

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on January 21, 2010, in Room 548-S of the Capitol.

All members were present except:
Senator Pat Apple - excused

Committee staff present:
J. G. Scott, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Dylan Dear, Kansas Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Melinda Gaul, Chief of Staff
James Fisher, Intern
Shirley Jepson, Committee Assistant

Conferees appearing before the Committee:
Barb Hinton, Legislative Post Auditor, Legislative Division of Post Audit

Others attending:
See attached list.

Introduction of Legislation

Senator Masterson moved to introduce legislation establishing the passenger rail service program (9rs1240). The motion was seconded by Senator McGinn. Motion carried on a voice vote.

Senator Emler moved to introduce legislation concerning certain electronic payments received by state agencies (9rs1328). The motion was seconded by Senator Kelly. Motion carried on a voice vote.

Summary of Recent Legislative Post Audit Reports

Barb Hinton, Legislative Post Auditor, Legislative Division of Post Audit, provided testimony on Recent Legislative Post Audits and Summary of Legislative Post Audit Summary of Performance Audits Currently Under Way or Approved as of January 20, 2010. Recommendations and legislative actions are included in the report (Attachment 1).

Legislative audits addressed by Ms. Hinton included:

- Financial Regulatory Agencies in Kansas: A K-GOAL audit determining whether functions could be combined to gain cost efficiencies (September 2008).
- Agricultural-Related Agencies: A K-GOAL audit determining whether cost savings could be achieved by making the Animal Health Department and the Conservation Commission Part of the Department of Agriculture.
- Department of Education: School District Efficiency Audit
- Department of Education: Efficiency Audit of the Derby School District
- Adult Correctional Agencies: Determining Whether Functions Could Be Combined to Gain Cost Efficiencies

The Committee voiced concern that merging the functions of the Sentencing Commission and the Parole Board into the Department of Corrections could cause a conflict of interest. Ms. Hinton noted that Post Audit reviewed similar merges and felt it could be managed.

01/21/2010

CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 10:30 a.m. on January 21, 2010, in Room 548-S of the Capitol.

- Child-Care Assistance: Determining Whether SRS' Procedures Limit the Risk fo Improper Payments
- Vehicle Travel: Determining Whether the State Is Becoming More Cost Efficient With Its Vehicle Fleet
- State Universities: Can They Provide Postsecondary Education More Efficiently To Reduce Costs (A K-GOAL audit).
- J-12 Education: Reviewing Issues Related to Catastrophic Funding for Special Education

Adjournment

The next meeting is scheduled for January 22, 2010.

The meeting was adjourned at 11:50 a.m..

Summary of Recent Legislative Post Audit Reports
As of January 21, 2010

Audit Title	Key Findings for This Committee	Legislative Actions Needed
<p>Financial Regulatory Agencies in Kansas: A K-GOAL Audit Determining Whether Functions Could Be Combined To Gain Cost Efficiencies (September 2008; 08PA22)</p>	<p>Kansas has separate agencies that regulate banks, credit unions, and securities. In 43 other states, banks and credit unions are regulated by a single agency. In 21 states, securities regulation also is housed in the same agency that regulates banks and credit unions. Consolidating these three agencies in Kansas could save at least \$260,000 a year in costs, primarily from eliminating or restructuring managerial or administrative support positions (economies of scale). Total cost savings could be significantly higher after a detailed review and restructuring of inspectors' examination schedules.</p> <p>Almost all the savings would come from combining the bank and credit union departments. These are fee-funded agencies, so the savings would not impact the General Fund. Several issues related to governance and operation of a consolidated agency would need to be addressed in making the policy decision to combine any or all of these agencies.</p> <p>We also identified approximately \$295,000 in annual savings that could be achieved through other operational efficiencies, regardless of whether the agencies are consolidated. These types of operational efficiencies could be applicable to other State agencies that <u>are</u> funded with SGF dollars:</p> <ul style="list-style-type: none"> • Using a risk-based approach. State law requires banks and credit unions to be examined at least once every 18 months. However, the Department of Credit Unions examines all Kansas credit unions once every 12 months. If the Department were to examine non-problem credit unions once every 18 months, and continue to examine problem credit unions once every 12 months, only 65 of the 88 State-chartered credit unions would need to be examined each year. Doing so would allow the Department to eliminate 2 full-time-equivalent examination positions, saving an estimated \$84,000 in compensation and \$23,000 in related travel costs and other incidental expenditures per year. This analysis continues to allow examiners to conduct <u>all</u> other associated monitoring visits for problem entities, as well as other activities they perform as part of their job duties. • Working from home. Bank and credit union examiners spend most of their time on-site at the institutions they examine. Credit union examiners in Kansas currently work out of their homes, but the 63 examiners of the Bank Commissioner's Office work out of six regional offices and the central administrative office in Topeka. Having bank examiners work from home could save an estimated \$106,000 per year in lease costs. • Adhering to the space standards recommended by the Department of Administration. Those standards are 210-250 square feet of usable space per person, which includes hallways, break rooms, conference rooms, etc. Combined, the three regulatory agencies will spend about \$500,000 in rent in FY 2009. Renegotiating leases and reducing the amount of space they lease to 250 square feet per employee would reduce current rent expenditures by about \$80,000. 	<p>To help achieve the goals of combining the three agencies with similar missions and functions, reducing operating costs, and increasing administrative efficiencies, we recommended the Legislature consolidate the regulation of banks and credit unions into a single agency, and consider consolidating the regulation of securities under the same financial-regulatory agency. We spelled out a number of other steps the Legislature would need to take related to that consolidation.</p> <p><u>As a starting point in the discussion</u>, the Legislative Post Audit Committee introduced SB 230, which would implement this recommendation.</p> <p>We also made a number of recommendations to the agencies that would help them achieve operational efficiencies, whether or not they are consolidated.</p> <p><i>Our Fiscal Year 2009 Follow-Up Report highlighted the recommendation to merge these agencies (at least the Department of Credit Unions and the Bank Commissioner's Office) as something the Legislature should reconsider during the 2010 session.</i></p>

Senate Ways & Means Cmte
Date 1-21-2010
Attachment 1

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<p>Agricultural-Related Agencies: A K-GOAL Audit Determining Whether Cost Savings Could Be Achieved By Making the Animal Health Department and the Conservation Commission Part of the Department of Agriculture (December 2008; 08PA23)</p>	<p>Kansas is one of only six states that doesn't place any of its animal health oversight or conservation grant functions within its Department of Agriculture. The remaining 44 states have varying degrees of those functions placed under their Departments of Agriculture. Kansas could save at least \$710,000 a year in operating efficiencies by merging the two agencies with the Department of Agriculture. [These two agencies combined spent about \$1.9 million in SGF dollars in FY 2008, \$1.8 million in fees and transfers, \$1.3 million in federal funding, and \$15.2 million in State Water Plan dollars. Their total expenditures that year were about \$20.1 million.]</p> <p>About \$630,000 of the savings would come from being able to eliminate or restructure management positions, eliminate a federally funded emergency management specialist position and transfer those duties to the Homeland Security Specialist position at the Department of Agriculture, and eliminate 9 support positions. The duties of those 9 support positions would not be needed because the Department of Agriculture has a highly automated inspection function that can operate with fewer clerical staff, and has existing accounting or administrative support staff that could absorb some additional duties.</p> <p>All programs would be transferred to the Department in our analysis, and only one of the currently funded professional or technical staff positions directly related to those programs (noted above) would be cut. Agency officials expressed concerns about restructuring, but we think those issues could be overcome. We also noted other opportunities for improving how efficiently these agencies operate, including changing from annual licensing to multi-year licensing, and fully automating various processes, such as inspection reporting, grant application, licensing, and permitting.</p>	<p>To help achieve the goals of combining the three agencies with similar missions and functions, reducing operating costs, and increasing administrative efficiencies, we recommended that the Legislature merge the Conservation Commission and Animal Health Department with the Department of Agriculture. We identified a number of other steps the Legislature would need to take related to that consolidation, including spelling out the roles of the applicable Boards, ensuring that fees generated by one agency don't subsidize another, and determining the powers that would be given to the Livestock Commissioner (for example, State law currently gives certain powers to the chief Engineer of the Department of Agriculture, not the Secretary).</p> <p><u>As a starting point in the discussion</u>, the Legislative Post Audit Committee introduced SB 231, which would implement this recommendation.</p> <p>We also made a number of recommendations to the agencies that would help them become more efficient and effective, whether or not they are consolidated.</p> <p><i>Our Fiscal Year 2009 Follow-Up Report highlighted the recommendation to merge these agencies as something the Legislature should reconsider during the 2010 session. The Governor's Budget estimates that merging the Animal Health Department into the Department of Agriculture would save \$300,000 in fiscal year 2011.</i></p>
<p>Department of Education: School District Efficiency Audit (July 2009; 08PA11)</p>	<p>This audit was limited to a review of available data to identify trends or patterns that could shed light on districts' efficiency. Our key findings:</p> <ul style="list-style-type: none"> • Districts' non-instructional operational spending per student is primarily driven by student enrollment—the more students they have, the less spent per student. • Districts that spent more per student tended to have more staff or pay more, have more school buildings, contract for busing, or have higher insurance costs. • School districts don't always report staffing and expenditure data consistently, making meaningful comparisons difficult. Examples of large staffing differences and data miscategorizations we saw: <ul style="list-style-type: none"> ➢ The Winfield school district has 32 student support staff (social workers, nurses, and counselors) as compared to 10 in most similar-sized districts. ➢ The Goessel school district reported spending only \$4 per student on student support (the average was \$242 per student). 	<p>We made recommendations to the Department of Education and the House and Senate Education Committees to help improve the accuracy of the expenditure and staffing data districts report. We recommended that the Legislative Post Audit Committee or the 2010 Commission consider approving a more in-depth school district efficiency audit.</p>

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<p>Department of Education: Efficiency Audit of the Derby School District (December 2009; 09PA14)</p>	<p>The Derby school district requested an efficiency audit to help them identify ways they could reduce costs without affecting the education they provide students.</p> <p>We identified a number of opportunities for the district to operate more efficiently and reduce costs which, if addressed, could save the district just more than \$1 million a year. Those opportunities included the following:</p> <ul style="list-style-type: none"> • Changing from a block schedule to a traditional schedule at the high school (estimated annual savings of \$600,000). We looked at this area at the district's request. By using a block schedule, the district is giving teachers 96 minutes of planning time a day, even though their contracts only call for 55 minutes. In addition, the district spent more than \$100,000 in 2009-10 "buying back" planning time from 11 teachers to get them to teach a sixth class. That means the district paid for some of those minutes twice—once as part of the teacher's regular salary, and again to have them teach the extra class. • Filling classes at the high school to the capacity's the district has set (\$200,000) • Using librarian aids in place of some librarians (\$160,000) • Consolidating administrative buildings (\$24,000 annual savings in operating costs) • Maximizing the use of business procurement cards (\$12,000) • Eliminating the arrangement where a full-time staff member also performs the duties of a part-time energy manager (\$9,500/year) • Using only electronic payroll deposits (\$5,000) • Not paying for maintenance uniforms (\$6,600) • Placing controls and limits on overtime pay (currently paying \$300,000 in OT/year. Much of that OT relates to custodial staff, who come in at night to cover community activities held at the school outside regular hours 	<p>We recommended that the Derby school district develop a systematic efficiency-management process to help identify opportunities to improve the efficiency of its operations. We made several recommendations to the Derby school district to address the cost savings opportunities we identified.</p>
<p>Adult Correctional Agencies: Determining Whether Functions Could Be Combined To Gain Cost Efficiencies (October 2009; 10PA02)</p>	<p>This audit focused on whether significant cost savings could be achieved by merging the functions of the Sentencing Commission and the Parole Board into the Department of Corrections.</p> <p>Few states place their parole function within correctional agencies. Also, merging the 3-member Parole Board—which is primarily responsible for granting and denying parole—into the Department of Corrections would not achieve any additional operating efficiencies because the Board's staff functions already are carried out by Department staff, and Board members already are co-located with the Department.</p> <p>Kansas is 1 of only 6 states in which a sentencing commission, and not a correctional agency, performs prison population projections or related legislative impact estimates; most states provide one or both of those functions through their correctional agencies. Merging the Sentencing Commission's staff function into the Department of Corrections (e.g., making it a Division of Sentencing) would allow the State to achieve about \$152,000 a year in savings by eliminating duplicate administrative functions—including agency management, payroll, IT support, and the like—and the staff positions and other costs associated with them. This amount represents about 20% of the Commission's current annual operating costs. Potential conflicts of interest related to merging this function could be overcome, and the 17-member Sentencing Commission could remain as an independent advisory body to the Department and the Legislature.</p>	<p>The report recommends that the Legislature merge the Sentencing Commission into the Department of Corrections to achieve the efficiencies and cost savings we identified. The report also contains recommendations for the Commission and the Department to improve the operational efficiency of those agencies and to reduce operating costs.</p>

	<p>If only the administrative functions of the Commission's staff were merged into the Department, and not the research functions, the savings would be reduced to about \$48,000 a year.</p>	
<p>Child-Care Assistance: Determining Whether SRS' Procedures Limit the Risk of Improper Payments (July 2009; 08CC04)</p>	<p>During fiscal year 2008, SRS spent \$78.1 million on child-care assistance for about 11,000 families and 21,000 children. Parents or other relatives receiving the assistance must be working or in a job-training or educational program, and must have an income that's less than 85% of the State's median income (depending on family size). Federal regulations give states considerable flexibility.</p> <p>SRS generally has established reasonable and well-designed procedures to help prevent or detect improper payments in the Program. However, SRS has adopted eligibility criteria that allowed 571 families whose incomes were significantly above income-eligibility limits to receive \$1.8 million in child-care assistance in 2007. Those included 30 families whose incomes topped \$100,000 in 2007, and who received an average of \$3,400 in child-care benefits each. In many of these situations, the child is being cared for by a non-custodial (not legally responsible) party, such as a grandparent or aunt/uncle.</p>	<p>To ensure that Program moneys are used only to help those in financial need, SRS should report to specified legislative committees on its rationale for allowing certain high-income families to participate in the Program, and the fiscal impact of that decision.</p>
<p>Vehicle Travel: Determining Whether the State Is Becoming More Cost Efficient With Its Vehicle Fleet (July 2009; 09PA04)</p>	<p>Some background: Overall, State employees have increased the number of miles they drive for work by 2% since 2003. Fuel expenditures have increased by \$6.8 million, which represents a 3.5% increase adjusted for inflation. And the use of ethanol has gone from 11% of fuel purchases to about 35% during that period.</p> <p>The Governor and Department of Administration have taken steps to improve the average gasoline fuel efficiency (as measured by MPG. ratings) of vehicles available through the State's vehicle contract since 2007. However, the State now has more "flexible-fuel" vehicles on contract that can use either ethanol or gasoline, which likely will reduce the State fleet's overall fuel efficiency. That's because ethanol is much less fuel efficient than gasoline. For the 140 vehicles we reviewed in which flexible-fuel vehicles replaced gasoline-only vehicles, we estimate that fuel efficiency could decrease by as much as 5.3 MPG., or 25.5%, if agencies use only ethanol fuel. We also noted that, in 2008, 17 State agencies had a total of 62 employees who rented vehicles for more than 100 total days, and 9 of these employees rented vehicles over 300 days.</p> <p>Finally, 6.4% of the State's vehicle purchases in fiscal year 2008 were used vehicles. Our review of 251 commonly purchased new vehicles in fiscal year 2008 showed the State potentially could save up to \$112,000 a year (9%) by purchasing those vehicles used instead of new. However, this level of savings assumes agencies would buy a used 2007 vehicle instead of a 2009 vehicle of the same make and model, and that they could buy the used vehicle at 20% below market value. If they couldn't achieve that level of discount, bought different or better-equipped used vehicles, or bought used vehicles that needed significant maintenance, any or all potential savings could evaporate.</p>	<p>The Department of Administration should do the following:</p> <ul style="list-style-type: none"> • create a web-based application that would allow agency staff to update vehicle information, collect additional information such as MPG. ratings, and consolidate vehicle information into a relational database. • work with agencies with long-term rental users to determine if purchasing a vehicle may be more cost efficient. • record whether newly purchased vehicles are flexible-fuel vehicles in its master mileage data, have agency staff report which currently owned vehicles are flexible-fuel vehicles, estimate the effect of ethanol MPG. ratings when calculating fuel efficiency, and develop an analysis that estimates the changes in fuel efficiency of vehicles actually purchased each year and the vehicles they replace. • consider requiring car dealers who already provide bids on new vehicles to also provide a bid on a fixed discount rate for used vehicles.

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State Universities: Can They Provide Postsecondary Education More Efficiently To Reduce Costs (A K-GOAL Audit)
(August 2009, 08PA24)

Our focus was on general-use operating expenditures funded with State General Fund and tuition revenues. In fiscal year 2008, Emporia State and the University of Kansas spent about \$2,000 more per FTE student than their in-State counterparts. The vast majority of the universities' general use operating expenditures were for education-related expenditures (72% to 85% of the total). Most of the differences in the amounts spent for educational programs appeared to be caused by differences among the six universities in staffing and salary levels.

Numerous options exist for delivering universities' academic programs and courses more economically or efficiently. Actions that universities in other states have reported taking to help reduce academic spending include eliminating or combining low-enrollment course sections, academic departments, or degree programs within universities; collaborating across universities to share course content, teachers, and instructional programs; increasing the number of courses offered online or through distance learning; and increasing faculty workloads. Actions they've reported taking to help reduce their institutional spending include maximizing the use of existing classroom and laboratory space to reduce the need for additional space; consolidating or changing administrative functions or processes—both within and across universities; outsourcing some non-academic services such as food service and grounds maintenance; sharing purchasing costs, and reducing energy costs. The State's six universities have implemented some of these ideas to varying degrees, but there are numerous opportunities for additional efficiencies. Given recent budget cuts, the universities already may have taken some of the actions described in this report.

We recommended that the Board of Regents and university officials consider the potential for increasing the universities' efficiency in each of the areas mentioned in this report. Because, like all State agencies, the universities have had significant budget cuts recently and may have taken a number of additional actions to reduce costs and increase their efficiency since our analyses were performed, we also recommended the Board ask university financial-management staff to prepare and submit more current data to Board staff and the Legislature in all the areas discussed in this audit.

K-12 Education: Reviewing Issues Related to Catastrophic Funding for Special Education
(October 2009; 09PA13)

Claims submitted to cover the "catastrophic" costs for very expensive special education students—those costing more than \$25,000 per year—jumped from 276 to 758 between 2008 and 2009, and catastrophic aid doubled, from \$6 million to \$12 million. Historically, districts submitted claims only for very expensive students who required full-time teachers, expensive contracted services, etc. The big increase in 2009 occurred because the Shawnee Mission district decided to prorate costs for all special education students, even its less-expensive ones. Several other large districts have begun prorating costs as well, and many others are likely to follow suit so they won't lose out on funding.

We estimated claims would jump to 5,500 and catastrophic aid to nearly \$48 million of the special education funding available for 2009-10 if the law didn't change and if all districts and cooperatives prorated costs and submitted all the claims they could.

Finally, when calculating catastrophic costs, districts and cooperatives can include all costs—even those costs already covered by special education transportation and teacher aid—which means they are paid twice for some costs. As a result, for 100 of the 758 catastrophic claims filed in 2008-09, districts and cooperatives received an estimated \$1 million in aid over and above the actual cost of providing special education services for these students.

Proposed changes to the requirements for catastrophic aid—including increasing the threshold for qualifying and requiring districts and cooperatives to deduct other forms of special education aid they receive in computing their costs—would reduce catastrophic aid claims significantly. Regardless of what happens to catastrophic aid, the total

We recommended that the Legislature increase the \$25,000 threshold amount, adjust it for inflation in the future, and require districts and cooperatives to deduct the State special education aid they've already received for a student (transportation and teacher aid) when calculating costs for catastrophic aid.

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	amount of State special education aid will stay the same, although less aid will be available to distribute as teacher aid. That's because the catastrophic aid formula only affects how special education funding is distributed, not the total amount of aid available	
Other Audits That Will Be Available in the Near Future	Misconduct by Staff at Correctional Facilities Potential Cost Savings from Consolidating School Districts Efficiency Audit of the Ellinwood School District Potential Cost Savings from Consolidating Judicial Districts Kansas Tax Revenues: Reviewing Tax Credits and Exemptions	See Summary Listing

Legislative Post Audit Summary of Performance Audits Currently Under Way or Approved (as of January 20, 2010)
(Audit topics approved since the last summary was issued are shown in italics)

Audit Title	Main Concerns	Questions Asked	Estimated Date Available for an LPAC meeting
<p>Department of Corrections: Determining Whether the Department Has Adequate Policies and Procedures in Place to Deal with Misconduct by Staff at Correctional Facilities</p> <p><i>(Requested by Senator Schmidt and approved by the Legislative Post Audit Committee)</i></p>	<p>Articles in the Topeka newspaper reported on corrections officers exchanging cash and contraband-such as tobacco, pharmaceuticals, and illegal drugs-for sexual favors at the Topeka Correctional Facility. Legislators wanted to know whether Kansas has adequate policies, procedures, and legal sanctions to prevent trafficking in contraband and sexual misconduct at correctional institutions and whether existing policies and procedures were being followed at the Topeka Correctional Facility.</p>	<p>1. Does Kansas have adequate policies, procedures, and sanctions in place to prevent correctional employees from trafficking in contraband and having sexual misconduct with inmates?</p>	<p>January 27</p>
<p>K-12 Education: Efficiency Audit of the Ellinwood School District</p> <p><i>(Approved by the 2010 Commission)</i></p>	<p>This audit will look at the <u>Ellinwood</u> school district as part of the initial efficiency audit of school district operations done in July 2009, which looked at 121 districts' non-instructional staffing and expenditure data to identify areas where spending appeared to be out-of-line compared with their peers. The Ellinwood school district asked to be part of this audit to help it identify ways to reduce costs without affecting the education it provides to students.</p>	<p>1. Could the Ellinwood school district achieve cost savings by improving the management of its non-instructional personnel, facilities, or other resources?</p>	<p>January 27</p>
<p>Judicial Districts in Kansas: Determining Whether Boundaries Could Be Redrawn To Increase Efficiency and Reduce Costs</p> <p><i>(Requested by Senator Schmidt and approved by the Legislative Post Audit Committee)</i></p>	<p>A 1979 performance audit of the court system shortly after it was unified found that unification had little effect on the time it took to process cases, and that caseloads were not evenly distributed. It also found wide variations in cases per non-judicial employee and in the number of employees per judge. A second audit in 1997 found that statutory constraints prevented the Supreme Court from permanently reallocating existing judgeships to equalize workloads, and the wide variance in judicial caseloads had changed little since unification. Judges in some districts had caseloads of fewer than 400 cases, while judges in other districts had caseloads as high as 2,300 cases. Currently, Kansas has 31 judicial districts, compared to only 8 in both Utah and Iowa. Legislators have questioned whether the boundaries of judicial districts in the State could be redrawn to potentially reduce costs and even-out caseload discrepancies.</p>	<p>1. What savings could be achieved by re-drawing judicial districts in Kansas to better align resources with caseloads?</p> <p><i>STAFF NOTE: At its October 12 meeting, the Post Audit Committee revised the scope of this audit to focus only on judicial districts and to eliminate the review of prosecutorial districts. The summary presented here has been updated to reflect that decision.</i></p>	<p>January 27</p>
<p>K-12 Education: Reviewing the Potential for Cost Savings From Reorganization of Kansas School Districts</p> <p><i>(Approved by the Legislative Post Audit Committee, based on the results of a legislator survey administered by Legislative Post Audit)</i></p>	<p>Currently, Kansas has 295 school districts compared to 2,600 in 1960. Several studies have been done over the past decade about reorganizing and reducing the number of school districts, including one completed in 1999 by the education consulting firm Augenblick and Myers. Also in 1999, the Legislature provided financial incentives for school districts to voluntarily consolidate. The law essentially allows districts that consolidate to receive additional funding for several years after the consolidation. In 2008-2009, 10 districts had fewer than 100 students enrolled. Given the fiscal crisis that has faced the State, the Legislature is again interested in looking</p>	<p>1. What opportunities exist to restructure Kansas school districts to more cost-efficiently educate students?</p>	<p>Early February</p>

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Audit Title	Main Concerns	Questions Asked	Estimated Date Available for an LPAC meeting
	at school boundaries to determine whether there are less costly ways to configure school districts in Kansas.		
Kansas Tax Revenues: Reviewing Tax Credits and Exemptions (Approved by the Legislative Post Audit Committee, based on the results of a legislator survey administered by Legislative Post Audit)	Over the years, the Legislature has enacted a variety of tax credits and exemptions designed to stimulate certain types of economic activity, or to achieve other public purposes. For example, a taxpayer who makes a cash donation of \$250 or more to the Kansas Community Entrepreneurship Fund receives a tax credit of 50% of the amount donated. Some credits are commonly claimed and account for large amounts of foregone tax revenue, while others are less frequently used. With the proliferation of credits and exemptions over the years, legislators want to know whether some of those credits and exemptions still are needed or have outlived their original purposes. They also want to know whether transferrable tax credits represent an effective use of taxpayer dollars.	<ol style="list-style-type: none"> 1. Does Kansas have any tax credits or exemptions that aren't accomplishing their intended purpose or have outlived their usefulness? 2. What transferrable tax credits exist in Kansas, and are they a cost-effective means of generating money to fund certain types of projects or causes? 	Early-Mid February (Part I, dealing with tax credits, will be available in early February. Part II, dealing with sales and property tax exemptions, will be available in mid-February.)
Fiscal Notes: Determining Whether the Process for Preparing Fiscal Estimates in Kansas Could Be Improved (Requested by Rep. Burroughs)	The law requires the Director of the Budget to consult with the League of Kansas Municipalities, Kansas Association of Counties, and Kansas Association of School Boards, as appropriate, when preparing fiscal notes for House and Senate bills. It also directs every State agency and department to cooperate with the Budget Division in preparing fiscal notes. The Division estimates that 750-800 fiscal notes are prepared during a legislative session. About two-thirds of those have a specific dollar impact tied to them. Legislators have concerns about the accuracy of fiscal notes in Kansas, and whether State agencies are held accountable for the reliability of the estimates they provide. Also, they want to know if there is more Kansas could do to provide better estimates of the potential benefits for economic development fiscal notes.	<ol style="list-style-type: none"> 1. How reliable is the information provided in fiscal notes the Legislature reviews prior to enacting legislation? 2. Could the fiscal note process in Kansas be modified to provide greater accountability over fiscal estimates? 3. To what extent do other states require information about potential economic benefits to be included in fiscal notes for economic development legislation, and could Kansas improve its procedures in this area? 	Started, then put on hold to address higher-priority audits
Expanding the Use of Managed Care in the Kansas Medicaid Program (Requested by the Legislative Post Audit Committee)	<i>Since 1998, North Carolina has been using an "enhanced medical home" model of care called Community Care of North Carolina (CCNC) in its Medicaid Program. Independent evaluations of the program report that it saved the state between \$77 million and \$85 million in fiscal 2005 and between \$154 and \$170 million in fiscal year 2006. Legislators have expressed interest in knowing whether implementing a similar program in Kansas has the potential to save comparable amounts of money.</i>	<ol style="list-style-type: none"> 1. <i>To what extent are other states using Medicaid managed-care systems, and what results have those states achieved?</i> 2. <i>What potential savings could be achieved in Kansas by using managed-care practices employed in other states?</i> 	<i>Not yet started</i>

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Audit Title	Main Concerns	Questions Asked	Estimated Date Available for an LPAC meeting
<p>Agency Data Centers: Assessing the Potential Savings of Consolidation</p> <p>(Requested by the Legislative Post Audit Committee)</p>	<p>According to the most recent set of agency IT plans compiled by the Kansas Information Technology Office, executive branch agencies (excluding the Regents institutions) spent more than \$111 million on IT services in fiscal year 2007. One of the major IT cost areas is the operation and maintenance of data servers. According to the IT plans, agencies currently operate four large mainframe systems and more than 2,100 smaller servers. Legislators are interested in knowing whether there is potential for significant cost savings from consolidating data centers, and what potential up-front costs would be incurred.</p>	<p>1. Could State agency data centers in Kansas be combined to achieve cost savings?</p>	<p>Started, then put on hold to address higher-priority audits</p>
<p>K-12 Education: Reviewing Issues Related to the Cost of the Health Care Benefits Provided by School Districts</p> <p>(Requested and approved by the 2010 Commission)</p>	<p>Employee insurance costs—primarily health insurance—have grown from just more than \$195 million for the 2003-04 school year, to almost \$250 million for the 2007-08 school year. Employee insurance costs represent nearly 5% of school districts' total reported expenditures for 2007-08. Because health insurance costs represent such a large cost for school districts, members of the 2010 Commission recently expressed an interest in finding out whether there are ways districts could better control these costs.</p>	<p>1. Could school districts obtain costs savings by reducing health insurance costs?</p>	<p>Late March</p>
<p>Water-Related Agencies: Determining Whether the State Could Achieve Efficiencies and Reduce Costs by Combining the Operations of Its Water-Related Agencies</p>	<p><i>Several State agencies have primary roles in helping maintain the State's water resources. Over the years, legislative concerns have been raised about whether Kansas would benefit by combining and consolidating activities related to water management and regulation into a single agency.</i></p>	<p>1. <i>Could Kansas achieve greater operating efficiencies and reduce costs by consolidating the duties and responsibilities pertaining to water regulation and management into a single agency?</i></p>	<p><i>Not yet started</i></p>
<p>Sole-Source Contracts: Determining Whether Sole Sourcing Is Being Used When Other Vendors Could Supply the Goods or Services</p>	<p><i>State law provides that all contracts for construction and repairs, and all purchases of and contracts for supplies, materials, equipment and contractual services acquired for State agencies be based on competitive bids. The law goes on to specify seven instances in which competitive bids aren't required—such as when an emergency requires immediate delivery of services or supplies. Legislative concerns have been raised that State agencies are sole-sourcing contracts that should be competitively bid, and that the State is likely paying more than necessary as a result.</i></p>	<p>1. <i>Has the Division of Purchases authorized sole-source contracts in instances where competitive bids should have been sought?</i></p>	<p><i>Not yet started</i></p>

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Audit Title	Main Concerns	Questions Asked	Estimated Date Available for an LPAC meeting
K-12 Education: Efficiency Audit of the Renwick School District (Approved by the 2010 Commission)	This audit will look at the <u>Renwick</u> school district as part of the initial efficiency audit of school district operations done in July 2009, which looked at 121 districts' non-instructional staffing and expenditure data to identify areas where spending appeared to be out-of-line compared with their peers. The Renwick school district requested to be part of this audit to help it identify ways it could reduce costs without affecting the education it provides to students.	1. Could the Renwick school district achieve cost savings by improving the management of its personnel, facilities, or other resources?	Not yet started
K-12 Education: Efficiency Audit of the Winfield School District (Approved by the 2010 Commission)	This audit will look at the <u>Winfield</u> school district as part of the initial efficiency audit of school district operations done in July 2009, which looked at 121 districts' non-instructional staffing and expenditure data to identify areas where spending appeared to be out-of-line compared with their peers. The Winfield school district requested to be part of this audit to help it identify ways it could reduce costs without affecting the education it provides to students.	1. Could the Winfield school district achieve cost savings by improving the management of its personnel, facilities, or other resources?	Not yet started
Data Mining: Reviewing State Data Systems for Inappropriate Payments or Inefficiencies (On-going series of data-mining audits authorized by the Legislative Post Audit Committee)	In our continued series of data-mining audits, we will look to see where some significant risks for abuse and non-compliance in the State's financial operations are; and whether the State's current practices adequately address the identified risk for abuse, waste, error, and non-compliance.	1. Do there appear to be any instances of fraud, abuse, non-compliance, or inefficiency in the State's expenditures?	Started, then put on hold to provide data support to higher-priority audits
University Fees and Costs: Reviewing Whether State University Costs for Credit Hours Earned in Excess of Degree Requirements Are Sufficiently Funded by Student Fees	<i>An audit of Florida's higher education program reported that most students attending that state's public universities graduate with credit hours in excess of graduation requirements, which increases the cost of higher education. That audit estimated the cost of those excess hours to be approximately \$62 million in 2003. Legislative concerns have been raised about whether a similar situation exists at Kansas' universities, and if so, what actions can be taken to ensure that State funding is not used to pay for those additional costs.</i>	1. How many hours in excess of graduation requirements did students attending the six State universities take in academic years 2008 and 2009, and what is the estimated cost incurred by the universities for those hours? 2. What actions can State universities take to try to minimize the number of hours in excess of graduation requirements taken by its students?	Not yet started

Audit Title	Main Concerns	Questions Asked	Estimated Date Available for an LPAC meeting
<p>K-12 Education: Reviewing School Districts' Use of Medicaid Reimbursements To Pay for Special Educations Services</p> <p>(Requested and approved by the 2010 Commission)</p>	<p>Because some special education services are health-related, school districts and special education cooperatives can bill Medicaid to help pay for these services if students are eligible. Districts have never been reimbursed for all the health-related services they provide to Medicaid-eligible students; a 2003 audit found they were missing out on \$3 million to \$5 million in Medicaid funding because they hadn't obtained parental consent to bill for services. Beginning with the 2007-08 school year, changes to the rules for school-based Medicaid made it even more difficult to get reimbursed, further reducing school-based Medicaid funding.</p>	<p>1. To what extent have school districts billed Medicaid to receive reimbursement for eligible special education services?</p>	<p>Not yet started</p>
<p>K-12 Education: Efficiency Audit of the Concordia School District</p> <p>(Approved by the 2010 Commission)</p>	<p>This audit will look at the <u>Concordia</u> school district as part of the initial efficiency audit of school district operations done in July 2009, which looked at 121 districts' non-instructional staffing and expenditure data to identify areas where spending appeared to be out-of-line compared with their peers. The Concordia school district requested to be part of this audit to help it identify ways it could reduce costs without affecting the education it provides to students.</p>	<p>1. Could the Concordia school district achieve cost savings by improving the management of its personnel, facilities, or other resources?</p>	<p>Not yet started</p>
<p>K-12 Education: Efficiency Audit of the Riley County School District</p> <p>(Approved by the 2010 Commission)</p>	<p>This audit will look at the <u>Riley County</u> school district as part of the initial efficiency audit of school district operations done in July 2009, which looked at 121 districts' non-instructional staffing and expenditure data to identify areas where spending appeared to be out-of-line compared with their peers. The Riley County school district requested to be part of this audit to help it identify ways it could reduce costs without affecting the education it provides to students.</p>	<p>1. Could the Riley County school district achieve cost savings by improving the management of its non-instructional personnel, facilities, or other resources?</p>	<p>Not yet started</p>

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