

MINUTES

LEGISLATIVE EDUCATIONAL PLANNING COMMITTEE

December 10-11, 2001
Room 519-S—Statehouse

Members Present

Senator Dwayne Umbarger, Chair
Representative Jo Ann Pottorff, Vice Chair
Senator Christine Downey, Ranking Minority Member
Senator Lynn Jenkins
Senator Bob Lyon
Senator Lana Oleen
Senator John Vratil
Representative Barbara Ballard (December 10)
Representative Lisa Benlon
Representative Kathe Lloyd
Representative Bill Reardon
Representative Ralph Tanner
Representative Jonathan Wells

Legislative Staff

Ben Barrett, Kansas Legislative Research Department
Carolyn Rampey, Kansas Legislative Research Department
Robert Waller, Kansas Legislative Research Department
Paul West, Kansas Legislative Research Department
Theresa Kiernan, Office of the Revisor of Statutes
Jim Wilson, Office of the Revisor of Statutes
Jill Wolters, Office of the Revisor of Statutes

State Department of Education Staff

Dale Dennis, Deputy Commissioner, State Department of Education

Conferees

Kyle L. Wendt, Health Benefits Administrator, State of Kansas Health Care Commission
Terry Bernatis, Former Health Benefits Administrator, State of Kansas Health Care Commission; Assistant Director of Personnel Services, State Department of Administration

Charles Edmonds, Superintendent, USD 265 (Goddard)
Fred Meier, Business Manager, USD 446 (Independence)
Dr. Kay Schultz, Superintendent, USD 406 (Wathena)
Gary Mavity, Superintendent, USD 358 (Oxford)
Brad Smoot, Legislative Counsel, Blue Cross and Blue Shield of Kansas
Peggy Hanna, Assistant State Treasurer, Office of the State Treasurer
Dr. Kim Wilcox, President and Chief Executive Officer, State Board of Regents
Colonel Adam King, Kansas Air Guard, Essential Services Support Office, Office of the
Kansas Adjutant General

Monday, December 10, 2001

School District Health Care Costs

In an effort to better understand issues relating to school districts providing health care benefits to employees, the Committee received information from representatives of the state health care system, school districts, and an insurance company. Kyle Wendt, Health Benefits Administrator for the State of Kansas Employee Health Care Commission, addressed the eligibility of school districts to participate in the state health care plan (Attachment 1). Mr. Wendt said that the Health Care Commission made a decision in 1999 to allow educational entities, including school districts and community colleges, to participate in the health care plan as long as neither the state nor the state group of participants was negatively impacted. Participation by educational entities is voluntary and the employee and employer contribution rates are the same as other state employees. At least 70 percent of the employees in a district or other unit must participate. Mr. Wendt said 16 school districts currently participate, in addition to two community colleges and one educational service center.

Dale Dennis, State Department of Education, responded to a question about school districts that do not participate in the state plan by saying that the State Department of Education is in the process of surveying all school districts to obtain information about their health care plans. (Not all school districts provide health care benefits.) Mr. Dennis explained that the state health care plan is a good one for those school districts that can afford to belong, but many districts find the cost prohibitive.

Charles Edmonds, Superintendent, USD 265 (Goddard), described problems his school district has experienced maintaining a health care plan for employees (Attachment 2). He said coverage with one company ended in the early 1990s, at which time the district began to participate in a self-funded insurance pool. When the pool became insolvent and ceased operations, the district accepted a bid from an insurance company in August 1998, only to learn one month later that the company would not honor its bid. The district proceeded to obtain health care benefits from another insurance company, but Mr. Edmonds told the Committee that premiums have increased by more than 25 percent for single plan coverage and by almost 13 percent for full family coverage since 1998 and more increases are expected. He said school district employees do not feel secure about their health care coverage because providers have changed so many times in the last ten years and the cost keeps going up.

In discussion with Committee members, Mr. Edmonds said health care benefits are an important recruiting tool in attracting new teachers. He said the state health care plan is good but at least for the time being his district is able to get less expensive coverage elsewhere. He told the Committee that many teachers have health care benefits through insurance programs in which their spouses participate.

Fred Meier, Business Manager, USD 446 (Independence), described the situation in the Independence and Coffeyville school districts (Attachment 3). He said beginning teachers in Independence spend more than one-third of their salaries for health insurance coverage. The proportion is even higher for clerical workers, custodians, and other support staff who make lower salaries. Mr. Meier said that insurance premiums for employees of the Coffeyville school district would have increased by 75 percent under a former plan, resulting in an annual cost to the employee of almost \$15,000 per year. As a result, the district opted to join the state health care plan and currently spends more than 9 percent of the district's general fund budget on health insurance.

Mr. Meier told the Committee some districts are having problems finding affordable insurance because some employees are insured through their spouses' plans or have purchased their own insurance. As a result, districts may be left with small pools of employees who need insurance. Compounding the problem is the fact that these employees may be a high risk group that is expensive to insure. Mr. Meier said the current situation regarding health care benefits contributes to his district's difficulty in recruiting teachers. In his opinion, some providers find school employees undesirable to insure. He told the Committee he believes the state should pay a substantial part of the insurance premium for school district employees.

Dr. Kay Schultz, Superintendent, USD 406 (Wathena), described the plight of her school district, which has a group of 36 employees with an unhealthy record to insure (Attachment 4). Since 1995, when the district's contract with Blue Cross/Blue Shield became too expensive, the district has had to change insurance companies almost every year. Dr. Schultz explained that the state health care plan is not an option because her district would not be able to meet the 70 percent participation requirement.

Gary Mavity, Superintendent, USD 358 (Oxford), explained the historical reason why his district, and others in the state, stopped providing health insurance for employees (Attachment 5). According to Mr. Mavity, in years past some local boards and employees agreed that employee salary increases were more important than health care benefits, particularly when insurance costs were relatively low and affordable. Now, when insurance costs are high and employees find it difficult to afford the cost, school districts are having to reorder their priorities and, in some cases, shift funding from other expenditure categories. In the case of USD 358, Mr. Mavity said the district's general fund budget has declined and the district has had to cut staff and increase its local option budget. He told the Committee some district employees do not have any health insurance. He estimated it would cost his district between \$150,000 and \$175,000 to participate in the state health care plan, an expense he said his district could not afford.

In response to questions from Committee members, Mr. Dennis said there used to be five self-funded insurance pools, but three have disbanded because rates became too high. Members asked Mr. Wendt to comment on testimony from school district representatives and

he reiterated that, at the time the decision was made to allow educational entities to participate in the state plan, participation was conditioned on there being no negative impact on state employees already in the plan. It was noted that a number of school districts have health insurance plans for their employees and the problem of providing benefits is most severe for those districts that have few employees who are in high risk groups.

Terry Bernatis, former Health Benefits Administrator, told the Committee the problem began several decades ago when some boards of education, as well as other municipalities, gave employees the option of receiving cash in lieu of district-paid benefits. Many of these districts obligated resources elsewhere and now are unable to pay for employee health insurance. She said the problem is exacerbated when a school district has declining enrollment and budget reductions. She noted that some of the school districts with the most serious problems are districts that would have an adverse effect on an insurance program because they have high-risk employees. She said if the Legislature were to direct the State of Kansas Health Care Commission to alter its rule about participating groups having an adverse effect on the state plan, it would be easier for some districts to participate. However, the Legislature has not given such a directive and, on the contrary, the Commission believes its duty is to protect the integrity of the state plan.

Committee members recognized that health care costs are adversely affected by individuals who are uninsured but, at the same time, expressed concern that current participants in the state health care plan should not be asked to bear the expense of allowing coverage for individuals who adversely affect the program. Members asked school district representatives about efforts to fund employee benefits through local option budget increases and were told that, in one of the districts represented, the burden on local taxpayers due to school district mill levies has doubled in recent years.

Brad Smoot, Legislative Counsel for Blue Cross and Blue Shield of Kansas, made general remarks about rising insurance costs and attributed them to the aging of the population, cost of drugs, unhealthy lifestyle choices, government regulation, expansion of services, and use of new medical technologies (Attachment 6).

Minutes

Upon a motion by Representative Tanner, seconded by Representative Pottorff, the Committee approved the minutes of the October 24-25 and November 13-14 meetings.

Legislation Requested by the State Treasurer

Peggy Hanna, Assistant State Treasurer, requested the introduction of legislation concerning "Learning Quest." The requested changes would conform Kansas law to recent changes in federal law applicable to tuition savings programs or would make the program more attractive to investors. *Upon a motion by Senator Vratil, seconded by Representative Pottorff, the Committee voted to introduce legislation that would accomplish the following:*

- Eliminate the two-year waiting period from the time an account is opened until the time a qualified withdrawal can be made;

- Eliminate the 10 percent state penalty tax on a non-qualified withdrawal; and
- Exempt accounts from bankruptcy proceedings.

Legislation Requested by the State Board of Regents

Dr. Kim Wilcox, President and Chief Executive Officer, State Board of Regents, told the Committee the State Board will hold hearings on recommendations of the Northwest Education Research Center (NORED) report at its December meeting and any requests for legislation as a consequence of that report will be made at a later date. Dr. Wilcox explained that recommendations under consideration would increase the authority of the Board of Regents as a policy-making body and would delegate administrative functions to the campuses. He said the Board was hoping that the Legislature would exempt the institutions from certain state requirements, including some in the areas of prior architectural approval for construction projects, printing, and purchasing. In addition, changes to the Board itself are under consideration, such as deleting the requirement that the Board be divided into three commissions.

Dr. Wilcox acknowledged that issues under consideration may create controversy and told the Committee it is possible not all institutional sectors will support changes being contemplated. Committee members were supportive of the Board's willingness to examine the higher education system and recommend necessary changes, but expressed the conviction that all affected parties must be informed of proposed changes and must have the opportunity to have input to the Board.

In addition, Dr. Wilcox renewed the Board's request for three bills that had been requested at the joint meeting of the Committee and the Board in November.

Upon a motion by Representative Pottorff, seconded by Representative Benlon, the Committee voted to recommend the introduction of bills that would accomplish the following:

- Authorize Kansas State University to sell property used by the Department of Animal Sciences, the College of Agriculture, and Kansas State Research and Extension;
- Authorize Kansas State University to exchange property owned by the University with property owned by the Kansas State University Foundation; and
- Extend accidental death benefit coverage for certain employees of the State Board of Regents and the Kansas School for the Deaf so that employees in the one-year waiting period prior to entry into the Kansas Public Employees Retirement System would be eligible for accidental death coverage.

Legislation Requested by the Office of the Adjutant General

Colonel Adam King, representing the Office of the Adjutant General, renewed the request made at an earlier meeting for amendments to the Kansas National Guard Educational Assistance Act (Attachment 9).

Upon a motion by Representative Tanner, seconded by Representative Ballard, the Committee approved the introduction of legislation that would accomplish the following:

- Administration of the National Guard Educational Assistance Program should be transferred from the Adjutant General to the State Board of Regents;
- Individuals should be eligible for assistance immediately upon enlistment in the Kansas National Guard and should not have to spend up to a year to complete military training;
- Tuition assistance recipients should be able to apply to an eligible institution and have tuition waived so that the institution is reimbursed by the agency that administers the program, not by the recipient;
- The service obligation should be reduced from a four-year commitment to serve in the National Guard to one and one-half years for each year of benefit, with the commitment to be fulfilled concurrently with the benefit; and
- Individuals should apply for and use other forms of financial assistance, including scholarships, grants, and federal tuition assistance, before becoming eligible to participate in the National Guard Educational Assistance Program.

Tuesday, December 11, 2001

Instruction to Staff for Bill Drafts and Final Reports

Committee members reviewed items considered during the interim and instructed the staff regarding bill drafts and the final report. Many of the Committee's recommendations were made by consensus and have been incorporated into bill drafts and reports. Specific actions taken by the Committee include the following:

- *School Finance Suitability Study. By consensus, the Committee approved a draft of a status report on the school finance suitability study approved by*

the 2001 Legislature. There are no recommendations contained in the report.

- Charter Schools. Upon a motion by Representative Benlon, seconded by Senator Vratil, the Committee recommended the introduction of legislation requested by the State Department of Education which would define "charter school" in the law and give the State Board of Education more authority in the charter school application review process (Attachment 10).
- Special Education State Aid. Upon a motion by Senator Vratil, seconded by Representative Reardon, the Committee recommended the introduction of legislation that would ensure that all school districts which provide special education services directly to their students, participate in a special education cooperative, or belong to an interlocal agreement for purposes of providing special education services receive an appropriate allotment of special education services state aid.
- Special Education Federal Funding. Upon a motion by Senator Vratil, seconded by Representative Benlon, the Committee voted to include in its report a statement directed to the President and the United States Congress urging the federal government to honor its commitment to fund special education at the 40.0 percent level.
- Juvenile Detention Facilities. Upon a motion by Representative Reardon, seconded by Representative Lloyd, the Committee recommended the introduction of legislation that would reimburse school districts for services provided children who are confined in lock-down facilities, Level VI facilities (based on Social and Rehabilitation Services guidelines), or those Level V facilities that currently are listed in the law.

The meeting was adjourned.

Prepared by Carolyn Rampey

Approved by Committee on:

January 8, 2002