

MINUTES

LEGISLATIVE BUDGET COMMITTEE

August 20-21, 2003
Room 514-S—Statehouse

Members Present

Representative Melvin Neufeld, Chair
Senator Stephen Morris, Vice-Chair
Representative Bill Feuerborn
Senator Dave Kerr
Senator Paul Feleciano
Representative Dean Newton
Representative Clark Shultz

Staff Present

Alan Conroy, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Leah Robinson, Kansas Legislative Research Department
Deb Hollon, Kansas Legislative Research Department
Audrey Nogle, Kansas Legislative Research Department
Norman Furse, Revisor of Statutes Office
Bruce Kinzie, Revisor of Statutes Office
Nikki Feuerborn, Administrative Analyst, House Appropriations Committee
Judy Bromich, Administrative Analyst, Senate Ways and Means Committee
Shirley Jepson, Committee Secretary

Conferees

Richard Cram, Director of Policy and Research, Department of Revenue
Pat Scalia, Executive Director, Board of Indigents' Defense Services
Candy Shively, Deputy Secretary, Social and Rehabilitation Services
Patricia Biggs, Executive Director, Sentencing Commission
Roger Werholtz, Secretary, Department of Corrections
Stephanie Wilson, Executive Director, The Alliance for Kansans with Developmental Disabilities
Janet Schalansky, Secretary, Social and Rehabilitation Services
Margaret Zillinger, Director of Community Support and Services, Social
and Rehabilitation Services
Jane Rhys, Director, Developmental Disabilities Council
Kathy Lobb, Legislative Liaison, Self-Advocate Coalition of Kansas
Lesli Girard, Topeka Center Coordinator, Families Together

Randall Allen, Kansas Association of Counties
Debbie Collins, Johnson County Developmental Supports
Colin McKenney, Director, Sedgwick County Developmental Disability Organization
Mark Hinde, Director, Southwest Developmental Services
Mary Ann Keating, Executive Director, TARC
Tom Laing, InterHab
Howard Fricke, Secretary, Department of Administration
Reginald Robinson, President & CEO, Board of Regents
Clay Blair, Chairman of the Board of Directors, Research and Development
Enhancement Corporation

Others Attending

See attached list.

August 20, 2003 Morning Session

Chair Neufeld called the meeting to order at 10:10 a.m. and recognized Richard Cram, Director of Policy and Research, Department of Revenue (DOR), who presented an update on HB 2005 with regards to destination-based sales tax sourcing ([Attachment 1](#)). Mr. Cram stated that the Department of Revenue is continuing to work with businesses throughout Kansas to assist them in the implementation of HB 2005 and does not intend to assess or impose penalties for errors or non-compliance until after the first of the year. The Committee asked that consideration be given to extending the date of enforcement into the 2004 Legislative Session, rather than January 1, in order to give the 2004 Legislature an opportunity to review the legislation. Mr. Cram indicated that DOR is continuing to work to develop "address-based" software to alleviate problems that businesses are having in determining the tax jurisdiction involved in the sale. In answer to a question from the Committee, Mr. Cram stated that the Department has not written any specific software for businesses to use, indicating that they felt they would be competing with the private sector. The Committee voiced some concern that retailers need to understand that the "relaxed enforcement" pertained only to errors and not compliance. Mr. Cram provided a spreadsheet, as requested by the Committee, on sales and use tax receipts from 1990 through 2003 ([Attachment 2](#)). The Chair thanked Mr. Cram for his testimony.

Chair Neufeld recognized Pat Scalia, Executive Director, Board of Indigents' Defense Services, who presented an update on cost estimates for death penalty defense for FY 2004 ([Attachment 3](#)). Ms. Scalia stated that when the FY 2004 budget request was prepared, the Board was not able to predict the length of the Carr and Robinson trials nor the extraordinary costs associated with these cases. In addition, there are eight cases going to trial and five appeals proceeding this year. Ms. Scalia noted that steps are being taken to control costs and produce revenue to deal with the shortage of funds. Responding to a question from the Committee, Ms. Scalia indicated that there are more death penalty cases filed in Wyandotte County than any other county in Kansas; however, more death penalty cases are tried in Sedgwick County. Ms. Scalia felt that the State should establish standards, similar to the federal government, so that an individual county prosecutor, who is elected on a county basis, could not incur death penalty liability for the

state without some statewide review by the Attorney General or other authority. Chair Neufeld thanked Ms. Scalia for her testimony.

The Chair recognized Candy Shively, Deputy Secretary, Social and Rehabilitation Services (SRS), who presented an update on federal penalties on the food stamp error rate ([Attachment 4](#)). Ms. Shively stated that SRS has completed a number of policy changes to impact the error rate and continues to work on other improvements to bring the error rate within the federal guidelines. Responding to a question from the Committee, Ms. Shively indicated that because a lot of the recipients are minimum wage earners and their income varies, the agency is going to a policy of six-month income averaging to help reduce the error rate. Ms. Shively explained that there is a 50 percent federal match to administrative costs and 100 percent federal funding on food stamp benefits. Ms. Shively noted that the State was given a one-year grace period, stating that it is too late to work on FY 2003 reporting. The agency is concentrating their efforts on FY 2004 and FY 2005 to bring the error rate below the national average. Chair Neufeld thanked Ms. Shively for her testimony.

The Chair recognized Ernest Johnson, Chair of the Sentencing Commission, who introduced Patricia Biggs, Executive Director, Sentencing Commission. Ms. Biggs presented testimony on the implementation of SB 123 highlighting three primary results: (1) 130 state-licensed treatment providers have been scheduled for certification training prior to November 1, 2003; (2) the supervision and treatment plans are due from the individual community correction agencies by September 1, 2003; and (3) the payment process has been revised to allow payment to the treatment providers for the expense of individual services to be handled by the Sentencing Commission. With reference to third-time possession convictions for FY 2003, Ms. Biggs stated that there were 18 prison admissions with 14 of those sentenced to prison and four probation-bound. Ms. Biggs noted that in the testing process in the impact model for the failure rate and percent of offenders expected to be revoked through the treatment process, a 35 percent rate was used. This rate was compared to rates in Arizona and Delaware. Ms. Biggs indicated that the assessment process will be standardized throughout the system using an Addiction Severity Index (ASI) administered at three separate times for comparison, a Substance Abuse Scale (SAS) will be administered at intake, as well as a Mental Health Screening Form Three. This process will be standardized throughout the system. The Chair thanked Ms. Biggs for her testimony.

Chair Neufeld recognized Roger Werholtz, Secretary, Department of Corrections, who provided comments on SB 123 and prison bed capacity ([Attachment 5](#)). Secretary Werholtz stated that the Department is intent on staying on schedule with implementation of SB 123 on November 1, 2003. The Secretary explained to the Committee that the shifting of some low-risk, low-need offenders from court services supervision to community corrections could sometimes cause more harm than good by the closer supervision. Secretary Werholtz indicated that no change in the number of beds is expected for the current year as a result of SB 123. If population projections hold, the Secretary indicated the State has approximately two years before more prison beds are needed. Secretary Werholtz also noted that he has signed a contract for private prison beds in Texas, in lieu of the Colorado beds, as a safety net to be used if needed. The advantage of this contract, which would be 90 percent paid for by federal funds, is to have space available if needed from a private vendor that is accredited and has the levels of supervision and security required, and also to negotiate an acceptable cost per bed. The Chair thanked Secretary Werholtz for his testimony.

Afternoon Session

Chair Neufeld recognized Audrey Nogle, Legislative Research Department, who presented an overview of the Community Developmental Disability Organization (CDDO) and SB 242 ([Attachment 6](#)). Ms. Nogle noted that SB 242 was not recommended by the Senate Ways and Means Committee during the 2003 Legislative Session.

The Chair recognized Stephanie Wilson, Executive Director, The Alliance for Kansans with Developmental Disabilities, who presented testimony on the Alliance's plan for separation and consolidation of the Community Developmental Disability Organization (CDDO) infrastructure ([Attachment 7](#)). The plan would reduce the number of CDDO districts from 28 to 13 and separate administrative duties from service providers. Ms. Wilson stated that the organization had some conversation with the Association of Counties. Responding to questions from the Committee, Ms. Wilson indicated that in the Alliance's plan, evaluation of progress and quality assurance could be done by the CDDO; however, case management would need to be addressed. Ms. Wilson noted that SB 242 is not clear on case management and evaluation of services. Chair Neufeld thanked Ms. Wilson for her testimony.

Chair Neufeld recognized Janet Schalansky, Secretary, Social and Rehabilitation Services (SRS). Ms. Schalansky presented testimony on SRS's assessment of the CDDO redesign proposal ([Attachment 8](#)). In answer to a question from the Committee, Secretary Schalansky stated that it was her understanding that it was not the intention of the redesign to eliminate funding for non-waiver (Medicaid) clients. With regard to case management and evaluation of progress, Margaret Zillinger, Director of Community Supports and Services, SRS, stated that there is ongoing discussion as to who would have the responsibility for these aspects. Responding to a question regarding a quality or appropriate care problem, Secretary Schalansky indicated that she did not feel it is a major problem within the present system. The Secretary acknowledged that there could be a conflict between the quality control done by the CDDO and SRS. With reference to a question from the Committee regarding contracts, Ms. Zillinger stated that there was no additional funding designated for capacity building; however, the contract states that administrative overhead from case management is to be used for capacity building. At the present time, this varies between CDDO's - more areas use it for case management, with some using the funds for capacity building. The Chair thanked Secretary Schalansky and Ms. Zillinger for their testimony.

Chair Neufeld recognized Jane Rhys, Director, Kansas Council on Developmental Disabilities, who presented testimony opposing the redesign proposal to reduce the number of CDDO's ([Attachment 9](#)). Ms. Rhys presented a proposal that would create regional long-term care resource centers to which consumers and their family members could go for intake, eligibility determination and referral, financial eligibility determination, and possibly case management, allowing consumers a one-stop, one-shop approach. Ms. Rhys noted that there are grant monies available from the Federal Administration on Aging and Centers for Medicaid and Medicare Services for start-up funding for such an endeavor; however, the deadline for the grant application has passed for the current year. Ms. Rhys stated that her agency has discussed this proposal with the Department on Aging and that the agency has begun internal planning to submit a proposal for next year. The Committee noted that the proposal primarily adopts everything in the redesign plan except the number of points of contact. Responding to a question from the Committee, Secretary Schalansky noted that because of the six waivers involved, it would be necessary to staff the centers with people who are knowledgeable of the requirements and conditions of all six waivers.

Chair Neufeld thanked Ms. Rhys for her testimony.

The Chair recognized Kathy Lobb, Legislative Liaison, Self-Advocate Coalition of Kansas (SACK), who presented testimony opposing the redesign proposal ([Attachment 10](#)). With no questions from the Committee, the Chair thanked Ms. Lobb for her testimony.

During Committee discussion and questions regarding the implications of reducing the number of CDDOs, Ms. Wilson indicated that with the Alliance's redesign proposal, they are attempting to provide the best and greatest amount of service with the available funds. The Committee voiced some concern that the redesign plan, which primarily changed the area of CDDOs in the central part of Kansas, will cause some counties to withdraw county funding. With regards to the federal match, Ms. Wilson pointed out that SRS can only raise the rate for case management up to that of the CDDO that has the least amount of available match; however, with the consolidation of CDDO regions, the rate can be pooled, would be higher, and could result in additional federal funding. Responding to another Committee question, Secretary Schalansky stated that SRS has some concern in raising the case management level by consolidating from 28 to 13 CDDOs. It was the consensus of the Committee that emphasis be placed on better service for Kansas citizens and not on the amount of federal dollars which the State could draw down.

The Chair recognized J. G. Scott, Legislative Research Department, who presented an update on State General Fund (SGF) receipts for FY 2003 ([Attachment 11](#)) and a monthly summary of FY 2004 layoff actions for the month of July 2003 ([Attachment 12](#)).

The Chair recessed the meeting until 9:00 a.m. on August 21, 2003.

August 21, 2003 Morning Session

Chair Neufeld reconvened the meeting at 9:10 a.m. and recognized Lesli Girard, Topeka Center Coordinator, Families Together. Ms. Girard presented testimony regarding the impact of SB 242 on the families served by Families Together ([Attachment 13](#)). Ms. Girard indicated that her organization serves approximately 12,000 families with their newsletter, of which 2,200 receive disability services. Ms. Girard felt their present system work wells to serve the consumer. The Chair thanked Ms. Girard for her testimony.

Chair Neufeld recognized Randall Allen, Kansas Association of Counties, who presented testimony with regard to the redesign of the CDDO, urging caution with change as the reorganization could encourage dis-investment in services by county policymakers ([Attachment 14](#)). Mr. Allen extended an invitation to members of the Committee to attend a conference to be held in November in Overland Park with county commissioners from across the state, for a workshop to include dialogue on how the redesign plan would affect the various entities. In response to a question from the Committee, Mr. Allen stated that he felt it is critical to have communication and sharing of ideas between the counties, CDDOs, and the Legislature in order to find out if and how the system could be improved and to have the support for the redesign plan. The Committee noted that the motive for SB 242 and a change to the current system is not financial but an opportunity to work with the entities involved to make the system better. With the permission of the Chair, Mr. Allen introduced Debbie Collins, Director of Government Relations, Johnson County Developmental Supports, who added comments concerning how the redesign of the CDDO would affect Johnson County ([Attachment 15](#)), and Colin McKenney, Director, Sedgwick County Developmental Disability Organization, who presented information on the CDDO system in Sedgwick County ([Attachment 16](#)).

Chair Neufeld recognized Mark Hinde, Director, Southwest Developmental Services, Inc. (SDSI), who presented testimony indicating that SDSI believes it would be beneficial to have a complete separation of CDDO responsibilities from direct service providers in the developmental disability system to eliminate any conflict of interest ([Attachment 17](#)). Responding to a question from the Committee, Mr. Hinde indicated that since SDSI has converted to a CDDO only, they have had strong support from the county government. Mr. Hinde noted that he felt it was important that if the separation between CDDOs and community service providers (CSP) went forward, it would also be important to reduce the number of districts from 28 to 13. The Chair thanked Mr. Hinde for his testimony.

Chair Neufeld recognized Mary Ann Keating, Executive Director, TARC, who presented testimony stating that TARC felt the present system works and does not support the legislation in SB 242 ([Attachment 18](#)). With no questions from the Committee, the Chair thanked Ms. Keating for her testimony.

The Chair recognized Tom Laing, Executive Director, InterHab, who presented testimony stating that InterHab is opposed to SB 242 ([Attachment 19](#)). Mr. Laing also provided the Committee with a copy of information of SRS developmental disability problems and solutions, which was produced by The Alliance for Kansans with Developmental Disabilities ([Attachment 20](#)). Responding to a question from the Committee concerning the reason for a 61.9 percent increase in CDDO administrative costs within the last five years as compared to a 20.6 percent increase for the total program, Mr. Laing felt that the administrative costs, which were approximately 4.5 percent of the total budget, were not excessive for the program. The Chair thanked Mr. Laing for his testimony.

The Committee was recessed until 1:30 p.m.

Afternoon Session

Chair Neufeld welcomed Howard Fricke, Secretary, Department of Administration (DOA), who presented testimony regarding the "maintenance surcharge" proposal the DOA has put forth beginning with the FY 2005 budget ([Attachment 21](#)). The decision has been made to assess a rental surcharge on all state agencies who lease space in Shawnee County. The Secretary noted that he would prefer establishing a line item in the DOA budget to cover routine maintenance of the State Capitol, Kansas Judicial Center, and Cedar Crest and discontinue charging state agencies through rent or maintenance surcharge. Secretary Fricke noted that this would bring the cost of leasing space to state agencies in state-owned buildings more in line with the cost of leasing privately owned building space. Responding to a question from the Committee concerning the \$485,163 charge for maintenance of Cedar Crest, the Secretary referred the question to Marilyn Jacobson, DOA Chief Financial Officer, who noted that the expense involves upkeep of the grounds and general maintenance of the house. Secretary Fricke stated that the Department is currently exploring the advantages and disadvantages of outsourcing the cleaning of state-owned buildings against doing this service in-house. Secretary Fricke also stated that the Department is continuing to work on establishing a complete inventory of state-owned vehicles, to identify where these vehicles are located, who they are assigned, to and how many miles are being driven annually. Within the next 30 days, the Secretary anticipates completion of the process and being able to make a recommendation for improvement. The Secretary noted that DOA is also moving forward in exploring options for solutions to the problems with the deteriorated conditions of the Docking and Landon Buildings. The Chair thanked Secretary Fricke for his testimony before the Committee.

J. G. Scott, Legislative Research Department, distributed a chart to the Committee showing the percent of increases in the SRS/HCP Developmental Disabilities Funding in administrative costs, which was referred to earlier during testimony from Tom Laing ([Attachment 22](#)). The Committee noted that it appeared the amount of the increase in administrative costs during the five-year period time frame seemed excessive as compared to other aspects of the program.

Chair Neufeld recognized Deb Hollon, Legislative Research Department, who presented an overview of the legislative history pertaining to the Higher Education Coordination Act, the KAN-ED Act, and the University Research and Development Enhancement Act ([Attachment 23](#)).

The Chair recognized Clay Blair, Chairman of the Board of Directors, Research and Development Enhancement Corporation, who presented an update on the University Research and Development Enhancement Act and current bonding. The three projects involved in this program include a facility at the University of Kansas Medical Center with an emphasis on life sciences, a state-of-the-art facility at Kansas State University with an emphasis on food safety and security research, and a facility at Wichita State University expanding the aviation engineering complex. Mr. Blair stated that the Board is spending more time up-front to make sure the plans for the three facilities are correct and has worked diligently to negotiate contracts for services to make the best use of the state's dollars. Responding to a question from the Committee, Mr. Blair indicated that the Board has issued approximately \$80 million in bonds at the present time at a rate of approximately 4.75 percent. Chair Neufeld thanked Mr. Blair for his testimony and the hard work he has put forth with the project.

Chair Neufeld recognized Reginald Robinson, President & CEO, Board of Regents, who presented an overview of SB 345 (Higher Education Coordination Act) implementation and KAN-ED implementation ([Attachment 24](#)). The Chair thanked Mr. Robinson for his testimony.

During discussion on the CDDO issue, the Committee stated that it is important that county governments be kept informed and included in any discussion concerning legislation or change to the system.

The Chair recognized Alan Conroy, Legislative Research Department, who presented an update on State General Fund (SGF) receipts for July FY 2004 ([Attachment 25](#)). As requested by the Committee, Mr. Conroy presented a State General Fund Profile, FY 2002-FY 2006 with an ending balance of 7.5 percent and a State General Fund Profile with no ending balance ([Attachment 26](#)).

The meeting was adjourned at 3:20 p.m. The next meeting of the Committee will be held on September 29-30, 2003.

Prepared by Shirley Jepson
Edited by Leah Robinson

Approved by Committee on:

September 30, 2003