

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 11:00 a.m. on April 29, 2010, in Room 548-S of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Dylan Dear, Kansas Legislative Research Department
Christina Allen, Kansas Legislative Research Department
Reagan Cussimano, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Lauren Douglass, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
Cody Gorges, Kansas Legislative Research Department
Aaron Klaassen, Kansas Legislative Research Department
Estelle Montgomery, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Leah Robinson, Kansas Legislative Research Department
Jonathan Tang, Kansas Legislative Research Department
Jarod Waltner, Kansas Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Shirley Jepson, Committee Assistant
James Fisher, Intern

Conferees appearing before the Committee:

Duane Goossen, Secretary, Department of Administration
Marilyn Jacobson, Department of Administration

Others attending:

See attached list.

Potential Additional State General Fund (SGF) Adjustments

Alan Conroy, Legislative Research Department, presented an overview of potential additional State General Fund (SGF) adjustments to Senate Ways and Means Committee Action on **S Sub for HB 2631** (Attachment 1).

Amy Deckard, Legislative Research Department, presented information on Kansas Health Policy Authority (KHPA) as requested by the Committee (Attachment 2).

Senator Vratil moved to amend **S Sub for HB 2631** by adopting Item No. 1 (Attachment 1) to extend the Governor's FY 2010 Recommended Bid Letting Savings to FY 2011 in the amount of \$44.3. The motion was seconded by Senator McGinn. Motion carried on a voice vote.

Duane Goossen, Secretary, Department of Administration, responded to questions from the Committee with reference to the State Disaster Relief and federal disaster funding.

Senator Kelly moved to amend **S Sub for HB 2631** by adopting Item No. 2 (Attachment 1) to delete funding, in the amount of \$21.8 million, for State Disaster Relief in the Adjutant General's FY 2011 budget, but noting the State Finance Council may release up to \$10 million SGF for state emergencies. The motion was seconded by Senator Kultala.

Senator Taddiken made a substitute motion to change the word "may" to "shall". The motion died for lack of a second.

CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 11:00 a.m. on April 29, 2010, in Room 548-S of the Capitol.

The original motion carried on a voice vote.

Senator Schmidt moved to amend S Sub for HB 2631 by adopting Item No. 3 (Attachment 1) and introduce substantive legislation with regard to the Kansas Public Employees Retirement System (KPERS) Death and Disability Employer Contribution moratorium for the 4th quarter of FY 2011. The motion was seconded by Senator Kelly. Motion carried on a voice vote.

Senator Kelly moved to amend S Sub for HB 2631 by adopting Item No. 4 (Attachment 1) to capture KPERS school employer contribution savings for FY 2011. The motion was seconded by Senator Kultala. Motion carried on a voice vote.

Senator Vratil moved to take no action on Item No. 5 (Attachment 1) regarding the transfer of Southcentral Gaming Facility Privilege Fee to SGF. The motion was seconded by Senator Kelly. Motion carried on a voice vote.

Senator Schmidt moved to take no action on Item No. 6 (Attachment 1) regarding Implementation of the Health Care Cost Containment and Recovery Services Pilot Project in Kansas Health Policy Authority, Social and Rehabilitation Services, Juvenile Justice Authority and Aging. The motion was seconded by Senator Teichman. Motion carried on a voice vote.

The Committee noted that fraud and abuse of the health care system is an important issue and should be discussed further by the Committee.

Senator Kelly moved to take no action on Item No. 11(Attachment 1) to capture potential savings for consolidation of all information management systems in the executive branch, judicial branch and legislative branch. The motion was seconded by Senator Teichman. Motion carried on a voice vote.

A copy of the fiscal impact of **HB 2730** was distributed to the Committee (Attachment 3).

Senator Kelly moved to take no action on Item No. 12 (Attachment 1) to implement KPERS Early Retirement Program for State Employees; however, request that the Committee discuss the issue further at a later time. The motion was seconded by Senator Vratil. Motion carried on a voice vote.

Responding to questions from the Committee, Marilyn Jacobson, Department of Administration, indicated that the Department of Administration currently has information on all land and buildings under their control. Ms. Jacobson noted that the information will be converted into the new SMART software shortly after July 1, 2010.

Senator Vratil moved to amend S Sub for HB 2631 to restore funding of \$375,000 SGF for the Tiny K Program, \$3.1 million SGF for Home and Community Based Services Waiver, \$1.325 million to CDDO to restore funding to the amount recommended by the Governor. The motion was seconded by Senator McGinn.

Senator McGinn made a substitute motion to amend S Sub for HB 2631 by adding language to the prior motion by adding \$52,768 SGF for Cerebral Palsy Posture Seating. The motion was seconded by Senator Masterson. Motion carried on a voice vote.

Duane Goossen, Department of Administration, responded to questions from the Committee with regard to debt service.

A letter from the Kansas Board of Regents regarding additional funding required for their debt service obligation was distributed to the Committee (Attachment 4).

Senator Schmidt moved to amend S Sub for HB 2631 by appropriating \$3.6 million SGF to the Board of Regents dedicated for debt service in the amount of \$1.3 million for Wichita State University's National Institute of Aviation Research (NIAR), \$0.7 million for the University of Kansas Pharmacy School Expansion, \$0.2 million for the Pittsburg State University Readiness Center, and \$1.4 million for KPERS. The motion

CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 11:00 a.m. on April 29, 2010, in Room 548-S of the Capitol.

was seconded by Senator Schodorf. Motion carried on a voice vote.

Senator Lee moved to amend S Sub for HB 2631 by adding \$2.6 SGF for mental health state aid. The motion was seconded by Senator Umbarger. Motion failed on a vote of 5-7.

Senator Schodorf moved to amend S Sub for HB 2631 by restoring \$400,000 SGF to the Judicial Branch. The motion was seconded by Senator Schmidt. Motion failed on a voice vote.

Senator Taddiken moved to amend S Sub for HB 2631 by adopting a proviso stating "Provided further, that the state conservation commission shall make expenditures during fiscal year 2011 from the lake restoration account, from fiscal year 2009 encumbered moneys under contract in the water supply restoration program, for the installation of an alternative public water supply solution for Washington county rural water district no. 1 (Attachment 5). The motion was seconded by Senator Vratil.

Senator Vratil made a substitute motion to include the language of the proviso but change the word "shall" to "may". The motion was seconded by Senator Masterson. Motion carried on a voice vote.

Senator Kelly moved to amend S Sub for HB 2631 by authorizing an increase in the limitation of spending authority for the Secretary of State to spend an additional \$60,000 from fee funds to cover the cost of printing if SCR 1614 becomes law. The motion was seconded by Senator Vratil. Motion carried on a voice vote.

Senator Kelly moved to amend prior action with regard to the telehealth program by striking language stating that 500 slots are to be distributed across the 4 congressional districts and insert language to distribute the slots geographically statewide and further strike any language with reference to the provider assessment provider tax. The motion was seconded by Senator Umbarger.

Senator Schmidt made a substitute motion to include the language pertaining to the 500 slots distributed geographically statewide and strike the language from the motion with reference to the provider assessment tax. The motion was seconded by Senator Taddiken. Motion carried on a voice vote.

Responding to a question from the Committee, Estelle Montgomery, Legislative Research Department, stated that currently the Centers for Medicaid and Medicare Services (CMS) does not allow a provider assessment tax to be used for purposes such as the telehealth program.

As requested by the Committee, Amy Deckard, Legislative Research Department, provided an update on the Children's Initiative Fund (CIF) and Kansas Endowment for Youth Fund (KEY).

The Committee voiced a concern that funds used in FY 2010 from CIF and KEY will create a shortage of funding in FY 2011.

Senator Apple moved to amend S Sub for HB 2631 by adopting a proviso concerning the Senior Nutrition Program in the Department on Aging (Attachment 6). The motion was seconded by Senator Masterson. Motion failed on a voice vote.

Senator Vratil moved to amend S Sub for HB 2631 by appropriating \$1.835 million State General Fund for the Judicial Branch. The motion was seconded by Senator Kelly.

Senator Schmidt made a substitute motion to amend S Sub for HB 2631 by adding \$400,000 SGF for furlough days in the Judicial Branch. The motion was seconded by Senator Schodorf. Motion carried on a vote of 7-4.

Senator Teichman moved to amend S Sub for HB 2631 by restoring \$225,000 SGF for the Early Head Start program. The motion was seconded by Senator Kelly.

Senator Kelly made a substitute motion to amend S Sub for HB 2631 to restore \$7.5 million SGF to the CIF to cover shortfall in receipts in FY 2011. The motion was seconded by Senator Teichman. Motion failed on

CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 11:00 a.m. on April 29, 2010, in Room 548-S of the Capitol.

a voice vote.

The original motion passed on a vote of 6-4.

Amy Deckard, Legislative Research Department, provided an update on the Attorney General's settlement with the pharmaceutical companies.

The Committee voiced concern that a potential additional savings of \$40 million could be realized with the Health Care Cost Containment and Recovery Services.

Senator Masterson moved to amend S Sub for HB 2631 by adopting 50 percent of the savings or \$20 million to be realized with the implementation of the Health Care Cost Containment and Recovery Services Pilot Project in Item No. 6 (Attachment 1). The motion was seconded by Senator Schodorf. Motion failed on a voice vote

With reference to Item No. 6 (Attachment 1) and a potential additional savings of \$40 million, the Committee noted that the Kansas Health Policy Authority (KHPA) and the Fraud Division of the Attorney General's Office should currently be investigating fraud and abuse of the healthcare system. The Committee requested to discuss the issue further at a later time.

Senator Vratil moved to recommend S Sub for HB 2631 as amended favorable for passage and allow for technical corrections as necessary. The motion was seconded by Senator Kelly. The motion carried on a roll call vote of 10-3.

Adjournment

The next meeting is scheduled for April 30, 2010.

The meeting was adjourned at 3:20 p.m.

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST

DATE: 4-29-2010

NAME	REPRESENTING
Mark Boranya K	Capitol Strategies
Whitney Damon	Swisher Int'l, Inc
Kevin Morris	Coca-Cola Bottling
DAVE HOLTMAUS	KEC
Karl Eckles	KS Chamber of Commerce
Cheryl W	DoE
Fany George	Olathe Schools
Bernice Kord	Ks. Economic Progress Council
Robin Clements	DOCCA / Youthville
Pat Torick	CPRFI
Mary Ellen Conlee	United Way of the Plains
Steve Solomon	TFI Federal Services
Pat Kuzata	KOHE
Barbara Coxant	KDOA
Ungan Bottenberg	KDOL
Keith Bradshaw	JJA
Kathy Crok	KFE
Keed Davis	KDOT
Mitch Shields	KMI News
Holly Smitz	KS Liberty News
Martin Hauver	Hauver's Capital Research
Troy Townsend	Fedagic Consulting
Kip Peterson	KBOR

**SENATE WAYS AND MEANS COMMITTEE
GUEST LIST**

DATE: 4/29

NAME	REPRESENTING
Victoria White	Pine State U.
Bob Lancaster	Lakeview Village @ GKC Chandler
Bob Tolker	Ks Contractors Assoc.
MAX FOSTER	STATE CONSERVATION COMMISSION
Shannon Jones	SILCK
Robert Jones	SKIL
Bob Bra Frickaux	FHSCU
Jimmie Cox	KCSL
Dustin Moyer	KHFA
Lois Weeks	SRS
Patrick Woods	SRS
Jerry Sloan	Judicial Branch
Kim Fowler	" "
TERRY FORSYTH	KNEA
Mailee Carpenter	WIBA - KSCPA
Bar Seebor	KGF A
Leslie Kaufman	Ks Co-op Council
Cyndi Howerton	
Ashley Sheard	Lenexa Chamber

**Potential Additional State General Fund Adjustments
to Senate Ways and Means Committee Action
on Senate Substitute for HB 2631
(amounts in millions)**

Potential Adjustment	Item	Budget Bill or Other Bill
\$ 44.3	Extend Governor's FY 2010 Recommended Bid Letting Savings to FY 2011	Budget Bill
21.8	Delete Funding for State Disaster Relief in the Adjutant General's FY 2011 Budget , but Noting the State Finance Council May Release Up to \$10 Million (State General Fund) for State Emergencies	Budget Bill
12.0	KPERS Death and Disability Employer Contribution Moratorium for the Fourth Quarter of FY 2011	Budget Bill and Substantive Bill
12.8	KPERS School Employer Contribution Savings for FY 2011	Budget Bill
25.0	Acknowledge the Transfer of Southcentral Gaming Facility Privilege Fee to State General Fund	Budget
40.0	Implementation of the Health Care Cost Containment and Recovery Services Pilot Project in Kansas Health Policy Authority, Social and Rehabilitation Services, Juvenile Justice Authority, and Aging	Budget Bill and Substantive Bill
42.2	State General Fund Receives the Entire Amount of the First Year of a 1.0 Percent Sales Tax Increase Instead of the State Highway Fund Receiving 11.4 Percent of the Increased Revenue	Revenue Bill
21.8	Additional Revenue From Starting 1.0 Percent Sales Tax Increase on June 1st, 2010, Instead of July 1st (Assumes that SGF Receives the Entire Amount for the Month of June and No Sharing Receipts with KDOT)	Revenue Bill
17.0	Require Add-Back of IRS Section 199 Domestic Production Deduction	Revenue Bill
35.0	Repeal Business Machinery and Equipment Income Tax Credits for Tax Year 2010	Revenue Bill
6.0	Capture Potential Savings for Consolidation of All Information Management Systems in the Executive Branch, Judicial Branch, and Legislative Branch; Consolidation Study in 2010 HB 2572 (currently in Senate Ways and Means Committee)	Budget Bill and Substantive Bill
\$ 277.9	Sub-Total All Potential Adjustments	
???	Implementation of KPERS Early Retirement Program for State Employees; One Proposal in HB 2730 Would have the State Single Member Health Insurance Premiums Continue to be Paid for by the State for Three Years and Limits Maximum Participation to 500 Retirees. HB 2730 is Currently in the House Select Committee on KPERS. Some Discussions have Indicated that the Potential Savings for an Early Retirement Program Could be in the \$25.0 Million Range.	Budget Bill and Substantive Bill
???	Possible Sale of State Real Property; Also Consider Sale and Lease-Back of Real Property	Budget Bill and Substantive Bill

Senate Ways & Means Cmte
Date 4-29-2010
Attachment 1

Identified Opportunities For KHPA

Projects	SGF Program Savings	Implementation Fee	HMS Proposed Fee (Most fees are paid 50% by CMS)	ROI (per dollar spent)	Practiced in other states:	KS Legislation needed (Y/N):	FY11
Asset Validation Services ABD and IV-D populations - CMS mandated looking for excess resources that would make them ineligible or recoverable by the state	\$1.9 - 3M	\$626,000	\$150,000 annually	12:1	33 IV-D Agencies	N	Y
Health Insurance Premium Payments - Medicaid will pay the health insurance premiums of the most sickly members to try and keep them on private health insurance and off Medicaid roles	\$1.5 - 3.6M		10% of Recovered funds	10:1	7 Medicaid Agencies	N	Y
Medicare Optimization (Enrollment/Buy-in) Medicaid will search for recipients who are Medicare eligible and pay Medicare Part B premiums to keep health care expenses off the Medicaid tab	\$3 - 5M		10% of Recovered funds	10:1	3 Medicaid Agencies	N	Y
Program Integrity Projects							
Overpayment / Credit Balance Audits for all agencies - Provider audits for overpayments of any kind, TPL, upcoding, fraud, etc.	\$2.4 - 3.3M		10% of Recovered funds	10:1	24 Medicaid Agencies	N	Y
Pharmacy Audits for all state programs - Auditing pharmacies to ensure prescriptions are correct with the drug dispensed, quantities, etc.	\$600k- 1.2M		20% of Recovered Funds	5:1		N	Y
PBM audits for all state programs - Incorrectly billed pharmaceuticals.	\$500k - \$1.5M		20% of Recovered Funds	5:1		N	Y
Medical Claim Audits - Clinical appropriateness - Coding, billing, utilization, and inappropriate setting errors verified through complex medical record review and bill audit.	\$3.3 - 6M		25% of Recovered Funds	4:1		N	Y
Data Mining and Program/Provider Analytics - Overpayments (Duplicate, Near duplicate, Overlapping, Coding, Unit billing errors yielding \$146 million in recoveries.	\$600k - 1.2M		20% of Recovered Funds	5:1		N	Y
MCO Premium analysis KMAP - analysis of premiums being paid to Medicaid MCOs to determine if premiums should be reduced due to factors effecting amounts	\$1M - 2.1M		10% of Recovered funds	10:1		2 State Agencies	N
Medical Support Enforcement/Notices SRS - Efficient notification to employers of ordered dependent coverage. HMS will work directly with employers to enroll dependents in ordered coverage.	\$1 - 3M		\$125,000	16:1	14 Agencies	N	Y
Enhanced Federal Match Claiming - identifying claims that were paid by state and FFP paid to CMS when because of the claim type should be paid at a higher federal match.	\$1 - 2M		\$150,000	10:1	7 Medicaid Agencies		Y
*Estate Recovery - KHPA recovers Medicaid claim expenditures from the estates of deceased recipients.	\$1 - 1.3M		10.75% of Recovered Funds	9:1	10 Medicaid Agencies	Y for enhancements only	Y
*Medical Subrogation - KHPA recovers it's Medicaid claim expenditures from litigation or settlements involving recipients	\$1 - 1.5M		12% of Recovered Funds	8:1	16 Medicaid Agencies	Y for enhancements only	Y
TOTALS	\$18.8 - 34.7M						

Senate Ways & Means Cmte
 Date 4-29-2010
 Attachment 2

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Identified Opportunities For SEHP

Projects	SGF Financial Impact	HHS Proposed Fee	ROI (per dollar spent)	Practiced in other states	Success in other states	Comments	KS Legislation needed (Y/N)	FY11
COB SEHP - Data matching with other carriers to look for other primary coverage	\$5- 8M	10% of Recovered funds	10:1	3 SEHP Programs			Y	Y
Program Integrity Projects								
Overpayment / Credit Balance Audits for all agencies - Provider audits for overpayments of any kind, TPL, upcoding, fraud, etc.	\$8 - 10M	10% of Recovered funds	10:1	2 SEHP Programs				Y
Pharmacy Audits for all state programs - Auditing pharmacies to ensure prescriptions are correct with the drug dispensed, quantities, etc.	\$500K - 1.5M	20% of Recovered funds	5:1	1 SEHP Program				Y
Medical Subrogation - KHPA recovers it's Medicaid claim expenditures from litigation or settlements involving recipients	\$1 - 2M	15% of Recovered funds	8:1	2 SEHP Programs	\$4.8M		Y	Y
TOTALS	\$14.5 - 21.5M							

Identified Opportunities For SRS, Dept. on Aging and JJA

Projects	SGF Financial Impact	HHS Proposed Fee	ROI (per dollar spent)	Practiced in other states	Success in other states	Comments	KS Legislation needed (Y/N)	FY11
Program Integrity Projects								
Overpayment / Credit Balance Audits for all agencies - Provider audits for overpayments of any kind, TPL, upcoding, fraud, etc.	\$1.8 - 2.4M	10%	10:1	23 State Agencies				Y
Pharmacy Audits for all state programs - Auditing pharmacies to ensure prescriptions are correct with the drug dispensed, quantities, etc.	\$500k - 1M	20%	5:1					Y
TOTALS	\$2.3 - 3.4M							

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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April 20, 2010

To: Senate Ways and Means Committee
From: Julian Efird, Principal Analyst
Re: Fiscal Impact of HB 2730

You asked for more detailed information regarding the fiscal note submitted by the Director of the Budget on March 11, 2010. Information also was provided by KPERS in a document dated March 19, 2010, that analyzes the effects of HB 2730 in providing a health care benefit premium payment to a certain group of KPERS retirees.

Currently, KSA 75-6501 allows retired state employees who meet eligibility requirements established by the Kansas State Employees Health Care Commission to participate in the State Health Care Program by maintaining their coverage after retirement. Retirees currently participating in the State Health Care Program are responsible for paying the full premium amount for coverage.

HB 2730 would provide for state agencies to pay the total cost of the premium for member-only coverage on behalf of retirees who meet all of the eligibility requirements established in the bill:

- Retires on or after the employee's normal retirement date under KSA 75-4914 and who is 62 years of age or older; and
- Retires on or after the effective date of the bill, but no later than June 30, 2013.

The premiums authorized by HB 2730 would be paid for up to three years from the date of retirement for continuation of coverage under the State Employees Health Care Program. The bill would cap the number of retirees at 500 who would be eligible for the payments. The maximum annual premium for calendar year 2010 is \$5,970 under the program. The bill would prohibit the agencies from filling the vacant positions in order to generate savings and to pay for the health insurance benefits.

KPERS provides illustrations of the fiscal impact of HB 2730 based on the following assumptions about the retirees' averages in terms of age, 62.5; years of service, 23.2; and salary, \$45,000. Using these KPERS assumptions, the fiscal impact can be modeled as follows:

Senate Ways & Means Cmte
Date 4-29-2010
Attachment 3

**Potential Impact of HB 2730
Depending Upon the Number of Retirements**

Average Salary	If 100 Retire	If 200 Retire	If 300 Retire	If 400 Retire	If 500 Retire
\$ 45,000	\$ 4,500,000	\$ 9,000,000	\$ 13,500,000	\$ 18,000,000	\$ 22,500,000
Annual Savings					
\$ 54,495	\$ 5,449,500	\$ 10,899,000	\$ 16,348,500	\$ 21,798,000	\$ 27,247,500
Max. Health Insurance					
\$ 5,970	\$ 597,000	\$ 1,194,000	\$ 1,791,000	\$ 2,388,000	\$ 2,985,000
Annual Savings					
\$ 48,525	\$ 4,852,500	\$ 9,705,000	\$ 14,557,500	\$ 19,410,000	\$ 24,262,500
Actuarial Impact (UAL)					
\$ 73,000	\$ 7,300,000	\$ 14,600,000	\$ 21,900,000	\$ 29,200,000	\$ 36,500,000
ARC Rate Increase					
--	0.05%	0.10%	0.15%	0.20%	0.25%

KPERS also provided information dated March 18, 2010, concerning the projected number of state employees eligible for HB 2730 as of July 1, 2010. A total of 1,532 state employees would be eligible for a health care benefit premium payment if they retired. The detailed information is included in the KPERS tables that is enclosed with this memorandum.

LJE/kal

Enclosure

3-2

Projected Number of State Employees Eligible for HB 2730 Provisions
Age 62+ with 10 or More Years of Service
As of July 1, 2010

	Number of Eligible Members ^(a)		
	Age 62-65	Over Age 65	Total
Department of Social & Rehabilitation Services	134	54	188
Kansas State University	75	50	125
Department of Transportation	77	40	117
Judicial Branch	70	44	114
University of Kansas	61	36	97
Wichita State University	34	29	63
Department of Revenue	25	26	51
Department of Labor	28	19	47
Department of Health & Environment	26	16	42
Department of Administration	25	11	36
Pittsburg State University	26	9	35
Osawatomie State Hospital	17	16	33
Fort Hays State University	17	13	30
Larned State Hospital	18	12	30
Kansas Neurological Institute	16	13	29
University of Kansas Medical Center	22	7	29
Legislative Administrative Services	10	17	27
Emporia State University	19	6	25
Department of Education	15	9	24
Parsons State Hospital	13	9	22
Subtotal	728	436	1,164
All Other State Agencies ^(b)	239	129	368
Total	967	565	1,532

(a) Projections based on membership data as of December 31, 2008, adjusted for retirements and terminations reported through March 17, 2010, with age and years of credited service projected to July 1, 2010.

(b) Other individual state agencies with 15 or more eligible members include the Department on Aging, the Department of Wildlife & Parks, the Insurance Department, the Kansas Highway Patrol, the Commission on Veterans Affairs, and the El Dorado, Hutchinson, Lansing, Norton, and Winfield correctional facilities.

March 11, 2010

The Honorable Sharon Schwartz, Chairperson
House Select Committee on KPERS
Statehouse, Room 149-S
Topeka, Kansas 66612

Dear Representative Schwartz:

SUBJECT: Fiscal Note for HB 2730 by House Select Committee on KPERS

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2730 is respectfully submitted to your committee.

HB 2730 would establish a new retiree beneficiary class in the State Employee Health Plan. The bill would have the state pay the total cost of the member-only premium for coverage in the state's healthcare program on behalf of any employee of the state who (1) retires on or after the employee's normal retirement date, (2) is age 62 or older, and (3) retires on or after the effective date of the bill, and prior to June 30, 2013. The premiums would be paid by the state for three years from the individual's date of retirement and would be limited to a maximum participation of 500 retirees.

The Executive Director of KPERS would administer the provisions of the bill, including providing the Governor or Legislative Coordinating Council (LCC) the names, employing state agencies and retirement dates of each retiree participating in this program. For each retiree of an agency who would participate in the program, the Secretary of Administration would reduce the FTE limitation of the agency by 1.0 FTE position. In addition, the Secretary of Administration would reduce the expenditure authority of an agency in an amount attributable to the amount of unused salary and employer-paid benefits attributable to the retiree. The same authority would be given to the LCC for the Legislative Branch. No mention is made of employees in the Judicial Branch. The bill would take effect upon publication in the statute book.

Enactment of HB 2730 would have costs associated both with providing coverage in the state's healthcare program, as well as changing the retirement patterns of employees by encouraging eligible employees to retire earlier. The fiscal effect regarding the cost associating with providing healthcare coverage would depend on the healthcare plan selected by the retiree. During calendar year 2010, direct bill premiums for retirees participating in the state's healthcare system range from \$1,050 per year to \$5,970 per year, and would depend if the retiree would be eligible for Medicare. If 500 retirees would participate, the potential cost for health insurance premiums paid by the state would range from \$525,000 to \$2,985,000.

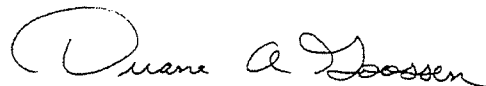
The Honorable Sharon Schwartz, Chairperson
March 11, 2010
Page 2—2730

Although the bill directs the Secretary of Administration to reduce the expenditure authority of an agency to reflect the amount of unused salary for each retiree, the bill does not provide a mechanism to make use of the funds for the state to pay the new premiums authorized by the bill. An additional appropriation, presumably from the State General Fund, would have to be made in order to pay the healthcare premiums. The bill does authorize the Executive Director of KPERS to administer the program; however, the bill does not indicate which state agency would be responsible for the payment of health insurance premiums on behalf of the affected retirees and how the premiums would be financed.

According to KPERS, the fiscal effect of HB 2730 regarding the change of retirement patterns by employees has a potential to increase the unfunded actuarial liability by approximately \$2.8 million for each 100 retirees participating in this program, while increasing the actuarial required contribution rate for the State Group by 0.05 percent for each 100 retirees. To estimate the actuarial costs, KPERS used the following assumptions: (1) average age of participating retirees of 62.5 years, (2) average years of service of 23.2 years per employee, and (3) average salary of \$45,000 per employee.

A request for fiscal information was made to the Kansas Health Policy Authority which administers the State Employee Health Plan. However, no information has been received. Any fiscal effect associated with HB 2730 is not reflected in *The FY 2011 Governor's Budget Report*.

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Faith Loretto, KPERS
Pat Higgins, Administration
Scott Brunner, KHPA

3-5

HOUSE BILL No. 2730

By Select Committee on KPERS

3-4

9 AN ACT concerning retirement and pensions; relating to the Kansas
10 public employees retirement system; retirement of certain state offi-
11 cers and employees; health care benefit payments; reduction in F.T.E.
12 position for certain state agencies.
13

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

15 Section 1. Subject to the provisions of this act, any officer or em-
16 ployee of the state who is 62 years of age or older and who retires on or
17 after the normal retirement date of such officer or employee pursuant to
18 the provisions of K.S.A. 74-4914, and amendments thereto, from the Kan-
19 sas public employees retirement system shall be entitled to a health care
20 benefit payment by the state as provided in this section. The state shall
21 pay to the Kansas state employees health care commission on behalf of
22 each such retirant the total cost of participation for member only coverage
23 in the state health care benefits program under K.S.A. 75-6501 et seq.,
24 and amendments thereto, at the same times during the year as the cost
25 of participation would be payable by such retirant for a period of three
26 years from the date of retirement and continuation of coverage of such
27 retirant in such program. No more than 500 retirants shall be entitled to
28 the health care benefits provided by this act, as certified by the executive
29 secretary of the Kansas public employees retirement system. The exec-
30 utive secretary shall provide the governor or legislative coordinating coun-
31 cil notice of the name, employing state agency and retirement date of
32 each retirant who is entitled to health care benefit payments pursuant to
33 this act and such other information that may be prescribed by the gov-
34 ernor or legislative coordinating council. Upon receipt of each notice
35 regarding a retirant employed by a state agency in the executive branch,
36 the governor shall direct the secretary of administration to reduce by one
37 the number of F.T.E. positions authorized for the state agency that em-
38 ployed the retirant who is entitled to health care benefit payments pur-
39 suant to this act and reduce the expenditure authority of such state agency
40 in an amount attributable to the amount of unused salary and employer-
41 paid benefits attributable to the retirant's job position. Upon receipt of
42 each notice regarding a retirant employed by a state agency in the legis-
43 lative branch, the legislative coordinating council shall reduce by one the

1 number of F.T.E. positions for the state agency that employed the retirant
2 and reduce the expenditure authority of such state agency in an amount
3 attributable to the retirant's job position. The executive secretary shall
4 administer the provisions of this act. No retirant shall first qualify for
5 health care benefits under this act after June 30, 2013.

6 Sec. 2. This act shall take effect and be in force from and after its
7 publication in the statute book.



KANSAS BOARD OF REGENTS

1000 SW JACKSON • SUITE 520 • TOPEKA, KS 66612-1368

TELEPHONE – 785-296-3421
FAX – 785-296-0983
www.kansasregents.org

April 29, 2010

Dear Kansas Legislator:

On behalf of the Kansas Board of Regents, I write to you regarding the Fiscal Year 2011 budget bills that will soon be debated by the House and the Senate.

As you may know, over the past year, the state's public universities, community colleges, and technical colleges have absorbed a 13% cut (\$106 million). The state's higher education system now sits at Fiscal Year 2006 funding levels, which means we're now at the bare minimum in terms of the funding levels required to retain eligibility for the receipt of federal stimulus dollars. Any additional cuts whatsoever will jeopardize the millions of dollars in vitally important federal funding that has served as a life-preserver for our state's higher education system.

The Senate budget bill (Senate Substitute for House Bill 2631), which was approved by the Ways and Means Committee last week, cuts a number of items that were recommended by the Governor. Despite these reductions, the Senate bill keeps us at our Fiscal Year 2006 funding level, which means we would still be eligible to receive federal stimulus dollars.

However, the House budget bill (House Substitute for Senate Bill 572), which was approved by the Appropriations Committee last week, contains various cuts which drop us below our Fiscal Year 2006 funding level. Without an amendment, the House budget bill, if approved, would result in a loss of \$40 million in vital federal stimulus dollars – funding that flows directly to the state's 32 public higher education institutions that has been used for tuition mitigation assistance and deferred building maintenance projects.

One solution to this issue would be an amendment to restore \$3.6 million of the \$7.9 million cut to the Board of Regents budget. This \$3.6 million is dedicated for debt service obligation funding for the following projects: \$1.3 million for WSU NIAR Aviation Research, \$0.7 million for the KU Pharmacy School Expansion, \$0.2 million for the PSU Readiness Center, and \$1.4 million for KPERS. If successfully added to the Senate bill, this amendment would restore debt service obligation funding for these four important programs that would otherwise be cut. If successfully added to the House bill, this amendment would restore higher education funding to our Fiscal Year 2006 level, thus preserving our eligibility to receive federal stimulus dollars.

In summary, both budget bills, as they are currently drafted, impact higher education. Unfortunately, the House bill has the added effect of making us ineligible to receive \$40 million in federal stimulus funding in Fiscal Year 2011.

Senate Ways & Means Cmte
Date 4-29-2010
Attachment 4

Thank you for your consideration of a budget amendment and for your continued support of higher education in Kansas.

Sincerely,

A handwritten signature in cursive script, appearing to read "R L Robinson".

Reginald L. Robinson
President & CEO

RWD#1 project fix.wpd

Insert on page 199, in line 37

:Provided further, That the state conservation commission shall make expenditures during fiscal year 2011 from the lake restoration account, from fiscal year 2009 encumbered moneys under contract in the water supply restoration program, for the installation of an alternative public water supply solution for Washington county rural water district no. 1

Proviso for change in existing funding authority:

History:

The 2007 Legislature approved a line item funding proviso for FY 2008 that stated the following:

Provided further, that the state conservation commission shall allocate moneys in the lake restoration account and make expenditures during fiscal year 2008 from the lake restoration account through the multipurpose small lakes program to rehabilitate the Washington county rural water district No. 1 (RWD) structure in and across the Big Blue River.

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A Preliminary Engineering Study was completed on the rehabilitation of the low water dam on the Big Blue River referenced above. The study found that this effort is possible; however, costs may reach in excess of 6 million dollars to rehabilitate the structure. When analyzing the number of users of the system and the benefit cost ratio's, the affected parties – SCC, KWO, KRWA and RWD - concurred that an alternative solution may be the best option with the state water plan dollars that are under contract. A groundwater geologist, Bob Vincent found an area, north of the existing well field no. 1, that he believes to have a suitable yield to adequately serve the RWD's future needs. Currently the RWD has achieved permission, via option type easement to test drill for a new wells. If the tests are conclusive permanent wells will be constructed and approximately one mile of delivery line will need to be installed to connect to the manifold of their existing system. At this point we are unsure of costs, however, relatively confident that this will be the \$750,000 or less. This option would result in a state water plan fund savings of over \$5,000,000.

Issue:

After the RWD acquired the permission to drill test wells, the SCC proceeded to modify the existing contract to allow for reimbursement of the test well drilling and all of the components discussed above. When reviewing the draft of the funding contract, the legal counsel brought the authorizing proviso to our attention and advised that modified language will be necessary to pay for this new alternative water supply solution.

Potential alternative Language:

Provided further, That the state conservation commission shall utilize fiscal year 2009 encumbered funds under contract in the water supply restoration program and make expenditures during Fiscal Year 2011 from the same account for the installation of an alternative public water supply solution for Washington county rural water district No. 1

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Judy Seitz

From: Carolyn McGinn
Sent: Monday, April 26, 2010 9:17 AM
To: Foley, Greg; Jay Emler
Cc: Mark Taddiken
Subject: Re: Proviso Language

Greg,
I thought we fixed all of this in the first bill we passed out of committee before recess.
Carolyn

On 4/26/10 9:04 AM, "Foley, Greg" <Greg.Foley@SCC.KS.GOV> wrote:

Senator Emler, my name is Greg Foley and I'm the Executive Director of the State Conservation Commission. I apologize for not getting this information to your committee when working the bill in committee, I had an illness in the family and was out of the office a couple days.

Senator Taddiken requested that I contact you and the leadership to inform everyone of an issue that the SCC has and request a necessary floor change that would add a proviso to the Senate Omnibus Bill. Your office indicated you were in Topeka, and I was unable to reach you at the 296-7354 office number. This language, found with explanation in the attachment, will change the wording from a FY 2008 proviso that will result in saving the State about \$5 million dollars in spending, and provide a public water supply solution in North Central Kansas. If you would like to discuss or have questions, please call me at 785-218-4988 or 785-296-3600.

Thank you for your consideration of this matter, and please accept my apologies for not getting this information to your committee earlier. I have spoken in detail with Senator Taddiken and Senator McGinn, however, it was before the spring recess. The House did place this language in their Appropriation Committees' Omnibus bill.

Greg A. Foley
Executive Director
State Conservation Commission

5-3

April 28, 2010 (6:11pm)

Sec. 72.

DEPARTMENT ON AGING

on page 110, following line 29:

(f) If a specified percentage of each appropriation or reappropriation for the department on aging for the fiscal year ending June 30, 2011, made by this or any other appropriation act of the 2010 regular session of the legislature, from the state general fund, is lapsed by this act, or if the expenditure limitation established for the department on aging for the fiscal year ending June 30, 2011, by this or any other appropriation act of the 2010 regular session of the legislature, on each special revenue fund of the department on aging is decreased by a specified percentage by this act, then the secretary of aging shall not transfer or reallocate moneys appropriated for the department on aging in a manner to accomplish the reduction that would result in any senior nutrition program from sustaining a greater lapse or reduction for fiscal year 2011 than the amount of such specified percentage lapse or reduction.