

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Stephen Morris at 10:35 a.m. on January 21, 2004, in Room 123-S of the Capitol.

All members were present except:
Senator Jim Barone- excused

Committee staff present:

Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Debra Hollon, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Norman Furse, Revisor of Statutes
Jill Wolters, Senior Assistant, Revisor of Statutes
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Irene Cumming, President and Chief Executive Officer, University of Kansas Hospital Authority
Bill Keeton, Assistant Vice President and Economist, Economic Research Department, Federal Reserve Bank of Kansas City

Others attending:
See Attached List.

Bill Introduction

Senator Adkins moved, with a second by Senator Helgerson, to introduce a bill concerning the State General Fund; relating to revenue estimates (3rs1451). Motion carried on a voice vote.

Chairman Morris welcomed Irene Cumming, President and Chief Executive Officer, University of Kansas Hospital Authority, who reported on the status of the University of Kansas Hospital Authority (Attachment 1). Copies of the Fiscal Year 2003 Annual Report for the University of Kansas Hospital Authority were distributed by Ms. Cumming. Copies of the annual report are on file with the Kansas Legislative Research Department.

Ms. Cumming informed the Committee of the achievements of the Hospital Authority over the past five years and spoke about issues they still must face. She mentioned that even though the Kansas Legislature has been a national leader in tort reform, the hospital's malpractice insurance costs continue to climb. Ms. Cumming noted that the hospital's annual malpractice premiums have gone up an average of 47 percent each year.

This past year Ms. Cumming indicated that the hospital provided nearly \$52 million in uncompensated care with about 15 percent of the uncompensated care from Missouri. She explained in her testimony about the lawsuit against Missouri regarding low out-of-state hospital payments. Ms. Cumming explained that upon final settlement, Missouri issued a new set of rules which basically will shut off 99 percent of the Missouri Medicaid patients and payments to out-of-state hospitals. Senator Kerr offered to send a personal letter to the Senate President of the Missouri State Legislature regarding the situation. Ms. Cumming mentioned that she felt that would be helpful and offered to help in drafting an appropriate letter to define things a little more. There were committee questions and discussion followed.

Chairman Morris welcomed Bill Keeton, Assistant Vice President and Economist, Economic Research Department, Federal Reserve Bank of Kansas City, who presented an update on the Kansas Economy (Attachment 2). Mr. Keeton mentioned that the Kansas economy has strengthened since the summer. Employment has begun to edge up and unemployment has been stable after increasing sharply during the recession and in the early stages of recovery. In other positive news, retailers throughout our region were generally pleased with holiday sales and consumer sentiment seems to have firmed. Manufacturing has also rebounded somewhat. Housing activity has been showing some signs of slowing but it remains quite high

CONTINUATION SHEET

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by historical standards. Farmers have benefitted from high grain and cattle prices being up until the outbreak of BSE disease in the state of Washington at the end of December. Mr. Keeton noted that looking ahead prospects for a continued recovery in 2004 appear good.

Mr. Keeton mentioned that a key question in both Kansas and the nation is whether businesses will start hiring and spending soon enough to take some of the pressure off of the consumer who up until now has really been keeping the recovery going. He noted that, fortunately, they are seeing some signs in the region of such a rebound in business hiring and spending. Equally important for Kansas is the farm outlook for Kansas has also brightened. Grain prices are likely to rise in 2004 in response to historically low inventories and cattle prices are poised to rebound if and when foreign bans on U. S. Beef exports are lifted.

In summarizing, Mr. Keeton explained that:

- Like the nation, Kansas is slowly recovering from the recession
- For recovery to continue, businesses must start investing and hiring
- Most economists think this will happen, allowing recovery to continue

The meeting adjourned at 11:50 a.m. The next meeting is scheduled for January 22, 2004.