

## MINUTES

### LEGISLATIVE BUDGET COMMITTEE

November 20-21, 2008  
Room 545-N—Statehouse

#### Members Present

Senator Dwayne Umbarger, Chairperson  
Representative Sharon Schwartz, Vice-Chairperson  
Senator Laura Kelly  
Senator Steve Morris (November 20)  
Representative Don Dahl  
Representative Bill Feuerborn  
Representative Lee Tafanelli

#### Member Excused

Senator Steve Morris (November 21)

#### Staff Present

Alan Conroy, Kansas Legislative Research Department  
J. G. Scott, Kansas Legislative Research Department  
Reagan Cussimano, Kansas Legislative Research Department  
Amy Deckard, Kansas Legislative Research Department  
Audrey Dunkel, Kansas Legislative Research Department  
Aaron Klaassen, Kansas Legislative Research Department  
Estelle Montgomery, Kansas Legislative Research Department  
Heather O'Hara, Kansas Legislative Research Department  
Michael Steiner, Kansas Legislative Research Department  
Jarod Waltner, Kansas Legislative Research Department  
Jim Wilson, Office of the Revisor of Statutes  
Jill Wolters, Office of the Revisor of Statutes  
Jonathan Doaz, Office of the Revisor of Statutes  
Melinda Gaul, Chief of Staff, Senate Ways and Means  
Nikki Feuerborn, Chief of Staff, House Appropriations  
Ann McMorris, Committee Assistant

#### Conferees

Mayor John Waltner, Chairman, Regional Economic Area Partnership  
Marilyn Jacobson, Department of Administration

Theresa Gordzica, University of Kansas  
Scott Wightman, ARM, Arthur J. Gallagher Risk Management Services, Inc.  
Debra Duncan, Director, Animal Facilities Inspection Program, Animal Health  
Department  
Dr. Andy Allison, Deputy Director, Kansas Health Policy Authority  
Scott Brunner, Chief Financial Officer, Kansas Health Policy Authority  
Aaron Dunkel, Deputy Secretary, Kansas Department of Health and Environment  
Don Jordan, Secretary, Department of Social and Rehabilitation Services  
Russ Jennings, Commissioner, Juvenile Justice Authority  
Dale Dennis, Deputy Commissioner, Kansas State Department of Education  
Bruce Shubert, Kansas State University  
Ed Heptig, Kansas State University  
Diane Duffy, Vice-President, Board of Regents  
Roger Werholtz, Secretary, Department of Corrections  
Jerry Sloan, Budget and Fiscal Officer, Judicial Branch

### **Others Attending**

See attached list.

## **November 20, 2008 Morning Session**

### **Review of Regional Economic Area Partnerships**

John Waltner, Mayor of Hesston and Chairman of the Regional Economic Area Partnerships (REAP), detailed the actions taken by REAP and provided specifics on the performance and effectiveness of this program. He also reviewed REAP responsibilities assigned by legislative action and the awarding of the initial \$5 million grant to Sedgwick County ([Attachment 1](#)).

### **State Building Insurance Policy**

Marilyn Jacobson, Director of Finance and Facilities, Department of Administration, provided statistics on various insurance policies carried by the State of Kansas on state properties ([Attachment 2](#)).

Theresa Gordzica, Chief Business and Financial Planning Officer, University of Kansas, provided information on the new state university property insurance policy ([Attachment 3](#)).

Scott Wightman, ARM, Arthur J. Gallagher Risk Management Services, Inc., described the Credentialed Broker Process where an entity has three basic options for procuring insurance. The best quote for the universities was received from Travelers Insurance Company and the most significant advantage to the State as a whole is that \$3.3 billion of property owned by the State now has a \$100,000 deductible instead of \$5,000,000 ([Attachment 4](#)).

### **Animal Health Department Facilities Fees**

Debra Duncan, Director, Animal Facilities Inspection Program, Animal Health Department, provided information on various categories of licensees, why a license is required, and the

associated fee for the license. A survey had been conducted with all other 49 states and six of them have inspection programs. Ms. Duncan charted the actual receipts for 2003 through 2008 from animal dealer fees ([Attachment 5](#)).

### **Overview of State Consensus Revenue Estimate**

Alan Conroy, Director, Kansas Legislative Research Department, explained the consensus revenue estimating process and that the estimates developed are the base from which the Governor and the Legislature build the annual budget. The economic forecast for Kansas has taken a significant turn for the worse this fall. Mr. Conroy provided information on Kansas Personal Income, Employment, Agriculture, Oil and Gas, Inflation Rates, Interest Rates, and State General Fund Receipts estimates for FY 2009 and FY 2010. He noted the next scheduled meeting of the Consensus Group will be in April, 2009 ([Attachment 6](#)).

There was discussion on whether it would be beneficial to the Legislature, in the budget process, if the Consensus Group were asked to meet earlier than April.

### **Overview of Human Services Caseloads**

Amy Deckard, Kansas Legislative Research Department, reported on actions taken to revise the estimates on human services caseload expenditures for FY 2009 and to make initial estimates for FY 2010 ([Attachment 7](#)).

### **Overview of Education Caseloads**

Reagan Cussimano, Kansas Legislative Research Department, provided statistics on FY 2009 and FY 2010 School Finance estimates. Twelve bond issues were passed in the last general election totaling over \$800 million ([Attachment 8](#)).

### **Overview of State Agencies Underspending and Shifting of Funds**

J. G. Scott, Kansas Legislative Research Department, explained the budget estimates and underspending and shifting of funds. Statistics on most agencies were provided ([Attachment 9](#)).

### **State General Fund Consensus Estimates**

Alan Conroy reviewed State General Fund receipts, expenditures, and balances with focus on FY 2009 and 2010 ([Attachment 10](#)).

Duane Goossen, Secretary, Department of Administration, was questioned about the Governor's requested 3 percent budget reduction for FY 2009. Discussion then followed on how the various agencies would achieve a 3 percent budget cut.

Chairperson Umbarger recessed the meeting until 1:30 p.m.

## **Afternoon Session**

### **Kansas Health Policy Authority**

Scott Brunner, Chief Financial Officer, Kansas Health Policy Authority (KHPA), reviewed the agency's FY 2009 reduction proposal as requested by the Governor. KHPA proposes two changes to its FY 2009 budget: (1) eliminate the generic drug program; and (2) revised estimate for HealthWave assistance was reduced. For the FY 2010 proposed reduction, two items will be considered: (1) expansion of the preferred drug list, and (2) time limited MediKan ([Attachment 11](#)).

Dr. Andy Allison, Deputy Director, KHPA, distributed copies of a slide presentation and briefly summarized the inclusion of mental health drugs in the preferred drug list. He noted that legislation would be required to remove state restrictions on KHPA handling mental health drugs and referred to slides 21 and 22 of his testimony. He discussed how guidelines would be required to appoint an advisory committee. He included an article entitled "Use of Antipsychotics in Children is Criticized" ([Attachment 12](#)).

### **Kansas Department of Health and Environment**

Aaron Dunkel, Deputy Secretary, Kansas Department of Health and Environment (KDHE), discussed the agency's 2.0 percent reduction to the FY 2009 budget and the 5.0 percent reduction package submitted in the agency's FY 2010 request. The 2.0 percent reduction in the FY 2009 budget allows the agency to continue its current operations with a few adjustments. He detailed how the budget functions work in KDHE ([Attachment 13](#)).

### **Kansas Department on Aging**

Kathy Greenlee, Secretary, Kansas Department of Aging, itemized the various budget items which are being considered in the Department's 2.0 percent reduction for FY 2009 and the 5.0 percent reduction for FY 2010 ([Attachment 14](#)).

### **Department of Social and Rehabilitation Services**

Don Jordan, Secretary, Social and Rehabilitation Services (SRS), presented actions being taken by SRS to meet the 2 percent base budget reduction in FY 2009 and FY 2010 and the reduced resources proposal submitted in the agency's FY 2010 budget plan at the 5 percent level ([Attachment 15](#)).

### **Juvenile Justice Authority**

J. Russell Jennings, Commissioner, Juvenile Justice Authority (JJA), itemized the reductions made in the agency's FY 2009 budget to comply with the Governor's directive. To conform to the 5 percent reduction for FY 2010, Atchison Juvenile Correctional Facility operations suspended in FY 2009 will remain suspended in FY 2010 ([Attachment 16](#)).

## **Kansas State Department of Education**

Dale Dennis, Deputy Commissioner, Kansas State Department of Education (KSDE), provided a detailed paper on the implementation of budget reductions for KSDE ([Attachment 17](#)).

A detailed slide presentation with charts and graphs on Trends in Kansas Reading, Kansas Math, Kansas Science Trends, and Kansas History/Government also was distributed to the Committee ([Attachment 18](#)).

Chairperson Umbarger recessed the meeting until 9:00 a.m. on Friday, November 21, 2008.

### **November 21, 2008 Morning Session**

#### **KSU Status Report on Tornado Repairs**

Bruce Shubert, Associate Vice President, Administration and Finance, Kansas State University (KSU), reported on the damage to properties owned by Kansas State University by the June 11, 2008 tornado and on the progress being made in repairing that damage. The insurance coverage was \$20 million with \$5 million deductible, and contents were not covered. He reviewed information provided in the spreadsheet on the expenses and reimbursement of cost on damaged buildings ([Attachment 19](#)).

Ed Heptig, Director, Kansas State University Facilities Management, reported that 41 buildings were damaged, and detailed the extent of the damage in several buildings. He testified that two managers have been assigned to work only with FEMA to assess, among other things, the insurance coverage. There was discussion on the proportion of FEMA versus state payment of uninsured damage.

Mr. Shubert provided information on the insurance coverage that has been put into effect since the tornado. He noted that contents will be covered under the new policy.

#### **Kansas Board of Regents**

Diane Duffy, Vice President for Finance and Administration, Kansas Board of Regents, presented an overview of: (1) The Kansas Higher Education Enterprise; (2) FY 2009 State Appropriations; (3) the Board's approach to the Governor's request for budget reductions; and (4) budget reduction recommendations FY 2009 and FY 2010. Ms. Duffy also reported on the November 10, 2008, meeting of the Board of Regents ([Attachment 20](#)).

#### **Department of Corrections**

Roger Werholtz, Secretary, Department of Corrections, provided a handout and explained the FY 2009 and FY 2010 budget figures. Secretary Werholtz stressed that the agency's main concerns are for public safety and direct services. The 5 percent proposed reduction in the budget will be a big economic impact on all the Department's facilities ([Attachment 21](#)).

## Judicial Branch

Jerry Sloan, Judicial Branch Budget and Fiscal Officer, reviewed the actions the agency had considered to achieve the budget reductions requested by the Governor and discussed its unique position ([Attachment 22](#)).

Chairperson Umbarger noted that there were no more conferees to be heard and the meeting was open for discussion and recommendations on reports the Legislative Budget Committee had heard by various agencies.

**New Targeted Case Management Rules.** Amy Deckard reviewed the background and Committee activities. SRS and KHPA addressed the recent changes in Targeted Case Management (TCM) reimbursement in Kansas and currently are completing a rate study in regard to TCM services. This study is anticipated to be completed in January 2009. North Central Flint Hills Area Agency on Aging conducted a pilot program to assist individuals in transitioning back into home settings. Action recommended – the House Appropriations and Senate Ways and Means Committees should be alerted to a need for reports on the results of the rate study and the pilot program in January 2009 ([Attachment 23](#)).

**Distribution of Fire Insurance Premiums Review.** Aaron Klaassen reported on the background and Committee activities. Three issues were discussed: apportionment of the 1.25 percent levy on fire insurance premiums; discontinuance of funding for the Bomb Unit; and duties and funding of the KU Fire and Rescue Training Institute (KF&RTI). It was determined that the issues of the Bomb Unit should be assigned to review by an appropriate committee. More focus should be added to training for volunteer firefighters by the KF&RTI. After discussing the distribution of fire insurance premiums, the Committee felt additional information was required from the Insurance Commissioner's Office before a recommendation could be made. Chairperson Umbarger asked staff to contact the Insurance Commissioner's office and invite representatives to appear before the Committee at 1:30 p.m. to clarify several matters ([Attachment 24](#)).

Chairperson Umbarger recessed the meeting until 1:30 p.m.

## Afternoon Session

On reconvening, the Chairperson called on Sabrina Wells from the Kansas Insurance Commissioner's Office. She explained the actions of the Insurance Department in regard to collection of 2 percent from the premiums insurance companies received on fire insurance policies from the citizens of the State of Kansas. She noted 1.25 percent of the premiums collected go to the Fire Marshal. She provided a chart showing amounts of these premiums for 2004 through 2007 ([Attachment 25](#)).

*It was moved by Representative Feuerborn and seconded by Senator Kelly to have a proposal on the table to look at changing the percent on the levy for the Fire Marshal. Motion carried.*

**State Building Insurance.** Audrey Dunkel, Legislative Research Department, reported on the new insurance policy by the Board of Regents and the \$100,000 deductible. No action was taken.

**Staffing of the Larned Sexual Predator Treatment Program (SPTP).** Estelle Montgomery, Legislative Research Department, reported on the current staffing and future staffing needs of the

SPTP. Concern was expressed on the need to provide safety and security for the patients and the community. This issue is to be referred to the House and Senate Judiciary Committees (Attachment 26).

**Non-Judicial Employee Pay Plan.** Reagan Cussimano, Legislative Research Department, noted the LCC had requested the Legislative Budget Committee to review the existing non-judicial employee pay plan and study the equity of the plan in comparison to the Executive Branch pay plans (Attachment 27). No action was taken.

**State Tourism Services Funding.** Michael Steiner, Legislative Research Department, reviewed the issue of funding for the proposed change in state tourism services. The Committee requested the Department of Commerce to present suggestions to improve state tourism services to the Senate Ways and Means Committee, the Senate Commerce Committee, the House Appropriations Committee, and the House Economic Development and Tourism Committee during the 2009 Legislative Session (Attachment 28).

**State Finance.** J. G. Scott, Legislative Research Department, presented a review of each of the items listed below (Attachment 29). Chairperson Umbarger asked for Committee recommendations.

- Atchison Juvenile Correctional Facility Suspension of Operations. Committee recommendation – no action.
- Legal Services Request for Proposals. Committee recommendation – no action.
- Department of Corrections Budget Reductions. Committee recommendation – no action.
- Total Tax Receipts for FY 2006, FY 2007, and FY 2008. Representative Tafanelli noted a format is needed to track all revenues. The Legislative Research Department could provide this spreadsheet. Committee recommendation – Refer to House Appropriations, Senate Ways and Means, and Senate and House Taxation to decide on requirements of such a document.
- Department of Health and Environment Labs. Committee recommendation – KDHE provide a detailed report to House Appropriations and Senate Ways and Means Committees with a deadline of January 26, 2009.
- Department of Transportation Federal Funding. Committee recommendation – no action.
- Aviation Industry in Kansas. Committee recommendation – no action.
- Disaster Relief Effort of the 2007 Floods. Committee recommendation – no action.
- Provisos allowed in Appropriation Bills. Committee recommendation – urge that any proviso be initiated in proper form. The Research Department will work with the Revisor's Office to prepare a list of provisos that come up each year automatically.
- Tour of KVC Behavioral HealthCare. Great facility.

Additional discussion was held on requesting an earlier meeting of the Consensus Group that currently is scheduled to meet on April 1, 2009. The earlier meeting would have to be scheduled after the indicator availability.

Kansas Animal Health Department – Debra Duncan provided additional information on licensees by category from 2000 through 2008, as per Committee request, when she testified on November 20, 2008 (Attachment 30).

## **Approval of Minutes**

*A motion was made by Representative Feuerborn, and seconded by Representative Schwartz, to approve the minutes of the Legislative Budget Committee for: (1) September 18-19, 2008, meeting; and (2) October 9-10, 2008 meeting. Motion carried.*

The minutes of meetings of the Legislative Budget Committee held on November 20-21, 2008 will be forwarded to the Committee by the Legislative Research Department. A deadline will be provided for any corrections, additions, or deletions by the Committee. After the deadline, the minutes will stand as approved.

Prepared by Ann McMorris  
Edited by J. G. Scott

Approved by Committee on:

December 16, 2008

(Date)