

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 5:15 p.m. on May 3, 2010, in Room 548-S of the Capitol.

All members were present except:
Senator Apple - excused

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
Chris Courtwright, 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
Gordon Self, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Melinda Gaul, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees appearing before the Committee:

Joan Wagon, Secretary, Department of Revenue
Richard Cram, Department of Revenue

Others attending:

See attached list.

Discussion and Action on S Sub for HB 2631

Alan Conroy, Legislative Research Department, presented the following reports:

- Comparison of Fiscal Year 2010 and 2009 Actual General Fund Collections by the Department of Revenue (Attachment 1).
- Chairman Emler's Option No. 3 (Attachment 2).
- FY 2011 Senate Ways and Means Committee Recommendations, EXCLUDING Tax Increases, Senate Ways and Means Committee Recommendations as of April 29, 2010 (Attachment 3).

Responding to a question from the Committee, Joan Wagon, Secretary, Department of Revenue, stated that the agency has not seen an excessive increase in requests for extensions on individual income tax filing.

Michael Steiner, Legislative Research Department, informed the Committee that an additional technical adjustment is needed to set up a connected nation America Recovery and Reinvestment Act (ARRA) federal fund within the Department of Commerce.

Senator Schmidt presented an amendment to the Committee that would authorize the Department of Administration to enter into a one-year contract for a pilot project for health care cost containment and recovery services (Attachment 4). Senator Schmidt noted that additional language to be included to the

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CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 5:00 p.m. on May 3, 2010, in Room 548-S of the Capitol.

amendment states “and provided further, that such pilot project shall be implemented in such a manner as to coordinate with federal requirements to establish a Medicaid recovery audit contract pursuant to the federal health care act of 2010.” The intent of the proviso is to capture additional savings associated with Medicaid fraud and abuse.

Senator Taddiken moved to amend S Sub for HB 2631 by adopting Chairman Emler’s Option No. 3 and allow for a technical amendment to add a fund within the Department of Commerce. The motion was seconded by Senator Schmidt.

Senator Schmidt made a substitute motion to amend the original motion to include the proviso language for the 1-year pilot project for health care cost containment and recovery services; add language to the proviso stating “and provided further, that such pilot project shall be implemented in such a manner as to coordinate with federal requirements to establish a Medicaid recovery audit contract pursuant to federal health care act of 2010”; and amend the language in the proviso from the “Department of Administration” to the “Kansas Health Policy Authority (KHPA)”. The motion was seconded by Senator McGinn. Motion carried on a voice vote.

Senator Kelly moved to amend S Sub for HB 2631 by deleting the language on page 86, Lines 35 thru 43 and page 87, Lines 1-4 restricting America’s Job Link Alliance (AJLA) from providing employment services. The motion was seconded by Senator Lee. Motion carried on a voice vote.

A copy of a letter from Richard A. Hobbie, Executive Director, America’s Job Link Alliance (AJLA) in Kansas, was distributed to the Committee (Attachment 5).

Senator Kelly moved to recommend S Sub for HB 2631 as amended favorable for passage. The motion was seconded by Senator Teichman. Motion carried on a roll call vote of 11 - 1.

The meeting was recessed at 6:15 p.m. and reconvened at 7:30 p.m.

Discussion and Action on S Sub for HB 2360

Chris Courtwright, Legislative Research Department, presented an overview of the Chairman Emler’s Option 3 for an enhanced revenue package (Attachment 6). The revised revenue package would increase sales/use tax on July 1, 2010, to 6.3 percent for estimated revenues to the State General Fund (SGF) in FY 2011 of \$323 million and \$21 million to the State Highway Fund (SHF) for a total of \$344 million. The revenue package includes \$17 million from the decoupling of the state from the federal deduction of IRS Section 199. The total package would net \$329.163 million SGF and \$21 million SHF for a total of \$350.163 million All Funds (AF).

The Committee expressed a concern that decoupling from the IRS Section 199 will impose an additional burden on businesses within the State.

Responding to a question from the Committee, Richard Cram, Department of Revenue, indicated that the Department anticipates there will be modest additional administrative costs related to decoupling of the IRS Section 199.

Senator Vratil moved to amend S Sub for HB 2360 by adopting Chairman Emler’s Option No. 3 and recommend S Sub for HB 2360 as amended favorable for passage. The motion was seconded by Senator Kelly. Motion carried on a voice vote. Senators Masterson and Taddiken requested to be recorded as voting “no”.

Adjournment

The next meeting is “on call of the chair”.

The meeting was adjourned at 8:00 p.m.

**SENATE WAYS AND MEANS COMMITTEE
GUEST LIST**

DATE: May 1, 2010 - Afternoon Meeting

NAME	REPRESENTING
John Peterson	Capitol Strategy
Rob Johnson	Federico Consulting
Dustin Meyer	KHPA
Debra Pridemux	FHSLU
Victoria White	Pitt State U.
Manjorie Werly	EHU
Russ Jennings	JA
April Holman	Kansas Action for Children
Megan Pattenberg	KDOL
Barb Conant	KDOA
TUCK DUNCAN	KS wine/spirts wholesaler
Dick Koerth	KDWS
Erin Stafford	ASC of KS
Kim Wynn	LKMA
MARK DESETTI	KNET
Carolyn Smith	via Christi Health
Jim May	Spirit AeroSystems
Tom Bruno	Bruno & Assocs.
John Donlan	KS Lusk Assn
Christy Caldwell	Topeka Chamber of Comm
John Frederick	The Boeing Company
Linda deCoursay	American Heart Assn
Tracy Russell	ALA

**SENATE WAYS AND MEANS COMMITTEE
GUEST LIST**

DATE: May 1, 2010 - Afternoon Meeting

NAME	REPRESENTING
Mark Bozanyak	Capitol Strategies
Doug Mays	DMay & Associates
Whitney Gamm	WBG PA
David Corbin	KDOR
Kevin Morris	Coca-Cola BHTI
Cliff Eckles	KS Chamber
Duane Goossen	DoFA
Marilyn Jacobsen	DOA
Dodie Wellstead	Ad Astra Group
Mark Tallman	KASB
Bernie Koch	Ks. Economic Progress Council
Steve Horn	KS BOE
Kathy Cook	FAMILIES FOR EDUCATION
Traois Lowe	LITTLE GOVT RELATIONS
Mike Hammond	Assoc of UNHcs
Tom Gaynes	GSA
Bob Vance ^{um}	GKChalmers x BISI
Mitzi McFatrick	KABC
Lindsey Douglas	KDOT
Reed Davis	KDOT
RJ Wilson	KOSE
Levi Henry	Sandstone Group LLC
S. Therese Bangert	Ks. Cath. Conf.

**SENATE WAYS AND MEANS COMMITTEE
GUEST LIST**

DATE: May 1, 2010 - Afternoon Meeting

NAME	REPRESENTING
Kim Fowler	Judicial Branch
Melissa Wangemana	KAC
Shannon Jones	SILCK
Heidi Moxley	SKIL
JUNITH BARR	CAPITOL ADVANTAGE
Miko Murray	"
MARK HEIM	KWO
Earl Lewis	KWO
Tracy Streeten	KWO
John Mc	NOT
Ben Cleves	SRS
Diane Dultz	Kansas Board of Regents
Berend Koops	Hein Law Firm
Nancy Zogelman	Polsinelli
Craig Koberline	KAA
Doug Bowman	CCEDS
John Rankin	McLane Foulston Siefkin
Kod Meyer	KEMMER & ASSOC
Judy Racine	KCSL
Junie Rose	KCSL
Eric Wisner	KPA
Mary Jane Staniewicz	KGFA
Kevin Carr	KTEC

Kansas Department of Revenue
 Comparison of Fiscal Year 2010 and 2009 Actual General Fund Collections

(Dollars are in Thousands)

THRU
 April

	<i>Estimated</i>	<i>Actual</i>	<i>Actual Over/(Under) Monthly Estimate</i>		<i>Prior FY Actual</i>	<i>Actual Over/(Under) Prior FY Actual</i>	
	Month - Total	Month To Date	Dollar Change	Percent Change	Month - Total	Dollar Change	Percent Change
Corporate Inc.	\$15,559	\$14,780	(\$779)	-5.0%	\$32,042	(\$17,262)	-53.9%
Corporate Franchise	\$9,564	\$11,533	\$1,969	20.6%	\$16,992	(\$5,459)	-32.1%
Individual Inc.	\$428,688	\$353,920	(\$74,768)	-17.4%	\$467,682	(\$113,762)	-24.3%
Financial Inst.	\$4,452	\$2,133	(\$2,319)	-52.1%	\$5,318	(\$3,185)	-59.9%
Sales	\$133,071	\$144,603	\$11,532	8.7%	\$131,706	\$12,897	9.8%
Use	\$21,584	\$22,456	\$872	4.0%	\$20,436	\$2,020	9.9%
Liq. Enforcement	\$4,907	\$4,311	(\$596)	-12.1%	\$3,956	\$355	9.0%
Private Club	\$893	\$792	(\$101)	-11.3%	\$745	\$48	6.4%
Cigarette	\$8,743	\$8,587	(\$156)	-1.8%	\$8,868	(\$281)	-3.2%
Tobacco	\$525	\$556	\$31	5.8%	\$460	\$96	20.8%
Estate	\$2,328	\$2,072	(\$256)	-11.0%	\$463	\$1,609	347.5%
Motor Carrier	\$693	\$1,049	\$356	51.4%	\$2,045	(\$996)	-48.7%
Alcoholic Liq.	\$1,627	\$1,618	(\$9)	-0.5%	\$1,503	\$115	7.7%
C.M.B.	\$227	\$176	(\$51)	-22.5%	\$208	(\$32)	-15.5%
Oil Severance	\$5,103	\$4,051	(\$1,052)	-20.6%	\$1,436	\$2,615	182.1%
Gas Severance	\$3,165	\$3,206	\$41	1.3%	\$3,065	\$140	4.6%
Total	\$641,129	\$575,842	(\$65,287)	-10.2%	\$696,924	(\$121,082)	-17.4%

Chairman Emler's Option No. 3

Budget Bill Adjustments:

- Acknowledge the preliminary April State General Fund taxes only receipt of a shortfall of \$65.3 million in FY 2010.
- Acknowledge the anticipated receipt of \$25.0 million for the southcentral gaming facility privilege fee to the State General Fund in FY 2011.
- Reduce State General Fund expenditures in FY 2011 by \$158.0 million:
 - \$131 million for reduction for receipt of additional federal Medicaid match funds, based on the federal government extending the current higher Medicaid match rate (70 percent instead of 60 percent) for the last six months of FY 2011.
 - \$27 million for Medicaid recoveries through the implementation of the Health Care Cost Containment and Recovery Services pilot project in FY 2011. Include adding language requiring the Department of Administration to issue a Request for Proposal (RFP) for such pilot project.
 - Both of these actions will reduce State General Fund expenditures, but will increase other funds by a corresponding amount. There is no change in all funds.
- Add language allowing the Regents institutions to retain the savings from the 5.0 percent state officer salary reduction in FY 2010. The action is required for compliance with the federal American Recovery and Reinvestment Act (ARRA). The net result is the salary for the designated officers will be reduced, but the institutions will retain the savings for expenditure in other areas.
- Technical adjustment to add language to capture KPERS Death and Disability savings in FY 2010; the amount is already reflected in SGF Profile.

FY 2011 Senate Ways and Means Committee Recommendations, EXCLUDING Tax Increases
 Senate Ways and Means Committee Recommendations as of April 29, 2010 (Senate Sub. for HB 2631) Further Adjusted
 Adjusted for April State General Fund Consensus Revenue Estimate

STATUS OF THE STATE GENERAL FUND
FY 2010-FY 2012
 (In Millions)

	Senate Ways and Means Committee FY 2010	Senate Ways and Means Committee FY 2011	Estimated FY 2012
Beginning Balance	\$ 49.7	\$ -	\$ -
Receipts (April, 2010 Consensus Revenue Estimate)	5,254.3	5,094.7	5,640.0 *
Adjustment for April Actual Tax Only Receipts	(65.3)		
Governor's Other Revenue Adjustments (adjust transfers; continue KDOT transfer, etc.)	-	274.6	-
NO Governor's Recommended Sales/Use Tax Increase - 5.3% to 6.3%	-	-	-
NO Governor's Recommended Cigarette and Tobacco Product Tax Increase**	-	-	-
Senate Ways and Means Committee Revenue Adjustments (Senate Sub. for HB 2631)	20.1	45.9	-
Add Southcentral Gaming Facility Privilege Fee		25.0	
Total Available Revenue	\$ 5,258.8	\$ 5,440.2	\$ 5,640.0
Expenditures ***	6,144.3	6,088.9	6,210.3
Federal Economic Stimulus Legislation	(530.7)	(257.9)	-
Subtotal - Expenditures	5,613.6	5,831.0	6,210.3
Less Governor's Allotments and Net Other Adjustments	(159.2)	-	-
Senate Ways and Means Committee Adjustments (Senate Sub. for HB 2631)	(37.5)	(90.2)	-
Adjust for Continuation of Federal FMAP Rate (\$131.0 million) and Medicaid Recoveries (\$27.0 million)		(158.0)	
Expenditures Adjusted for a Zero Ending Balance	(158.1)	(142.6)	(570.3)
Total Adjusted Expenditures	5,258.8	5,440.2	5,640.0
Ending Balance	\$ -	\$ -	\$ -
Ending Balance as a Percentage of Expenditures	0.0%	0.0%	0.0%
Adjusted Receipts in Excess of Unadjusted Expenditures	\$ (158.1)	\$ (142.6)	\$ (570.3)
Two-Year Sum of SGF Ending Balance (FY 2010 and FY 2011)		\$ (300.7)	

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 Attachment 3

*) Assumes 4.0 percent growth in tax receipts.

***) Excludes Governor's recommended cigarette tax increase from \$0.79 to \$1.34 per pack; tobacco product tax increase from 10 percent to 40 percent.

****) FY 2012 expenditures include replacing federal economic stimulus funds; KPERS employer contribution increase; human services caseloads; special education increase and state employee undermarket salary adjustment.

Profile: SGF Profile Profile 1 - Senate Ways and Means Committee - May 3, 2010

STATE OF KANSAS

SENATE CHAMBER

MR. PRESIDENT:

I move to amend **SENATE Substitute for HB 2631**, as amended by Senate Committee, on page 71, after line 36, by inserting the following:

“(r) In addition to the other purposes for which expenditures may be made by the department of administration from moneys appropriated from the state general fund or any special revenue fund or funds for fiscal year 2010 and fiscal year 2011 for the department of administration as authorized by chapter 124 or chapter 144 of the 2009 Session Laws of Kansas or by this or other appropriation act of the 2010 regular session of the legislature, expenditures shall be made by the department of administration from the state general fund or any special revenue fund or funds for fiscal year 2010 or fiscal year 2011 to enter into a one-year contract for a pilot project for health care cost containment and recovery services to be implemented regarding programs of state agencies or programs responsible for the payment of medical or pharmacy claims, including the department of social and rehabilitation services, department on aging, Kansas health policy authority, juvenile justice authority, department of labor, department of health and environment and the state health care benefits program, as provided in K.S.A. 75-6501 through 75-6523, and amendments thereto: *Provided*, That the pilot project shall be designed to provide statewide efficiencies and cost savings across multiple state agencies and the state health care benefits program: *Provided further*, That the pilot project shall include services to extract savings and recover funds for health care services paid

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Date 5-03-2010
Attachment 4

by any state agency to include, but not be limited to, the recovery of overpayments identified through claims review and provider audits; and co-ordination of payment between private insurers, Medicare, and other public and private payers of health care claims: *And provided further*, That the pilot project shall include these services and additional services as approved by the department of administration and the affected state agency: *And provided further*, That the pilot project shall be supplemental to audit and recovery projects already conducted by individual state agencies and shall determine ways to improve efficiencies by coordinating audits and recovery program activities across multiple state agencies: *And provided further*, That the contract for the pilot project shall provide for the vendor to be compensated by a percentage of recoveries or savings attained: *And provided further*, That, upon completion of the pilot project, the secretary of administration shall report to the legislature the savings generated from the pilot program and make recommendations regarding extension of the pilot program, termination of the program, or competitive procurement for the services provided thereunder: *And provided further*, That such contract shall be entered into through a request for proposal process: *And provided however*, That nothing in the contract for such pilot project shall make null and void any other contract that a selected vendor under such request for proposal may currently be entered into with the state of Kansas.”

Senator _____

April 29, 2010

Honorable Bill Thornton
Secretary
Kansas Department of Commerce
1000 SW Jackson St, Suite 100
Topeka, KS 66612-1354

Dear Secretary Thornton:

I am writing to express opposition to legislative language in budget bills SB 73 and HB 2631 that would eliminate jobseekers' and employers' ability to access online employment services provided by America's Job Link Alliance (AJLA) in Kansas and nineteen other states.

The Kansas Department of Commerce hosts AJLA via an agreement with the National Association of State Workforce Agencies (NASWA). NASWA, a non-profit association of all state workforce agencies, functions as AJLA's fiscal agent. In 2001, Kansas, through a federal grant from the U.S. Department of Labor, developed a software package to support state job banks and other employment services. Subsequently and as a response to federal incentive, AJLA was created to help Kansas and other states use the federally created tool in a cost-effective manner. Today AJLA provides twenty (20) state workforce agencies cost-effective technical support in implementing and maintaining the federally-funded software for state job banks and other employment services.

At a time when states are recovering from the worst recession since the Great Depression, this provision would have serious ramifications, including:

- 1) State workforce agencies will not have this cost-effective approach to provide state job banks. Millions of jobseekers will lose access to their job-search service available through One-Stops.
- 2) Employers of all sizes use state job banks to recruit for their workforce and to meet federal diversity hiring requirements. They will no longer have access to these cost-effective services.
- 3) State workforce agencies will lose this cost-effective means to collect required performance information for the Workforce Investment Act, the publicly-funded job training program for the nation's unemployed, low-skilled and low-income populations.

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Date 5-03-2010
Attachment 5

Given the fiscal crisis facing state governments, eliminating a cost-effective service valued by employers and jobseekers raises serious concerns. A job bank that delivers an average of 5,000 job openings per month to Kansas jobseekers deserves your support. We urge you to work with your Governor to line-item veto this provision.

Thank you for your consideration in this important matter. Also, attached please find a letter from Ms. Patricia Moutlon Powden, Commissioner, Vermont Department of Labor, discussing how your state's actions would impact her agency. Please call me if you have any questions on 202.434.8022.

Sincerely,

Richard A. Hobbie, Ph.D.
Executive Director

cc: Caleb Asher

Proposal for Ways and Means Consideration -- Chairman Emler's Option 3

	Sales/Use Tax Increase to 6.3% on 7/1/10; Rate falls to 5.7% on 7/1/13; SHF receives \$21 million in FY 2011-13. SHF gets all of excess above 5.3% beginning in FY 2014.			SGF Diversion of Sales Tax Revenue for Intermodal		Expand FS Rebate Program to 35k and incr refund amts to 45/90	Disallow Deduction of IRS Section 199 Domestic Production Profits	total package sgf	total package shf	total package all funds
	<u>sgf</u>	<u>shf</u>	<u>total</u>	<u>sgf</u>	<u>sgf</u>	<u>sgf</u>	<u>sgf</u>	<u>sgf</u>	<u>shf</u>	<u>all funds</u>
FY 2011	\$323.086	\$21.000	\$344.086	-\$0.023	-\$10.900	\$17.000	\$329.163	\$21.000	\$350.163	
FY 2012	\$367.504	\$21.000	\$388.504	-\$0.083	-\$11.445	\$17.000	\$372.976	\$21.000	\$393.976	
FY 2013	\$381.102	\$21.000	\$402.102	-\$0.208	-\$12.017	\$17.000	\$385.877	\$21.000	\$406.877	
FY 2014	\$29.399	\$171.967	\$201.366	-\$0.387	-\$12.618	\$17.000	\$33.394	\$171.967	\$205.361	
FY 2015	\$0.000	\$189.526	\$189.526	-\$0.538	-\$13.249	\$17.000	\$3.213	\$189.526	\$192.739	
5-yr total	\$1,101.091	\$424.493	\$1,525.584	-\$1.239	-\$60.229	\$85.000	\$1,124.623	\$424.493	\$1,549.116	

Senate Ways & Means Cmte

Date **5-03-2010**

Attachment **6**