)	\$ (1,099,485)	\$ (1,081,600)
KU Fire Service Training Center (a)	\$ -	\$ -	\$ -	\$ (750,000)	\$ (1,030,051)	\$ (865,280)
Levy Revenues Available for the Fire Marshal's Office	\$ 3,441,805	\$ 3,742,012	\$ 4,194,396	\$ 3,011,129	\$ 3,070,464	\$ 3,261,120
FIRE MARSHAL FEE FUND						
SOURCES OF FUNDS						
Beginning Balance (b)	\$ 2,167,826	\$ 2,864,326	\$ 3,531,279	\$ 3,905,708	\$ 2,161,258	\$ 1,494,417
Revenues Available from the Levy	\$ 3,441,805	\$ 3,742,012	\$ 4,194,396	\$ 3,011,129	\$ 3,070,464	\$ 3,261,120
Contract for Federal Inspections	\$ 147,270	\$ 168,884	\$ 160,161	\$ 162,364	\$ 25,000	\$ 25,000
Additional Revenues (c)	\$ 5,591	\$ 14,196	\$ 11,645	\$ 8,773	\$ 8,050	\$ 8,050
TOTAL SOURCES OF FUNDS	\$ 5,762,492	\$ 6,789,418	\$ 7,897,481	\$ 7,087,974	\$ 5,264,772	\$ 4,788,587
USES OF FUNDS						
Fire Marshal's Office Expenditures	\$ 2,452,982	\$ 2,829,707	\$ 2,810,382	\$ 2,793,835	\$ 2,954,366	\$ 3,147,865
Transfers to Haz Mat Funds	\$ 456,113	\$ 415,083	\$ 406,020	\$ 224,663	\$ 419,238	\$ 343,782
Other Transfers	\$ -	\$ -	\$ 754,862 (d)	\$ -	\$ -	\$ -
Operating Expenditures Subtotal	\$ 2,909,095	\$ 3,244,790	\$ 3,971,264	\$ 3,018,498	\$ 3,373,604	\$ 3,491,647
Transfers to SGF	\$ -	\$ -	\$ -	\$ 1,908,218	\$ 396,751	\$ 520,097
TOTAL USES OF FUNDS	\$ 2,909,095	\$ 3,244,790	\$ 3,971,264	\$ 4,926,716	\$ 3,770,355	\$ 4,011,744
Ending Balance (b)	\$ 2,853,397	\$ 3,544,628	\$ 3,926,217	\$ 2,161,258	\$ 1,494,417	\$ 776,843

(a) For fiscal year 2003 and part of fiscal year 2004, all levy revenues were deposited into the Fire Marshal Fee Fund and these amounts were transferred to the 2 entities. For 2004, some of the levy revenues went directly to the 2 entities and weren't routed through the Fee Fund. For 2005, all revenues will go directly to the entities.

(b) According to officials from the Division of Accounts and Reports, discrepancies in ending and beginning balances are most likely due to released encumbrances.

(c) These include fees on businesses that handle fire extinguishers for commercial cooking equipment.

(d) Includes a \$750,000 transfer to the Fire Marshal's Hazardous Materials Emergency Fund.

Source: Division of Budget, Legislative Research Department, Insurance Department

In addition to the Fee Fund, the Fire Marshal's Office has a number of other smaller funds, including operating and emergency funds for the Hazardous Materials program, a federal grant fund, and a gift and donation fund. We have focused our analysis on the Fire Marshal's Fee Fund because that fund receives the levy revenues and is used to pay for operating expenditures. We do note transfers from the Fee Fund to the other funds in *Table III-1*.

Since 2003, Significant Portions of the Levy Revenues and Fee Fund Balances Have Been Transferred Or Used To Support Other Programs

By the end of fiscal year 2002, the carryover balance in the Fire Marshal Fee Fund had grown to a point where it exceeded the agency's budget for the following year. The Legislature has taken several steps since then to significantly reduce both the Fee Fund balance and the amount of the levy going to the Fire Marshal's Office.

The Legislature divided the levy on fire insurance premiums between the Fire Marshal's Office and 2 additional programs.

For fiscal years 2003 and 2004, the Legislature temporarily appropriated part of the revenues generated by the fire insurance levy to help fund the following programs:

- **Board of Emergency Medical Services** – The Legislature decided that the Fire Marshal's share of the 1.25% levy would drop to 1.0%, and that the Board would receive the remaining .25%.
- **KU Fire Services Training Center** – In this case, instead of specifying the percentage of the levy that would go to the Training Center, the Legislature directed that \$750,000 of the levy the Fire Marshal would have received be transferred to the training program.

The 2004 Legislature made permanent changes to the levy. Beginning in fiscal year 2005, the fire insurance premium levy will now be split among the 3 entities as follows:

- .80% to the Fire Marshal's Office
- .25% to the Board of Emergency Medical Services
- .20% to the KU Fire Services Training Center

With the changes that have occurred since 2003, the Board and Center are expected to receive about \$2 million a year in revenues from the levy on fire insurance premiums. That information is shown on the upper half of *Table III-1* on the previous page.

The Legislature authorized large transfers from the Fire Marshal Fee Fund to the State General Fund. The Director of the Budget has the authority to transfer "excess" funds not needed for the operations of the Fire Marshal's Office into the State General Fund. No transfers were made from 1999 to 2002. However, as *Table III-1*

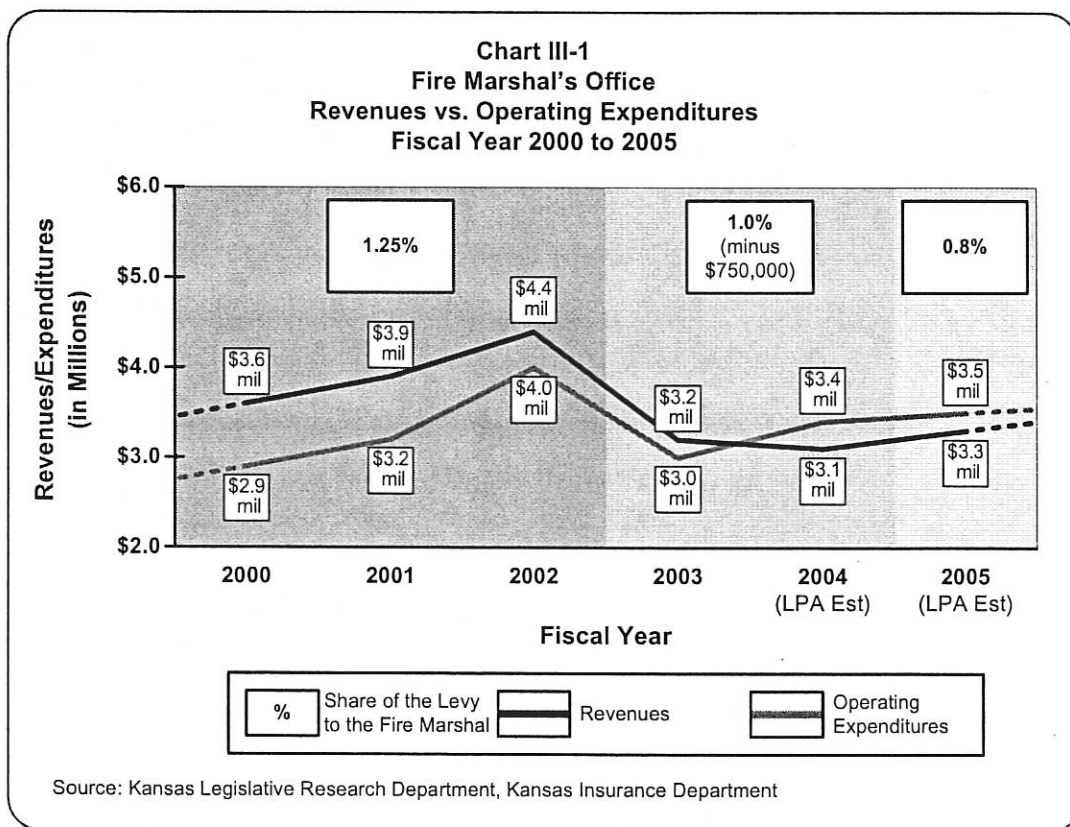
shows, beginning in 2003, a total of \$2.8 million is expected to be transferred to the General Fund over a 3-year period.

***In 2004 and 2005,
The Office's
Statutorily Authorized
Share of the Levy May Not
Cover Its Estimated Costs***

As noted earlier, the 2004 Legislature reduced the Office's share of the levy from 1.0% to .80% beginning in 2005. That drop has led to questions about whether the reduced levy revenues will cover the Office's costs.

Levy revenues in 2004 and 2005 may not be sufficient to cover the agency's expenses. Chart III-1 compares the Office's actual and projected revenues and expenditures for 2000 through 2005. As the chart shows, from 2000 to 2003, the Office's share of the levy revenues, combined with the other revenues it receives, covered its operating expenditures each year. For 2004 and 2005, the estimated revenues are less than the agency's estimated expenditures.

As noted earlier, revenue projections are based on Kansas Insurance Department estimates that premiums will rise by 4% in 2004 and 2005. While this is markedly less than they have risen in the 4 previous years (which averaged about 10%), we found that even if revenues grew by 10% for 2004 and 2005, expenditures would still exceed revenues in 2004. In 2005, there would be a surplus of \$163,000.



If current projections hold, the Fire Marshal's Office will experience a cash shortfall in early fiscal year 2006. Levy revenues generally come in at 3 times during the year (March, June, and December), which are tied to the dates premium taxes are remitted to the State. This means the Fire Marshal's Office must have enough money after the June payment to cover all its expenditures through December—about half the agency's annual expenses, or approximately \$1.5 million.

Based on current projections, the Fire Marshal Fee Fund should have a little more than \$1.5 million left at the end of fiscal year 2004—enough money to support the agency through the 1st half of 2005. This is shown in *Table III-1*. In 2005 however, the low beginning balance, projected shortfall in revenues, and planned transfer to the State General Fund would leave the agency with about \$775,000 at the beginning of 2006, or about half of what it would need to pay its expenses until it receives new revenues in December 2006.

Conclusion It's difficult to know how much fire insurance premiums will grow in 2004 and 2005 (although final revenues for 2004 should be available in a matter of weeks). Because the Fire Marshal's Office now receives a smaller share of those revenues and the balances in its fee fund have significantly decreased, the agency is more vulnerable if levy revenues don't grow significantly. The Division of Budget and the Legislature will need to keep a close eye on the actual growth of the fire insurance premium revenues. If the current estimates of revenues and expenditures are correct, and moneys are transferred to the General Fund in fiscal year 2005 as planned, the Fire Marshal's Office will be in difficult fiscal position at the start of 2006.

404 Report

Agency: 00234 State Fire Marshal

Version: 2009-J-01-00234

Fund Number: 2330 2000		07 Actuals	FY 08 Adjusted Budget Request	FY 09 Adjusted Budget Request
Name: FIRE MARSHAL FEE FUND				
R0007	CASH FORWARD	1,889,966	1,811,607	1,337,942
R0004	TRANSFERS	0	(149,237)	(149,237)
R1332	INSURE PREM STATE FIRE MARSHAL	3,486,720	3,504,378	3,521,900
R2040	CHARGES-CLERICAL SERV. ISSUE C	681	700	700
R2099	OTHER SERVICE CHARGES	125	0	0
R2111	LICENSE FEE - ENGAGE IN BUSINE	7,010	7,010	7,010
R2119	LICENSE FEE - OTHER BUSINESS P	0	37,600	37,600
R2260	USABLE CONDEMNED EQUIPMENT	25,694	20,000	20,000
R6211	RECOVERY OF CURRENT FY EXPENDI	14	0	0
R6221	REFUND OF ADVANCES FOR PETTY C	50	0	0
R6240	REIMBURSEMENTS FROM OTHER STAT	70,175	70,000	70,000
R6602	OPERATING TRANSFERS OUT	(284,540)	(350,539)	(384,976)
R6901	RECOVERY OF PRIOR FY EXPENDITU	8	0	0
	Total Available	5,195,903	4,951,519	4,460,939
	Total Reportable Expenditures	3,384,296	3,613,577	3,693,855
	Total Expenditures	3,384,296	3,613,577	3,693,855
	Balance Forward	1,811,607	1,337,942	767,084