

## MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairperson Ron Ryckman at 9:00 am on Friday, March 18, 2016, 112-N of the Capitol.

All members were present

Committee staff present:

Kathy Holscher, Kansas Legislative Committee Assistant  
David Fye, Legislative Research Department  
Jennifer Ouellette, Legislative Research Department  
Jill Wolters, Office of Revisor of Statutes  
Daniel Yoza, Office of Revisor of Statutes  
J.G. Scott, Legislative Research Department  
Melinda Gaul, Administrative Assistant

Conferees appearing before the Committee:

Stephen Bailey, Pew Charitable Trusts  
Representative Helgerson  
Mike O'Neal, Kansas Chamber of Commerce  
Shawn Sullivan, Division of Budget, State of Kansas

Others in attendance:

[See Attached List](#)

### **Opening Remarks**

Chairman Ryckman called the meeting to order and reviewed the meeting agenda.

*Representative Highland made a motion to approve the minutes from the March 9, 2016 committee meeting. Representative Proehl seconded the motion. Motion carried.*

### **Bill introductions**

*Representative Hawkins made a motion to introduce legislation regarding combining the Board of Healing Arts and Board of Nursing. Representative Schwartz seconded the motion. Motion carried.*

### **Hearing on: HB2734 — Establishing a budget stabilization fund in the state treasury; revenue and expenditures; review of risk-based practices by the legislative budget committee.**

Jill Wolters, Office of the Revisor of Statutes, provided a briefing on the bill ([Attachment 1](#)). The bill establishes a budget stabilization fund in the state treasury on July 1, 2017. No moneys in this fund shall be expended without the approval through appropriation or other act of the legislature, or has been approved by the State Finance Council. The Legislative Budget Committee functions included, but was not limited to the following: study and review the policy regarding the balance; transfers to and

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expenditures from the fund; and make recommendations and introduce legislation necessary to implement the committee's recommendations. Beginning in FY 2018, the ending balance in the State General Fund (SGF) in any fiscal year will include the unexpended and unencumbered balances in the SGF and the Budget Stabilization fund. A review of the Governor's allotment authority followed. The establishment of a risk-based reserve fund policy was a recommendation by Alvarez and Marsal, she noted.

Stephen Bailey, The Pew Charitable Trusts, presented testimony as a proponent of the bill ([Attachment 2](#)) .

Representative Helgeson provided testimony as a proponent of the bill (No written testimony was provided).

Written testimony as a proponent of the bill was provided by Eric Stafford, Kansas Chamber([Attachment 3](#)) .

Written testimony in neutral position of the bill was provided by Annie McKay, Kansas Center for Economic Growth ([Attachment 4](#)) .

Chairman Ryckman closed the hearing on the bill.

### **Hearing on: HB2739 — State agencies; performance based budgeting; program service inventory; integrated budget fiscal process.**

Chairman Ryckman opened the hearing on **HB 2739**.

J.G. Scott, Legislative Research Department, provided a briefing on the bill ([Attachment 5](#)) . The bill establishes the framework to modify the current budget process, which would be completed on or before January 14, 2019. The steps for implementation are as follows: create a program service inventory; integrate the budget fiscal process; and establish outcome-based performance measures.

Mike O'Neal, Kansas Chamber of Commerce presented testimony as a proponent of the bill ([Attachment 6](#)) .

Mike O'Neal responded to questions from committee members. He emphasized the importance of budget decisions based on outcome measurements that reach the objective of the Rose Standards in K-12. He noted that there are available no-cost resources, as well as grants that would be helpful with the process of building the budget framework.

Shawn Sullivan, Director, Division of Budget, provided testimony as a proponent of the bill (no testimony was provided).

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Chairman Ryckman closed the hearing on the bill.

Discussion followed regarding the will of the committee to continue further discussion and work the bill. It was noted that the bill could be passed in committee with amendments brought to the full House. Continued work on the bill would not be subject to pay go rules, it was noted.

Representative Schwartz made a motion to suspend the rule and work **HB 2739**. Representative Claeys seconded the motion. Motion carried.

Representative Rhoades made a motion for the favorable passage of **HB 2739**. Representative Highland seconded the motion. Motion carried.

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### **Discussion on:**

Representative Waymaster, Chair, General Government Budget Committee, presented Alvarez and Marsal Efficiency Study recommendations([Attachment 8](#)) . He noted that a majority of the recommendations from the study were within the Department of Administration (DOA). The recommendation on strategically source top categories would require an upgrade to the SMART system. Concern was expressed regarding the timeline and additional cost for implementation. The centralization of management structure would work with the Office of Procurement on contract negotiations and competitive pricing of goods, services and products. The Department noted the high turnover rate in personnel was due in part to employee retirements. The Board of Regents do not go through the procurement process, therefore, the savings projected would be lower than estimated. In order to implement a statewide contract repository, a new search engine would be needed that would prioritize search words, as opposed to searching by subject matter. The payment of invoices on 30 day terms may address cash flow issues, but would be at a much lower savings than projected. Discounts for invoices paid early would require contract re-negotiations with vendors in order to identify any potential cost savings. The possibility of contracting with a telecommunications company is currently being reviewed. Contract negotiations are underway in order to reduce costs for wireless services. The committee discussed options regarding accrual and use of sick leave benefits. It was noted that there was the potential for additional costs for outsourcing leave administration

The estimated cost to upgrade the SMART system, in order to automate payments across all agencies, is approximately \$1.2 million. A pilot program for alternative memo billing was suggested, which would involve smaller state agencies. Employees are working on the tax appeals cases in order to capture additional funds in FY 2016. The possibility of reducing the number of fleet owned or leased by the state is currently underway and will be determined by the Executive Branch. The department is actively negotiating lease contracts for competitive pricing opportunities. A pilot program is currently underway to evaluate cost savings for outside printing. It was noted that the centralization of the Department of Commerce's human resources and information technology operations within the DOA could be implemented, however, the recommendation was not supported by the Department of Commerce. The opportunity to realign the Governor's Grants Office, may provide additional funding for the state, and it was recommended that the Education Budget Committee explore federal grant

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opportunities. The Department did not support the Alvarez and Marsal recommendation to fund the Office of Risk Management through increased assessments of worker's compensation insurers and businesses. The committee expressed the need for more oversight of the Office of Information Technology Services (OITS) budget regarding income from agency's services and expenditures. It was noted that legislative action has been introduced regarding statewide insurance procurement. The Department does the rebidding process. An up-front cash award for employee suggestions on efficiency savings has been introduced in the Senate. The Department did not believe that the non-discretionary performance bonus system could be easily implemented, due to the complexity of the boards and commissions. This was not approved in committee and has been tabled. Regarding state printing, it was noted that outside printing requires approval by the state printer as in the statutes. The committee recommended liquidating all non-state owned printers for additional cost savings. The non-discretionary performance Bonus System has been introduced in **SB 501**, he stated.

Representative Waymaster responded to questions from committee members. As requested, the number of vehicles owned and the total cost to the state will be forthcoming. The committee recommended further review of the fee funded agencies for possible consolidations. The concern for shared resources was expressed in regards to customer services.

Representative Carpenter, Chair, Social Services Budget Committee, presented Alvarez and Marsal Efficiency Study recommendation (See att. 2). There is a significant savings that could be realized with the operational improvements to reduce the PERM Rate. The rate for Kansas is 8 percent, as compared to the 3.5 percent nationally, which was determined in a 2012 study. He noted that the next PERM rate testing will be done in 2018. Concern was expressed that the department is understaffed, the KEYS program under-performed, and there is a back log of 7,000 Medicaid applications. It was noted that 35 states use social security information for determining eligibility. Additional staff was recommended to address the improved oversight of Managed Care Organizations (MCO) Program. The Children's Initiative Fund recommendation included further evaluation of Temporary Assistance to Needy Families (TANF) funding. The committee recommended further review on the possible consolidation of KDADS operations and the consolidation of Kansas Department of Children and Families (KDCF) regional service centers. The committee recommended the implementation of centralizing all Medicaid support functions with the Kansas Department of Health and Environment. In regards to the Healthy Birth Outcome Initiative, the committee recommended that the department implements an initiative to improve outcomes and identify costs. And, he stated that the KDCF is making a good effort on child support debt collection.

The meeting adjourned at 10:44 a.m.