

February 5, 2019

The Honorable Carolyn McGinn, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas 66612

Dear Senator McGinn:

SUBJECT: Fiscal Note for SB 2 by Senator Denning

In accordance with KSA 75-3715a, the following fiscal note concerning SB 2 is respectfully submitted to your committee.

SB 2 would create the Federal Medical Assistance Percentage Stabilization Fund in the Department of Health and Environment (KDHE). The bill would require that any funds recovered from the federal government as a result of the pending lawsuit *Texas v. United States*, no. 7:15-cv-00151-O be deposited into the new fund. In years when the Federal Medical Assistance Percentage (FMAP) increases resulting in lower state expense for Title XIX programs, the bill would require a transfer of the amount of those savings from the State General Fund to the new stabilization fund. In years when the FMAP decreases, the corresponding dollar amount of increased state share responsibility would be transferred from the stabilization fund to the State General Fund. Beginning in FY 2020, all transfers from the Federal Medical Assistance Percentage Stabilization Fund would have to be used to fund additional Title XIX cost incurred due to any decreased in the Kansas FMAP.

Beginning in FY 2020, on each December 1 and June 30, the Secretary of KDHE would be required to determine and certify the amount of any increased or decreased state obligation for Title XIX costs resulting from increases or decreases to the FMAP. Upon such certification, the Director of Accounts and Reports would implement the transfers to and from the Federal Medical Assistance Percentage Stabilization Fund and the State General Fund as specified by the bill. On or before September 1 of each year, the Secretary would submit an annual report to the Legislative Budget Committee and the Legislature detailing the transfers to and from the fund and the expenditures from the fund.

The Kansas Attorney General's Office states that the moneys recovered under the definitions of this bill would include any attorney fees, expenses or costs that are awarded to the State of Kansas under this lawsuit. Normally in such cases, attorney fees, expenses and costs are retained by the Office of the Attorney General to reimburse the office for expenses incurred in the lawsuit. Therefore, the Office would experience a net loss of costs incurred. Additionally, the Kansas Attorney General's Office states that *Texas v. United States* is still in litigation and it is unknown if or when any funds may be received.

KDHE states that the FMAP for Kansas is increasing by 2.13 percent from FY 2019 to FY 2020 which will result in increased federal funding and a corresponding decrease in state funding for Title XIX expenditures. Under the current Consensus Caseload Estimate the state will be required to spend \$64.4 million less from the State General Fund. These State General Fund savings are reflected in *The FY 2020 Governor's Budget Report*; however, the transfer of \$64.4 million from the State General Fund to the Federal Medical Assistance Percentage Stabilization Fund that would be required by this bill is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell", written in a cursive style.

Larry L. Campbell
Director of the Budget

cc: Dan Thimmesh, Health & Environment
Willie Prescott, Office of the Attorney General