

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Kevin Yoder at 9:00 a.m. on February 10, 2009, in Room 143-N of the Capitol.

All members were present except:

Representative Mitch Holmes- excused

Committee staff present:

Nobuko Folmsbee, Office of the Revisor of Statutes
Theresa Kiernan, Office of the Revisor of Statutes
Alan Conroy, Kansas Legislative Research Department
Raegan Cussimano, Kansas Legislative Research Department
Christina Butler, Kansas Legislative Research Department
Kathy Holscher, Committee Assistant

- Attachment 1 Kansas Division of the Budget Fiscal Note for **HB 2095**
- Attachment 2 **HB 2095**
- Attachment 3 Kansas City, Kansas Public Schools Testimony
- Attachment 4 Kansas Health Policy Authority Response

Conferees appearing before the committee:

None

Others attending:

See attached list.

Chairman Yoder opened the meeting and stated that negotiations have been broken off at this time with the Senate regarding **SB 23**, due to the inability to reach an agreement on physical and mental disability waivers.

Introduction of Proposed Legislation

Representative Feuerborn moved to introduce legislation pertaining to the investment of state monies. The motion was seconded by Representative Gatewood. Motion carried.

Representative Light moved to introduce legislation pertaining to bed and breakfasts. The motion was seconded by Representative Watkins. Motion Carried

Representative Carlin moved to introduce legislation pertaining to veterans benefits. The motion was seconded by Representative Ballard. Motion carried.

Representative Donohoe moved to reintroduce legislation pertaining to reimbursing doctors for experimental products when used and insurance companies that have not provided an item or coverage for reimbursement. The motion was seconded by Representative DeGraaf. Motion carried.

HB 2095 - School finance; capital outlay; cash-basis law, exemption; LOB authority.

Chairman Yoder stated that the Fiscal Note for **HB 2095** is being distributed to Committee members, (Attachment 1).

Theresa Kiernan, Office of Revisor of Statutes, addressed questions and provided explanations regarding Committee revisions to **HB 2095** (Attachment 2).

Representative Watkins made a motion to move the technical amendments. The motion was seconded by Representative Kelley. Motion carried.

Theresa Kierman responded to questions from Committee members regarding the mill levy and school board's authority to pass a new resolution. Under Section 1 this would be on-going and renewable every two years. The school years effected by these recommended changes and budget cycles were reviewed.

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:00 a.m. on February 10, 2009, in Room 143-N of the Capitol.

Committee members discussed items to be modified and applied to FY 2009. A recision in the current year, the impact on LOB, and the need to provide districts the opportunity to stabilize their cash flow was noted.

Representative Yoder made a motion to modify Section 1. The motion was moved by Representative Watkins and seconded by Representative McLeland.

Discussion by Committee members followed. Recommended language change for Section 3 would include any school year in which the base aide per pupil drops below \$4,433, and the addition of FY 2009 to the list of years.

Representative Watkins was asked to clarify his motion, which was for FY 2009.

Representative Watkins made a motion to move the balloon as part of the original motion. The motion was seconded by Representative McLeland.

Discussion by Committee members followed regarding state aid and to grandfather what was appropriated in FY 2008 and 2009. This would not protect special education but would protect the LOB, as recommended in the Senate Committee. LOB is figured on general state aid and special education, which is consistent with current law. It was noted that the Senate wanted to make sure that the LOB isn't just latched with general state aid so that if special education funding was reduced the LOB would not be effected..

Representative Watkins renewed the motion. Motion carried.

Theresa Kierman responded to questions from Committee Members regarding BSAPP. The current base is \$4,433, FY 2010 projected BSAPP is \$4,492, and if the recision bill passes the BSAPP would be \$4,422. If school funding was reduced the LOB would be reduced at the same amount as well. If local aid remains at the same level, districts would not be forced to reduce their local aid. Section 3 protects the computed BSAPP at \$4,433. This would also allow districts to issue no-fund warrants and districts would have the opportunity raise up to 2 mills on the LOB. Reference was made to Section 2 regarding the current law for the use of no-fund warrants. Section 4 was discussed regarding the cash basis law. The amendment would ensure that districts could pay salaries only if the district does not exceed their budgeted amount. Language consideration for FY 2010 was discussed. Questions were raised regarding the equalization formula, and the 2 mill capital outlay formula (not equalized) for utilities and insurance referred to in Section 1. Sections 6 and 7 refers to 8 mills (equalized) for construction, repairs and remodeling; and 2 mills for insurance and utility service. It was noted that a bill that passed out of the House had a cushion of \$114 million, which includes January. If the shortfall exceeds \$114 million schools would have to make adjustments with local flexibility options. The later we go in to the fiscal year the more difficult it will be for school districts, and the greater the impact budget cuts may have in the 2009 and 2010 school year. A review of the fiscal note for **HB 2095** with an estimated state fiscal effect of \$250,000 in FY 2010. Using the same formula but equalized for two new mills would be \$350,000 for a total fiscal on this bill in the amount of \$600,000. The suggestion was made to separate issues that effect FY 2009 and deal with provisions that are less objectionable and items that the Committee could go forward with. Clarification on the use of no-fund warrants, cash basis and contingency funds was provided. Discussion followed regarding ways to provide the districts the greatest flexibility, as reductions are made to their budgets, in order to lesson the overall impact. Modification to this bill may be necessary for FY 2009 and FY 2010.

Chairman Yoder suggested that Committee members visit with their school districts and other legislators to bring other ideas forward, in order to help districts get through this period. The hearing on **HB 2095** is closed. Members were encouraged to bring their balloons and other items to the Committee meeting tomorrow in order to work this bill with the intent of sending it out at that point.


CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:00 a.m. on February 10, 2009, in Room 143-N of the Capitol.

Copies of the Kansas City, Kansas Public School testimony (Attachment 3) and the Kansas Health Policy Authority Response (Attachment 4) were distributed to Committee members.

The next meeting is scheduled for February 11, 2009.

The meeting was adjourned at 10:04 a.m.


Kevin Yoder, Chairman

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 2-10-09

NAME	REPRESENTING
Dodie Wellshear	USA/Kansas
TERRY FORSYTH	KMET
Rob Mealy	Kennedy + Assoc.
Val DeFenu	SQE
Bill Brady	SFFF

February 3, 2009

The Honorable Kevin Yoder, Chairperson
House Committee on Appropriations
Statehouse, Room 142-W
Topeka, Kansas 66612

Dear Representative Yoder:

SUBJECT: Fiscal Note for HB 2095 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2095 is respectfully submitted to your committee.

HB 2095 would authorize boards of education to adopt a resolution to assess up to a two-mill property tax levy for up to two years for the purpose of paying for utility services and insurance. The resolution would be subject to a protest petition. The bill would also authorize boards of education to issue no-fund warrants for the purpose of paying teacher salaries and benefits if the board determines that the revenues of the current school year for the general fund are insufficient to finance the adopted budget. The no-fund warrants could be issued without prior approval of the State Court of Tax Appeals. The boards would be required to make a tax levy to pay for the no-fund warrants at the first available taxing period. Also, the bill would authorize boards to adopt local option budgets (LOBs) based upon a base state aid per pupil (BSAPP) of \$4,433.

Also, the bill would provide that if expenditures in any month by school districts are in excess of current revenues and is caused by a late or delayed state aid payment, the payment of bills with resources other than a district's general fund would not be considered a violation of the law. Finally, the bill would amend the capital outlay law to raise the limitation from eight mills to ten mills.

Estimated State Fiscal Effect				
	FY 2009 SGF	FY 2009 All Funds	FY 2010 SGF	FY 2010 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$250,000	\$250,000
FTE Pos.	--	--	--	--

The Honorable Kevin Yoder, Chairperson
February 3, 2009
Page 2—2095

According to the Department of Education, the only provision of HB 2095 that would result in additional expenditures by the state would be the capital outlay provision. By allowing local school districts to increase the maximum mill levy from eight mills to ten mills would cost the state an additional \$250,000 in additional capital outlay aid, all from the State General Fund. However, the bill could have additional costs for local tax payers if no-fund warrants are issued, as the local boards of education would be authorized to levy an additional property tax to pay for the warrants. Any fiscal effect resulting from the enactment of HB 2095 has not been included in *The FY 2010 Governor's Budget Report*.

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Dale Dennis, Education

HOUSE BILL No. 2095

By Committee on Appropriations

1-27

9 AN ACT concerning school districts; relating to school finance; relating
10 to the powers and duties of school boards; amending K.S.A. 2008 Supp.
11 10-1116a, 72-6433, 72-8801 and 72-8814 and repealing the existing
12 sections; also repealing K.S.A. 2008 Supp. 72-6433c.
13

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

15 New Section 1. (a) As used in this section:

16 (1) "Utility services" means services provided to school facilities in-
17 cluding, but not limited to, gas, electric, water, telephone, sewage and
18 solid waste disposal.

19 (2) "Insurance" means health, medical, dental, errors and omissions,
20 property, fire, casualty and liability insurance.

21 (3) "School facility" means attendance centers, administrative build-
22 ings, sports facilities and any other buildings or structures owned, leased
23 or used by a school district.

24 (b) The board of education of any school district may levy a tax in an
25 amount not to exceed two mills for a period of not to exceed two years
26 upon the taxable tangible property in the school district for the purpose
27 of providing revenue for a special capital outlay fund to pay the costs of
28 insurance and utility services and for the purpose of paying a portion of
29 the principal and interest on bonds issued by cities under the authority
30 of K.S.A. 12-1774, and amendments thereto, for the financing of rede-
31 velopment projects upon property located within the school district. No
32 levy shall be made under this act until a resolution is adopted by the
33 board of education in the following form:

34 Unified School District No. _____,
35 _____ County, Kansas.

36 RESOLUTION

37 Be It Resolved that:

38 The above-named school board shall be authorized to make an annual tax levy for a period
39 not to exceed _____ year(s) in an amount not to exceed _____ mill(s) upon the taxable
40 tangible property in the school district for the purpose of _____ and for the purpose
41 of paying a portion of the principal and interest on bonds issued by cities under the authority
42 of K.S.A. 12-1774, and amendments thereto, for the financing of redevelopment projects
43 upon property located within the school district. The tax levy authorized by this resolution

Appropriations Committee.
Attachment 2-1
Date 2-10-09
Budget _____

Does the committee want this authority to be of the same duration as that allowed under KSA 72-8801, which is five years?

2-2

1 may be made, unless a petition in opposition to the same, signed by not less than 10% of
 2 the qualified electors of the school district, is filed with the county election officer of the
 3 home county of the school district within 30 days after the last publication of this resolution.
 4 In the event a petition is filed the county election officer shall submit the question of whether
 5 the tax levy shall be authorized to the electors in the school district at an election called for
 6 the purpose or at the next general election, as is specified by the board of education of the
 7 above school district.

8 CERTIFICATE

9 This is to certify that the above resolution was duly adopted by the board of education of
 10 Unified School District No. _____, _____ County, Kansas, on the ____ day of
 11 _____, ____.

12 _____
 13 Clerk of the board of education.

14 The resolution shall be published at least once a week for two consec-
 15 utive weeks in a newspaper having general circulation in the school dis-
 16 trict. If no petition as specified above is filed in accordance with the
 17 provisions of the resolution, the board of education may make the tax
 18 levy specified in the resolution. If a sufficient petition is filed as provided
 19 in the resolution, the board of education may notify the county election
 20 officer of the date of an election to be held to submit the question of
 21 whether the tax levy shall be authorized. If the board of education fails
 22 to notify the county election officer within 60 days after a petition is filed,
 23 the resolution shall be deemed abandoned and no like resolution shall be
 24 adopted by the board of education within the nine months following the
 25 first publication of the resolution.

26 (c) Any board of education levying a tax authorized by this section
 27 shall establish a special capital outlay fund in which the proceeds of any
 28 tax levied under this section, except for an amount to pay a portion of the
 29 principal and interest on bonds issued by cities under the authority of
 30 K.S.A. 12-1774, and amendments thereto, for the financing of redevel-
 31 opment projects upon property located within the school district, shall be
 32 deposited. The special capital outlay fund shall consist of all moneys de-
 33 posited therein or transferred thereto in accordance with law. Any moneys
 34 in the special capital outlay fund shall be used for the purpose of paying
 35 the costs of insurance and utility services for the district. The board may
 36 invest any portion of the special capital outlay fund which is not currently
 37 needed in investments authorized by K.S.A. 12-1675, and amendments
 38 thereto, in the manner prescribed therein or may invest the same in direct
 39 obligations of the United States government maturing or redeemable at
 40 par and accrued interest within three years from date of purchase, the
 41 principal and interest whereof is guaranteed by the government of the
 42 United States. All interest received on any such investment shall be cred-
 43 ited to the special capital outlay fund created pursuant to this section.

1 (d) The authority to levy a tax under this section shall be in addition
2 to the authority granted to school districts under K.S.A. 72-8801 et seq.,
3 and amendments thereto.

4 (e) The provisions of subsection (a) of K.S.A. 2008 Supp. 79-5040,
5 and amendments thereto, shall not apply to the fund mill levy rate limita-
6 tion imposed by this section.

7 New Sec. 2. (a) The board of education of any school district may
8 issue no-fund warrants for the purpose of paying teacher salaries and
9 benefits if the board determines that the revenues of the current school
10 year for the general fund of the district are insufficient to finance the
11 adopted budget of expenditures for such fund. Such no-fund warrants
12 shall be issued by the board in the manner and form and shall bear in-
13 terest and be redeemable in the manner prescribed by K.S.A. 79-2940,
14 and amendments thereto, except that the warrants may be issued without
15 the approval of the state board of tax appeals, and without the notation
16 required by such section. The board shall make a tax levy at the first tax
17 levying period after such warrants are issued, sufficient to pay such war-
18 rants and the interest thereon.

19 (b) The authority to issue no-fund warrants under this section shall
20 expire on June 30, 2011.

21 New Sec. 3. (a) For school years 2009-2010, 2010-2011 and 2011-
22 2012, the board of any school district may adopt a local option budget
23 which does not exceed the local option budget calculated as if the base
24 state aid per pupil was \$4,433 or which does not exceed an amount as
25 authorized by K.S.A. 72-6433, and amendments thereto, whichever is
26 greater.

27 (b) To the extent that the provisions of K.S.A. 72-6433, and amend-
28 ments thereto, conflict with this section, this section shall control.

29 Sec. 4. K.S.A. 2008 Supp. 10-1116a is hereby amended to read as
30 follows: 10-1116a. The limitations on expenditures imposed under the
31 cash-basis law shall not apply to:

32 (a) Expenditures in excess of current revenues made for municipally
33 owned and operated utilities out of the fund of such utilities caused by,
34 or resulting from the meeting of, extraordinary emergencies including
35 drought emergencies. In such cases expenditures in excess of current
36 revenues may be made by declaring an extraordinary emergency by res-
37 olution adopted by the governing body and such resolution shall be pub-
38 lished at least once in a newspaper of general circulation in such city.
39 Thereupon, such governing body may issue interest bearing no-fund war-
40 rants on such utility fund in an amount, including outstanding previously
41 issued no-fund warrants, not to exceed 25% of the revenues from sales
42 of service of such utility for the preceding year. Such warrants shall be
43 redeemed within three years from date of issuance and shall bear interest

Insert language to allow school districts to renew or
adopt subsequent resolutions in the same manner as
authorized under KSA 72-8801 et seq.

Include current school year or delete the years
entirely.
Include provision related to special education.
See Attached New Sec. 3. to see how the Senate
addressed the issues.

New Sec. 3. (a) (1) The provisions of this subsection shall apply in any school year in which the amount of base state aid per pupil is \$4,433 or less.

(2) The board of any school district may adopt a local option budget which does not exceed the local option budget calculated as if the base state aid per pupil was \$4,433 or which does not exceed an amount as authorized by K.S.A. 72-6433, and amendments thereto, whichever is greater.

(b) (1) The provisions of this subsection shall apply in any school year in which the amount appropriated for state aid for special education and related services is less than the amount appropriated for state aid for special education and related services in school year 2008-2009.

(2) The board of education of any school district may adopt a local option budget which does not exceed the local option budget calculated as if the district received state aid for special education and related services equal to the amount of state aid for special education and related services received in school year 2008-2009, or which does not exceed an amount as authorized by K.S.A. 72-6433, and amendments thereto, whichever is greater.

(c) The board of education of any school district may exercise the authority granted under subsection (a) or (b) or both subsections (a) and (b).

(d) To the extent that the provisions of K.S.A. 72-6433, and amendments thereto, conflict with this section, this section shall control.

1 at a rate of not to exceed the maximum rate of interest prescribed by
2 K.S.A. 10-1009, and amendments thereto. Upon the declaration of a
3 drought emergency, the governing body may issue such warrants for wa-
4 ter system improvement purposes in an amount not to exceed 50% of the
5 revenue received from the sale of water for the preceding year. Such
6 warrants shall be redeemed within five years from the date of issuance
7 and shall bear interest at a rate not to exceed the maximum rate of interest
8 prescribed by K.S.A. 10-1009, and amendments thereto.

9 (b) Expenditures in any month by school districts which are in excess
10 of current revenues if the deficit or shortage in revenues is caused by, or
11 a result of, the payment of state aid after the date prescribed for the
12 payment of state aid during such month under K.S.A. 72-6417 or 72-
13 6434, and amendments thereto.

14 ~~The provisions of this subsection shall apply to expenditures made in~~
15 ~~school year 2001-2002, school year 2002-2003, school year 2003-2004,~~
16 ~~school year 2004-2005, school year 2005-2006 and school year 2006-2007.~~

17 Sec. 5. K.S.A. 2008 Supp. 72-6433 is hereby amended to read as
18 follows: 72-6433. (a) As used in this section:

19 (1) "State prescribed percentage" means 31% of state financial aid of
20 the district in the current school year.

21 (2) "Authorized to adopt a local option budget" means that a district
22 has adopted a resolution under this section, has published the same, and
23 either ~~that~~ the resolution was not protested or ~~that~~ it was protested and
24 an election was held by which the adoption of a local option budget was
25 approved.

26 (b) In each school year, the board of any district may adopt a local
27 option budget which does not exceed the state prescribed percentage.

28 (c) Subject to the limitation of subsection (b), in each school year,
29 the board of any district may adopt, by resolution, a local option budget
30 in an amount not to exceed:

31 (1) (A) The amount which the board was authorized to adopt in ac-
32 cordance with the provisions of this section in effect prior to its amend-
33 ment by this act; plus

34 (B) the amount which the board was authorized to adopt pursuant to
35 any resolution currently in effect; plus

36 (C) the amount which the board was authorized to adopt pursuant to
37 K.S.A. 72-6444, and amendments thereto, if applicable to the district; or

38 (2) the state-wide average for the preceding school year as deter-
39 mined by the state board pursuant to subsection (j).

40 Except as provided by subsection (e), the adoption of a resolution pur-
41 suant to this subsection shall require a majority vote of the members of
42 the board. Such resolution shall be effective upon adoption and shall
43 require no other procedure, authorization or approval.

5-8

2-6

1 (d) If the board of a district desires to increase its local option budget
 2 authority above the amount authorized under subsection (c) or if the
 3 board was not authorized to adopt a local option budget in 2006-2007,
 4 the board may adopt, by resolution, such budget in an amount not to
 5 exceed the state prescribed percentage. The adoption of a resolution pur-
 6 suant to this subsection shall require a majority vote of the members of
 7 the board. The resolution shall be published at least once in a newspaper
 8 having general circulation in the district. The resolution shall be published
 9 in substantial compliance with the following form:

10 Unified School District No. _____
 11 _____ County, Kansas.

12 RESOLUTION

13 Be It Resolved that:

14 The board of education of the above-named school district shall be authorized to adopt
 15 a local option budget in each school year in an amount not to exceed _____% of the amount
 16 of state financial aid. The local option budget authorized by this resolution may be adopted,
 17 unless a petition in opposition to the same, signed by not less than 5% of the qualified
 18 electors of the school district, is filed with the county election officer of the home county
 19 of the school district within 30 days after publication of this resolution. If a petition is filed,
 20 the county election officer shall submit the question of whether adoption of the local option
 21 budget shall be authorized to the electors of the school district at an election called for the
 22 purpose or at the next general election, as is specified by the board of education of the
 23 school district.

24 CERTIFICATE

25 ~~This is to certify that the above resolution was duly adopted by the board of education of~~
 26 ~~Unified School District No. _____, County, Kansas, on the day of _____, _____.~~

27 _____
 28 _____
 29 Clerk of the board of education.

29 CERTIFICATE

30 *This is to certify that the above resolution was duly adopted by the board of education of*
 31 *unified School District No. _____, _____ County, Kansas, on the _____ day of*
 32 *_____, _____*

33 _____
 34 _____
 35 Clerk of the board of education.

36 All of the blanks in the resolution shall be filled as is appropriate. If a
 37 sufficient petition is not filed, the board may adopt a local option budget.
 38 If a sufficient petition is filed, the board may notify the county election
 39 officer of the date of an election to be held to submit the question of
 40 whether adoption of a local option budget shall be authorized. Any such
 41 election shall be noticed, called and held in the manner provided by
 42 K.S.A. 10-120, and amendments thereto. If the board fails to notify the
 43 county election officer within 30 days after a sufficient petition is filed,
 the resolution shall be deemed abandoned and no like resolution shall be

4-2

1 adopted by the board within the nine months following publication of the
2 resolution.

3 (e) Any resolution authorizing the adoption of a local option budget
4 in excess of 30% of the state financial aid of the district in the current
5 school year shall not become effective unless such resolution has been
6 submitted to and approved by a majority of the qualified electors of the
7 school district voting at an election called and held thereon. The election
8 shall be called and held in the manner provided by K.S.A. 10-120, and
9 amendments thereto.

10 (f) Unless specifically stated otherwise in the resolution, the authority
11 to adopt a local option budget shall be continuous and permanent. The
12 board of any district which is authorized to adopt a local option budget
13 may choose not to adopt such a budget or may adopt a budget in an
14 amount less than the amount authorized. If the board of any district
15 whose authority to adopt a local option budget is not continuous and
16 permanent refrains from adopting a local option budget, the authority of
17 such district to adopt a local option budget shall not be extended by such
18 refrainment beyond the period specified in the resolution authorizing
19 adoption of such budget.

20 (g) The board of any district may initiate procedures to renew or
21 increase the authority to adopt a local option budget at any time during
22 a school year after the tax levied pursuant to K.S.A. 72-6435, and amend-
23 ments thereto, is certified to the county clerk under any existing author-
24 ization.

25 (h) The board of any district that is authorized to adopt a local option
26 budget prior to the effective date of this act under a resolution which
27 authorized the adoption of such budget in accordance with the provisions
28 of this section in effect prior to its amendment by this act may continue
29 to operate under such resolution for the period of time specified in the
30 resolution or may abandon the resolution and operate under the provi-
31 sions of this section as amended by this act. Any such district shall operate
32 under the provisions of this section as amended by this act after the period
33 of time specified in the resolution has expired.

34 (i) Any resolution adopted pursuant to this section may revoke or
35 repeal any resolution previously adopted by the board. If the resolution
36 does not revoke or repeal previously adopted resolutions, all resolutions
37 which are in effect shall expire on the same date. The maximum amount
38 of the local option budget of a school district under all resolutions in effect
39 shall not exceed the state prescribed percentage in any school year.

40 (j) (1) There is hereby established in every district that adopts a local
41 option budget a fund which shall be called the supplemental general fund.
42 The fund shall consist of all amounts deposited therein or credited thereto
43 according to law.

1 (2) Subject to the limitation imposed under paragraph (3) and sub-
2 section (e) of K.S.A. 72-6434, and amendments thereto, amounts in the
3 supplemental general fund may be expended for any purpose for which
4 expenditures from the general fund are authorized or may be transferred
5 to any program weighted fund or categorical fund of the district. Amounts
6 in the supplemental general fund attributable to any percentage over 25%
7 of state financial aid determined for the current school year may be trans-
8 ferred to the capital improvements fund of the district and the capital
9 outlay fund of the district if such transfers are specified in the resolution
10 authorizing the adoption of a local option budget in excess of 25%.

11 (3) Amounts in the supplemental general fund may not be expended
12 for the purpose of making payments under any lease-purchase agreement
13 involving the acquisition of land or buildings which is entered into pur-
14 suant to the provisions of K.S.A. 72-8225, and amendments thereto.

15 (4) (A) Except as provided in paragraph (B), any unexpended budget
16 remaining in the supplemental general fund of a district at the conclusion
17 of any school year in which a local option budget is adopted shall be
18 maintained in such fund.

19 (B) If the district received supplemental general state aid in the
20 school year, the state board shall determine the ratio of the amount of
21 supplemental general state aid received to the amount of the local option
22 budget of the district for the school year and multiply the total amount
23 of the unexpended budget remaining by such ratio. An amount equal to
24 the amount of the product shall be transferred to the general fund of the
25 district or remitted to the state treasurer. Upon receipt of any such re-
26 mittance, the state treasurer shall deposit the same in the state treasury
27 to the credit of the state school district finance fund.

28 (k) Each year the state board of education shall determine the state-
29 wide average percentage of local option budgets legally adopted by school
30 districts for the preceding school year.

31 (l) *The provisions of this section shall be subject to the provisions of*
32 *section 3, and amendments thereto.*

33 Sec. 6. K.S.A. 2008 Supp. 72-8801 is hereby amended to read as
34 follows: 72-8801. (a) The board of education of any school district may
35 make an annual tax levy at a mill rate not to exceed the statutorily pre-
36 scribed mill rate for a period of not to exceed five years upon the taxable
37 tangible property in the school district for the purposes specified in this
38 act and for the purpose of paying a portion of the principal and interest
39 on bonds issued by cities under the authority of K.S.A. 12-1774, and
40 amendments thereto, for the financing of redevelopment projects upon
41 property located within the school district. No levy shall be made under
42 this act until a resolution is adopted by the board of education in the
43 following form:

2-9

1 Unified School District No. _____,
2 _____ County, Kansas.

3 RESOLUTION

4 Be It Resolved that:

5 The above-named school board shall be authorized to make an annual tax levy for a period
6 not to exceed _____ years in an amount not to exceed _____ mills upon the taxable
7 tangible property in the school district for the purpose of acquisition, construction, recon-
8 struction, repair, remodeling, additions to, furnishing and equipping of buildings necessary
9 for school district purposes, including housing and boarding pupils enrolled in an area vo-
10 cational school operated under the board, architectural expenses incidental thereto, the
11 acquisition of building sites, the undertaking and maintenance of asbestos control projects,
12 the acquisition of school buses and the acquisition of other equipment and for the purpose
13 of paying a portion of the principal and interest on bonds issued by cities under the authority
14 of K.S.A. 12-1774, and amendments thereto, for the financing of redevelopment projects
15 upon property located within the school district. The tax levy authorized by this resolution
16 may be made, unless a petition in opposition to the same, signed by not less than 10% of
17 the qualified electors of the school district, is filed with the county election officer of the
18 home county of the school district within 40 days after the last publication of this resolution.
19 In the event a petition is filed the county election officer shall submit the question of whether
20 the tax levy shall be authorized to the electors in the school district at an election called for
21 the purpose or at the next general election, as is specified by the board of education of the
22 above school district.

23 CERTIFICATE

24 This is to certify that the above resolution was duly adopted by the board of education of
25 Unified School District No. _____, _____ County, Kansas, on the _____ day of
26 _____, _____.

27 _____
28 Clerk of the board of education.

29 All of the blanks in the above resolution shall be appropriately filled.
30 The blank preceding the word "years" shall be filled with a specific num-
31 ber, and the blank preceding the word "mills" shall be filled with a specific
32 number, and no word shall be inserted in either of the blanks. The res-
33 olution shall be published once a week for two consecutive weeks in a
34 newspaper having general circulation in the school district. If no petition
35 as specified above is filed in accordance with the provisions of the reso-
36 lution, the board of education may make the tax levy specified in the
37 resolution. If a petition is filed as provided in the resolution, the board
38 of education may notify the county election officer of the date of an
39 election to be held to submit the question of whether the tax levy shall
40 be authorized. If the board of education fails to notify the county election
41 officer within 60 days after a petition is filed, the resolution shall be
42 deemed abandoned and no like resolution shall be adopted by the board
43 of education within the nine months following the first publication of the

1 resolution.

2 (b) As used in this act:

3 (1) "Unconditionally authorized to make a capital outlay tax levy"
4 means that the school district has adopted a resolution under this section,
5 has published the same, and either that the resolution was not protested
6 or that it was protested and an election has been held by which the tax
7 levy specified in the resolution was approved;

8 (2) "statutorily prescribed mill rate" means: (A) ~~Eight~~ 10 mills; (B)
9 the mill levy rate in excess of ~~eight~~ 10 mills if the resolution fixing such
10 rate was approved at an election prior to ~~the effective date of this act~~ July
11 1, 2005; or (C) the mill levy rate in excess of ~~eight~~ 10 mills if no petition
12 or no sufficient petition was filed in protest to a resolution fixing such
13 rate in excess of ~~eight~~ 10 mills and the protest period for filing such
14 petition has expired;

15 (3) "asbestos control project" means any activity which is necessary
16 or incidental to the control of asbestos-containing material in buildings
17 of school districts and includes, but not by way of limitation, any activity
18 undertaken for the removal or encapsulation of asbestos-containing ma-
19 terial, for any remodeling, renovation, replacement, rehabilitation or
20 other restoration necessitated by such removal or encapsulation, for con-
21 ducting inspections, reinspections and periodic surveillance of buildings,
22 performing response actions, and developing, implementing and updating
23 operations and maintenance programs and management plans;

24 (4) "asbestos" means the asbestiform varieties of chrysotile (serpen-
25 tine), crocidolite (riebeckite), amosite (cummingtonitegrunerite), antho-
26 phyllite, tremolite, and actinolite; and

27 (5) "asbestos-containing material" means any material or product
28 which contains more than 1% asbestos.

29 Sec. 7. K.S.A. 2008 Supp. 72-8814 is hereby amended to read as
30 follows: 72-8814. (a) There is hereby established in the state treasury the
31 school district capital outlay state aid fund. Such fund shall consist of all
32 amounts transferred thereto under the provisions of subsection (c).

33 (b) In each school year, each school district which levies a tax pur-
34 suant to K.S.A. 72-8801 et seq., and amendments thereto, shall be entitled
35 to receive payment from the school district capital outlay state aid fund
36 in an amount determined by the state board of education as provided in
37 this subsection. The state board of education shall:

38 (1) Determine the amount of the assessed valuation per pupil (AVPP)
39 of each school district in the state and round such amount to the nearest
40 \$1,000. The rounded amount is the AVPP of a school district for the
41 purposes of this section;

42 (2) determine the median AVPP of all school districts;

43 (3) prepare a schedule of dollar amounts using the amount of the

Section needs to be stricken, and reinserted, to
ensure that most-recent version of law is amended

1 median AVPP of all school districts as the point of beginning. The sched-
2 ule of dollar amounts shall range upward in equal \$1,000 intervals from
3 the point of beginning to and including an amount that is equal to the
4 amount of the AVPP of the school district with the highest AVPP of all
5 school districts and shall range downward in equal \$1,000 intervals from
6 the point of beginning to and including an amount that is equal to the
7 amount of the AVPP of the school district with the lowest AVPP of all
8 school districts;

9 (4) determine a state aid percentage factor for each school district by
10 assigning a state aid computation percentage to the amount of the median
11 AVPP shown on the schedule, decreasing the state aid computation per-
12 centage assigned to the amount of the median AVPP by one percentage
13 point for each \$1,000 interval above the amount of the median AVPP,
14 and increasing the state aid computation percentage assigned to the
15 amount of the median AVPP by one percentage point for each \$1,000
16 interval below the amount of the median AVPP. Except as provided by
17 K.S.A. 2007 Supp. 72-8814b, and amendments thereto, the state aid per-
18 centage factor of a school district is the percentage assigned to the sched-
19 ule amount that is equal to the amount of the AVPP of the school district,
20 except that the state aid percentage factor of a school district shall not
21 exceed 100%. The state aid computation percentage is 25%;

22 (5) determine the amount levied by each school district pursuant to
23 K.S.A. 72-8801 et seq., and amendments thereto;

24 (6) multiply the amount computed under (5), but not to exceed *8 10*
25 mills, by the applicable state aid percentage factor. The product is the
26 amount of payment the school district is entitled to receive from the
27 school district capital outlay state aid fund in the school year.

28 (c) The state board shall certify to the director of accounts and reports
29 the entitlements of school districts determined under the provisions of
30 subsection (b), and an amount equal thereto shall be transferred by the
31 director from the state general fund to the school district capital outlay
32 state aid fund for distribution to school districts. All transfers made in
33 accordance with the provisions of this subsection shall be considered to
34 be demand transfers from the state general fund.

35 (d) Payments from the school district capital outlay state aid fund
36 shall be distributed to school districts at times determined by the state
37 board of education. The state board of education shall certify to the di-
38 rector of accounts and reports the amount due each school district enti-
39 tled to payment from the fund, and the director of accounts and reports
40 shall draw a warrant on the state treasurer payable to the treasurer of the
41 school district. Upon receipt of the warrant, the treasurer of the school
42 district shall credit the amount thereof to the capital outlay fund of the
43 school district to be used for the purposes of such fund.

1 (e) Amounts transferred to the capital outlay fund of a school district
2 as authorized by K.S.A. 72-6433, and amendments thereto, shall not be
3 included in the computation when determining the amount of state aid
4 to which a district is entitled to receive under this section.

5 Sec. 8. K.S.A. 2008 Supp. 10-1116a, 72-6433, 72-6433c, 72-8801 and
6 72-8814 are hereby repealed.

7 Sec. 9. This act shall take effect and be in force from and after its
8 publication in the Kansas register.

2-12



Kansas City, Kansas Public Schools

Unified School District No. 500

HOUSE APPROPRIATIONS COMMITTEE

HB 2095

February 3, 2009

H.B. 2095 creates a separate 2 mill Capital Outlay Fund that is not equalized. This disequalization could result in future litigation. Attempts in recent years to remove the equalization portion of the LOB or the Capital Outlay Fund have failed in either the House or Senate education committee or on the floor of the two houses. I question the wisdom of implementing poor public policy as a partial response to an admittedly difficult economic downturn.

The bill also broadens the acceptable list of capital outlay expenditures to include insurance and utility costs. This change has been attempted, unsuccessfully, a number of times in the two education committees. If this portion of the bill were to be adopted, it would have a similar affect as an increase in the LOB cap. This change would advantage high wealth districts and potentially widen the achievement gap between students living in high wealth and low wealth districts.

For these reasons, the KCKPS opposes the two proposed changes to the capitol outlay fund contained in HB 2095.

**Bill Reardon
KCKPS Lobbyist**

Appropriations Committee

Attachment 3

Date 2-10-09

Budget _____

Coordinating health & health care
for a thriving Kansas



Chairman Yoder

House Appropriations Committee Meeting

January 22, 2009

Agency Response to Follow Up Questions

February 6, 2009

Rm. 900-N, Landon Building, 900 SW Jackson Street, Topeka, KS 66612-1220

www.khpa.ks.gov

Medicaid and HealthWave:

Phone: 785-296-3981
Fax: 785-296-4813

State Employee Health Plan:

Phone: 785-368-6361
Fax: 785-368-7180

Appropriations Committee

Attachment 4-1

Date 2-10-09

Budget _____

Coordinating health & health care
for a thriving Kansas



**Request from the House Appropriations Committee:
Agency responses to 1-22-09 hearing questions**

1. What is the composition of the Mental Health Advisory Group?

- The nomination process closed on 1- 23- 09. Nominations for the Advisory Committee will be reviewed by KHPA staff, with final membership approved by the KHPA Board. Determination of membership will be based on qualifications and experience in mental health care services; membership will include mental health professionals as well as consumers of mental health services.

2. When was the implementation scheduled for the citizenship paperwork program in SCHIP?

- Based on our experience, citizenship and identification verification carries with it significant administrative expenses. Without funding for these expenses, the initial implementation of documentation requirements in the Medicaid program in 2007 led to an immediate administrative backlog and an associated drop in enrollment of approximately 20,000 Kansans. Last year, when this part of SB81 was being considered, we provided an estimate for the administrative costs. While SB 81 passed with the citizenship and identification verification for SCHIP provision included, there was no money appropriated to administer this change. As such, we notified our oversight committee in November that we would need to wait to implement this provision until these funds are appropriated.

3. Breakdown of the number of children enrolled in Medicaid under five receiving psychotropic drugs.

- The below numbers reflect the fee-for service population of beneficiaries using drugs in the Psychotherapeutic class by age:
 - 0-1: 9
 - 1-2: 13
 - 2-3: 25
 - 3-4: 86
 - 4-5: 247

* The above numbers do not include the managed care organization population; we are working with UniCare and Children's Mercy Family Health Partners to compile the data, and when those numbers become available we will provide them to the committee.

4. In estate recovery, can we bring as many dollars in "in house" as we can with the HMS contract?
 - Yes, the key factors are staff and resource allocation.
 - Staff: HMS local office is staffed by 1 attorney, 1 paralegal, 1 office manager and 2-3 office workers. Present in-house staff include 1 part-time attorney, 1 legal asst (mainly estate recovery but she also handles other duties) and 1 property manager full time who handles check depositing and data input. Historically, the in-house estate recovery unit has had as many as 6-7 people including 2 attorneys to handle the legal side.
 - Resource allocation: The KHPA emphasized doing legal work in-house. HMS emphasizes multiple telephone and communication hits on cases but limited legal work. They usually then contract with outside counsel to actually do the cases.

5. How many estate recovery attorneys were at SRS?
 - The transfer from SRS took place in July 2005. Two attorneys were in the Estate Recovery Unit at the time of the transfer.

6. What is the agency impact of the 2009 and 2010 budget cuts? What does this do to each program? Have all of the contracts been revisited? What is the impact of the salary reduction?
 - Please see attached document "Governor's Budget Recommendations Fact Sheet"

Kansas Health Policy Authority (KHPA) At-A-Glance:

- KHPA is a quasi-independent unclassified agency created by legislature in 2005, and led by a Board of Directors appointed by the Governor and legislative leadership.
- KHPA administers medical portions of Medicaid, State Children's Health Insurance Program (SCHIP), HealthWave, the State Employee Health Plan, and the State Self-Insurance Fund (SSIF), which provides workers compensation coverage for state employees.
- Funds for our public insurance programs – Medicaid, SCHIP -- are matched by federal government at 60% and 72%, respectively. On a monthly basis, we provide medical coverage to over 300,000 people, including more than 125,000 infants and children, and nearly 88,000 elderly and disabled Kansans.
- Certain Medicaid-funded long-term care services, including nursing facilities and Home and Community Based Services (HCBS) are managed on a day-to-day basis by the Kansas Department of Aging (KDOA) and the Kansas Department of Social Rehabilitation Services (SRS). These agencies also set policy for the Medicaid programs under their jurisdictions.
- KHPA is charged in statute with gathering and compiling a wide array of Kansas health-related data that is used to guide policy development and inform the public. As an example, the legislature requested that we complete 20 studies on various health policy topics by the beginning of the 2009 legislative session. Those studies are complete and have been sent to the Legislative Coordinating Council.
- KHPA is also charged in statute with providing development of a statewide health policy agenda including health care and health promotion components (see next page).



**Governor's Budget Recommendations
Fact Sheet**

KHPA FY 2009 Budget:

- Governor's Recommendation for KHPA is \$1.8 billion All Funds; \$503.2 million SGF
- Governor's recommendation for administration is \$88.0 million All Funds; \$23.2 million SGF
- Budget reflects a 6.6% reduction in administrative spending; \$11.2 million cut in SGF

KHPA FY 2010 Budget:

- Governor's Recommendation for KHPA is \$1.9 billion All Funds; \$515.0 million SGF
- Governor's Recommendation for administration is \$82.6 million All Funds; \$22.3 million SGF
- Budget reflects a 12.3% reduction in administrative spending

Selected Budget Reduction Items in Governor's Budget

	FY 2009		FY 2010	
	SGF	All Funds	SGF	All Funds
Reduce Contractual Service Expenditures	\$1,111,749	\$5,734,123	\$1,321,175	\$5,525,000
Reduce Salary and Wage expenditures	\$383,595	\$1,153,866	\$440,430	\$1,246,706
Administrative reductions in travel, printing, supplies, communications, equipment replacement	\$67,249	\$399,000	\$53,642	\$359,100
Switch Health Care Access Improvement Fee Fund for State General Fund	\$6,000,000			
Switch Medical Programs Fee Fund for State General Fund	\$2,500,000		\$5,700,000	
Delete Children's Initiative Fund for immunizations				\$500,000
Medical Assistance program recommendations and Transformation savings.			\$9,500,000	\$23,900,000
18 month time limit for Medikan Enrollment			\$6,700,000	\$6,700,000
Expand Preferred Drug List to include mental health drugs			\$800,000	\$2,000,000

Agency Impact:

- Governor's budget requires a \$1.2 million reduction in salary and wage expenditures in FY 2009 and FY 2010
- The Governor's budget requires KHPA to hold 26 positions vacant during FY 2009 and an additional 9 positions vacant during FY 2010 -- total of 35 -- or more than 10% of our workforce.
- To meet salary and wage budget recommendations, we will evaluate whether key programs can continue or if staff will need to be reassigned to cover critical shortages.
- Reductions in contractual service expenditures total \$5.7 million in FY 2009 and \$5.5 million in FY 2010; KHPA notifying contractors of need to cancel or renegotiate contract terms
- Given only 6 months of fiscal year remain, achieving \$5.7 million in contractual savings will mean harsher reductions this year across the agency to meet budget targets.
- KHPA has already begun our administrative belt-tightening, including instituting a hiring freeze; banning out-of-state travel, limiting printing and communications, and restricting staff training.
- Governor's budget does not recommend eliminating programs for beneficiaries or reducing provider reimbursement, however, it reduces Medicaid caseload estimate by \$32.6 million All Funds; 17.1 million SGF.
- Governor's budget recommendation includes a \$58.37 million reduction to the State Employee Health Plan (SEHP) by suspending agency contributions to the plan for seven pay periods; we are currently analyzing the impact on SEHP insurance premiums and the long term stability of the fund.

The Governor's budget did include many of the KHPA Medicaid Transformation recommendations as well as two proposed program changes aimed at meeting our reduced resource budget targets for FY 2010.

Expansion of the preferred drug list. State law prohibits management of mental health prescription drugs dispensed under Medicaid. Under this proposal, that prohibition would be rescinded. KHPA will use the newly created Medicaid Mental Health Prescription Drug (PDL) Advisory Committee to recommend appropriate medically-indicated management of mental health drugs. Using a PDL together with an automated prior authorization process, we can directly manage the safety and effectiveness of mental health prescription drugs.

■ **Expense:** Mental health drugs have been highest drug expenditure by class of medications and most-prescribed drugs by volume in Medicaid; cost growth in pharmacy exceeds growth in other services. Expenditures for mental health drugs increased from previous fiscal year by more than \$4 million in FY 2007.

■ **Safety:** Serious concerns about the safety of some mental health drugs have arisen, especially in children. KHPA claims data reveal 6,179 Kansas children under age 18 on Medicaid received a prescription for an atypical antipsychotic; 214 children under 18 were prescribed 5 or more different antipsychotics within a 90 day period

■ **Efficacy:** Many of these newer drugs have recently been associated with negative side effects. A large scale meta-analysis of 150 scientific trials found that the newer generation of anti-psychotics carried no clear advantage in effectiveness in the treatment of schizophrenia, were associated with significant new risks, and in comparison to the older drugs did not improve on the pattern of side effects observed in older drugs.

■ **Cost Savings:** KHPA proposal would begin using mental health PDL in January of 2010 with an expected savings of \$2,000,000 All Funds; \$800,000 SGF in FY 2010.

Time limited MediKan. MediKan currently provides health care to persons with significant impairments who do not meet the level of disability necessary to receive Medicaid and are unlikely to meet Social Security Disability criteria. However, people eligible for MediKan are required to pursue Social Security benefits as a condition of eligibility. The reduced resource proposal would place a firm "lifetime limit" on the receipt of MediKan benefits with no exceptions or hardship criteria. Also, using Working Healthy as a model, MediKan would be modernized by redirecting a portion of current expenditures to offer a package of services consisting of basic health care and employment services aimed at re-entry into the workforce and achieving self-sufficiency. The KHPA proposal estimated that applying the time limit and developing the modified services package would result in savings of \$1.5 million from the State General Fund during FY 2010. The Governor increased the savings estimate to \$6.7 million from the State General Fund. The Governor's recommendation includes using \$5.0 million of the program savings to provide limited health care and workplace training services. This is roughly half of what the KHPA had proposed to offer the limited health benefits and workplace training.

Medicaid Transformation Process: In addition to these reductions submitted in the budget, KHPA was asked to suggest additional ways of reducing Medicaid expenditures. KHPA has engaged in the process of reorganizing and refocusing the agency to expand capacity for data analysis and management, and to adopt data-driven processes in the management of our programs. The Medicaid Transformation and program reviews identified several administrative changes and efficiencies that could be implemented in the Medicaid program without reducing the number of people served. Recommendations from the Medicaid Transformation process, coupled with additional administrative savings and efficiencies in pharmacy requested by the Governor are included in the following table:

Medicaid Savings in FY 2010 (Governor's Recommendation); excludes Fee Fund proposals	FY 2010	
	SGF	All Funds
Manage Medicaid Mental Health Pharmaceuticals through an expanded Medicaid preferred drug list ; reduced resource item	800,000	2,000,000
Time Limit Medikan to 18 months with additional employment supports; reduced resource item	6,700,000	6,700,000
Pharmacy Changes: Cost reimbursement for physician office administered drugs; Improve cost avoidance and third party liability in pharmacy claims; Accelerate review of generic drug price limits ; other administrative savings	\$4,400,000	\$11,000,000
Ensure Medicare pays its share of hospital charges for beneficiaries with dual eligibility; other administrative savings	\$4,000,000	\$10,000,000
Home Health Reforms; Medicaid Transformation recommendation	\$200,000	\$500,000
Durable Medical Equipment pricing reforms; Medicaid Transformation recommendation	\$160,000	\$400,000
Transportation Brokerage; Medicaid Transformation recommendation	\$200,000	\$500,000
Tighten payment rules for Hospice Services; Medicaid Transformation recommendation	\$300,000	\$750,000
Automate and expand pharmacy prior authorization; Medicaid Transformation recommendation	\$300,000	\$750,000
Total	\$ 17,060,000	\$32,600,000

2009 KHPA Reform Recommendations

- Advancing a Statewide Clean Indoor Air Law:** An overwhelming number of studies confirm that smoking is the number-one preventable cause of death and illness in Kansas. Without such a ban, even those who choose not to smoke are made to suffer from exposure to secondhand smoke. According to KDHE, a statewide ban in Kansas would protect the public from these harmful effects, result in 2,160 fewer heart attacks, and save \$21 million in health care costs.
- Increasing Tobacco User Fees:** KHPA is proposing increase cigarette taxes by \$.75 per pack – from \$.79 to \$1.54. The purpose of the tax is twofold: to make smoking more expensive, thus encouraging smokers to quit and discouraging non-smokers from ever starting; and to generate revenue to fund expansion of health insurance coverage. The budget impact will add \$87.4 million in new revenue for FY 2010.
- Expanding Access to Affordable Health Care and Public Health:** Using the tobacco user fee as funding, the KPHA is proposing to expand Medicaid to cover all parents and caregivers with incomes below the federal poverty level and expanding access to cancer screening for low-income Kansans and providing tobacco cessation programs for Medicaid recipients.