

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Marc Rhoades on April 18 & 19, 2011, in Room 346-S of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Jim Wilson, Office of the Revisor of Statutes
Nobuko Folmsbee, Office of the Revisor of Statutes
Jarod Waltner, Kansas Legislative Research Department
Shirley Murrow, Kansas Legislative Research Department
Cindy O'Neal, Administrative Assistant
Kathy Holscher, Committee Assistant

Others attending:

See attached list.

April 18, 2011
10:07 a.m.

Chairman Rhoades welcomed committee members and reviewed the meeting agenda.

Overview of Items for Omnibus and Financial Reports

J.G. Scott, Legislative Research Department, provided an overview of the Items for Omnibus Consideration document ([Attachment 1](#)) which is incorporated into these minutes. He stated that based on the April 15, 2011 Consensus Revenue Estimates the FY 2011 ending balance is \$86 million and the ending balance for FY 2012 is \$80 million.

Amy Deckard, Legislative Research Department, provided an overview of the Consensus Caseload Estimates for FY 2011 and FY 2012, ([Attachment 1](#)). She stated that the combined increase for FY 2011 and FY 2012 is \$46.9 million in all funds and \$10.1 million in SGF. The FY 2011 estimate is an increase from all funding sources of \$2.2 million and a decrease of \$1.2 million from the SGF as compared to the Governor's recommended budget. The FY 2012 estimate is an increase of \$44.6 million for all funding sources and includes \$11.3 million from the SGF.

Amy Deckard responded to questions from committee members regarding the base Medicaid matching rate and caseload expenditures. She stated that the last caseload estimate in November, 2011 in all funds was \$49.3 million, and the difference between FY 2011 and FY 2012 represents a \$248 million increase in SGF. As entitlement programs caseloads are fully funded, however payments to providers could be suspended until the next fiscal year. She provided an explanation of the federal government's Medicaid funding and the Cost Containment and Recovery Contract.

Dylan Dear, Legislative Research Department, provided an overview of the Consensus Revenue Estimate for ELARF ([Attachment 1](#)). He stated that the FY 2011 estimate is \$33.5 million and is an increase of approximately \$374,000 due in part to increased revenues from the SW gaming zone. All ELARF revenue is transferred to the SGF for FY 2011 and is included in the Governor's recommendations for FY 2012. The FY 2012 revenue estimate is \$33.9 million, Dylan added.

Dylan Dear responded to questions from committee members regarding factors for determining projected revenues. Committee members requested additional information regarding revenues coming in to and going out of state, the number of jobs and employees, and the economic impact. He reviewed the phases involved with expanded gaming.

Alan Conroy, Director, Legislative Research Department, provided an overview of the Consensus Estimating Group Estimates, ([Attachment 1](#)). He discussed the impact of the federal tax legislation, which is estimated to reduce SGF revenues by \$77 million total for FY 2011 and FY 2012. The estimates were

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Minutes of the House Appropriations Committee on April 18 & 19, 2011, in Room 346-S of the Capitol. based on data collected for Kansas personal income and disposable income, inflation rates, unemployment rates, agricultural plantings report and prices, livestock, crops, oil and gas, and aviation manufacturing. Director Conroy noted that the \$200 million transfer from the State Highway Fund to the SGF, which was approved by the House and Senate, has not been acted into law and therefore is not reflected in this report.

Alan Conroy responded to questions from committee members regarding unemployment, tax receipts, accelerated depreciation and federal tax changes. The inflation rate was based on the national rate, Director Conroy stated. The SGF Receipts, expenditures and balances as recommended by the Governor, Senate and House was reviewed and includes the human services caseloads and expanded gaming -revenues. The House recommendations for FY 2012 reflects a positive ending balance of \$54.3 million, the Senate recommendations reflect a \$17 million deficient balance, and the Governor's recommendation reflects a \$9 million deficient balance.

Chairman Rhoades stated that lunch has been provided and that members will caucus to discuss Omnibus items. The committee meeting will reconvene at 1:00 p.m. It was noted that the Minority party will meet in Representative Davis' conference room.

The meeting was recessed at 11:40 a.m.

Chairman Rhoades called the meeting to order at 1:30 p.m. He noted that committee action on Omnibus items would require a new House bill to include any approved amendments.

Representative Feuerborn made a motion to introduce the Omnibus Bill. The motion was seconded by Representative Kelley. Motion carried.

Items for Omnibus Consideration

(For purposes of clarity, the "Items for Omnibus Consideration" report (Attachment 1), prepared by Legislative Research Department, has been included in these minutes which follows the FY 2012 recommendations of the Budget Committees and actions taken by the full Appropriations Committee.)

Department of Agriculture

Representative Schwartz made a motion for an amendment to add \$40,000 for a veterinarian position from the Animal Disease Control fund. The motion was seconded by Representative Carlin. Motion carried.

Kansas Corporation Commission

Discussion followed by committee members regarding the Federal American Recovery and Reinvestment Act (ARRA) fund expenditures. It was noted that \$34 million remains in ARRA funds which is to be expended by April 2012.

Laura Younker, Legislative Research Department, provided an overview on the Efficiency Kansas Residential/Small Business Revolving Loan Program. She stated that the allocation of \$15 million has benchmarks for expenditures and any unspent dollars would go into the Kansas Department of Commerce Renewable Energy Development Initiatives.

Citizens' Utility Ratepayer Board

Michael Steiner, Legislative Research Department, stated that this is a fee funded agency. The agency use of money collected from utility companies for review of administrative rules and regulations was discussed. Appropriate use of these funds was in question and a recommendation from the Governor's offices has not been received, it was noted. The Executive Order would still be in effect, which did not include a budgetary recommendation. He added that funding for the amendment could be utilized through existing resources within the Department of Administration.

Representative Schwartz made a motion for an amendment that would include language that no expenditures for the Executive Order shall be made from the Citizens' Regulatory Review Board. The motion was seconded by Representative Lane.

Discussion was held by committee members regarding the function of the board and funding sources.

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The motion was renewed. Motion carried.

Kansas Guardianship Program

Michael Wales, Legislative Research Department, stated that the committee review at Omnibus was to look at adding the funding back for the reduced resources package. He responded to questions from committee members and noted that under the current reduced resources package caregivers would receive a stipend of \$30 and payment would be stopped for reports that have not been received within 90 days. Currently there are 11 FTE positions and the Governor's recommendation would eliminate 1 FTE position.

Amy Deckard, Legislative Research Department, provided an overview of the Children's Initiative Fund, (Attachment 1). She stated that the tobacco settlement estimated for FY 2011 and FY 2012 was \$60.5 million. The revised estimate for FY 2011 is \$57 million and the FY 2012 revenue estimate is \$55.8 million. There is ongoing litigation concerning payments owed by the tobacco companies, and she reviewed the timeframe for payment of expenditures and funding sources.

Department of Social and Rehabilitation Services

Committee members discussed the House position, which added \$1.5 million to the SGF for the Developmental Disabilities Day and Residential grants, and \$2 million for the waiting list. The funding for the Mental Health State Aid, and the impact of a 5% budget reduction to SRS was reviewed. The House position restores \$7 million, it was noted. Discussion continued regarding Medicaid and grant funding for mental health facilities.

Amy Deckard, Legislative Research Department, responded to questions from committee members regarding the impact of budget reductions for Mental Health facilities. She stated that in FY 2010 – FY 2011, \$28.6 million was received in grant funding, the Governor's recommendation is \$13.4 million for FY 2012 and the committee's recommendation was to restore \$7.24 million. Additional information regarding plans to implement a 5% department reduction will be forthcoming, it was noted.

Department of Health and Environment – Health Care Finance/Kansas Health Policy Authority

It was noted that a review of cost savings for prescription drugs is underway. The expansion of Home and Community Based services and federal requirements was discussed. It was suggested that additional information would be helpful prior to implementation of the programs. The Funeral Assistance program was discussed.

Representative Ballard made a motion to reimburse \$400 or a total of \$509,000 for funeral assistance for participating funeral homes for individuals on public assistance. The motion was seconded by Representative Feuerborn. Motion failed.

Committee members reviewed information on **HB 2035, SB 210** and **SB 36** as contained in the material provided.

Representative Carlin made a motion for an amendment that would create and appropriate funds as referred to in **SB 210**. The motion was seconded by Representative Henry. Motion carried.

Leah Robinson, Legislative Research Department, responded to questions from committee members regarding claims against the State. She stated that funds are transferred from SGF into the Tort Claims fund as needed to meet obligations.

Representative DeGraaf made a motion for an amendment that the agency would absorb costs for funding **SB 36** and **HB 2035** from existing resources. The motion was seconded by Representative Mast. Motion carried.

Representative DeGraaf made a motion for an amendment that would sweep \$400,000 from the Crime Victims Fund into the Domestic Violence and Sexual Assault fund. The motion was seconded by Representative Mast.

Leah Robinson, Legislative Research Department, provided clarification on the funding directive. She stated that this is a no limit fund and the agency could be directed to expend this amount, which would

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Minutes of the House Appropriations Committee on April 18 & 19, 2011, in Room 346-S of the Capitol. increase the all funds accordingly.

The motion was renewed. Motion carried.

Representative DeGraaf made a motion to fund HB 2035 from existing resources within the Attorney General's budget. The motion was seconded by Representative Feuerborn. Motion carried.

Leah Robinson, Legislative Research Department, responded to questions from committee members. She provided an overview of the Sexually Violent Predator provision contained in **HB 2010**. This fund does not have a consistent revenue source and works through the claims process, she added.

Secretary of State

It was noted that if **SB 128** does not pass, a Presidential Primary election would be held and that there is no funding for this cost. This is also contained in **HB 2280**, which is in Conference Committee.

Sara Arif, Director of Public Affairs, Department on Aging, responded to questions from committee members regarding staff layoffs. Further details will be available at the end of the month. She noted that surveyors in the Lawrence and Topeka regions have been combined, and staff has been moved to Topeka. A savings of \$4.5 million has been realized through reduced staffing and administrative changes, the elimination of the Partnership Loan program, and interest from loans to assist with funding the Senior Care Act Nutrition program. It was noted that the impact on services with regards to staffing reductions will be forthcoming.

Meeting recessed at: 3:14 p.m.

Chairman Rhoades called the meeting to order at 3:38 p.m.

Discussion was held regarding the Governmental Ethics Commission Fee Fund, and the importance of passing Senate Substitute **HB 2080** was expressed. It was noted that another funding source has been identified for Rainbow Mental Health Facility and subcontracting services was reviewed. It was noted that the surveyors determined the need for units and this was not the facility's recommendation.

Estelle Montgomery, Legislative Research Department, stated that if the House budget passes the amendment, the Rainbow Mental Health Facility would reopen in FY 2012. She stated that the information requested by committee members regarding this closure has been provided (Attachment 2).

Department of Commerce

Committee members discussed the Veterinary Medicine application process in regards to demographics and tuition rates. Additional information will be forthcoming regarding the program.

Board of Healing Arts

Representative Schwartz made a motion for an amendment that would allow the Board of Healing Arts to raise fees for a part-time Medical Director.

The motion was tabled in order to review additional funding options.

Sentencing Commission

Representative Mast made a motion for an amendment for the Sentencing Commission to be funded within existing funds. The motion was seconded by Representative DeGraaf.

Jarod Waltner, Legislative Research Department, provided clarification in regards to capacity issues. He added that if no action was taken, the funding would come from current resources.

Representative Gatewood made a substitute motion to add \$46,672 for the Sentencing Commission and \$30,000 to the Board of Indigents' Defense Services for the estimated costs totaling \$76,672. The motion was seconded by Representative Carlin. Motion carried.

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State Bank Commissioner

It was noted that the vehicle replacement for FY 2012 was not recommended for funding under the Governor's recommendation.

Representative DeGraaf made a motion for an amendment that vehicles with 150,000 miles or more and in need of \$5,000 or more in safety related repairs would not be repaired, and only fee funded agencies could expand expenditures for authorized vehicle replacement. The motion was seconded by Representative Crum.

Discussion followed by committee members. It was noted that this amendment would allow increase spending authority only for purchasing vehicles that met the criteria of 150,000 or more and safety needed repairs costing \$5,000 or more. It was recommended that extended warranty options should be explored.

The motion was renewed. Motion carried.

Board of Indigents' Defense Services

Dylan Dear, Legislative Research Department, provided an overview of the assigned counsel caseload estimates.

Department of Labor

Shirley Morrow, Legislative Research Department, reported that the department has borrowed \$163.7 million. A document has been prepared and will be presented to committee members by Deputy Director Sparks, she added.

Kathy Sparks, Deputy Director, Kansas Department of Labor, provided an overview of the Benefits, Contributions & Trust Fund document that has been distributed (Attachment 3). She reviewed the House and Senate positions for FY 2015. The projected loan payoff date is at the beginning of FY 2015, and tax rates for employers reflects a positive balance in both the House and Senate version of **SB 77**, she noted. As of today \$167.8 million has been borrowed and by the end of the year the department's projection will be close to \$230 million as anticipated. A significant decrease in first time unemployment claims has been experienced and new labor statistics will be available tomorrow, she added.

Commission on Peace Officers' Standards and Training

Representative Crum made a motion for an amendment that would appropriate funds for this department from existing resources. The motion was seconded by Representative Mast. Motion carried.

Department of Transportation

Aaron Klaussen, Legislative Research Department, stated the provisions of **HB 2003, HB 2172**, which allows the department to receive donations and increase expenditure limitations.

Representative Mast made a motion for an amendment to increase the department's expenditure limitations to expend donations. The motion was seconded by Representative Lane. Motion carried

Chairman Rhoades reviewed the committee meeting agenda for tomorrow's meeting.

The meeting adjourned at: 4:38 p.m.

April 19, 2011

The meeting was reconvened by Chairman Rhoades at 10:18 a.m. He reviewed the meeting agenda.

Representative Schwartz made a motion to introduce legislation that would house the Agri-tourism in the Department of Agriculture. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Gordon provided additional information on the Board of Healing Arts regarding the request for hiring a medical director.

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Minutes of the House Appropriations Committee on April 18 & 19, 2011, in Room 346-S of the Capitol. Representative Gordon made a motion for an amendment that would increase the Board of Healing Arts fee fund expenditure limitation by \$160,000 for FY 2012 and FY 2013 and the board would raise fees to match this increase for the purpose of hiring a part-time contracted medical director (Attachment 4). The motion was seconded by Representative Lane.

Discussion followed by committee members regarding the board's flexibility to raise fees for this position.

Dorothy Hughes, Legislative Research Department, responded to questions from committee members regarding salary issues and job responsibilities. Without additional expenditure authority the board would not be able to access additional money. She added that only clinical staff and no medical doctor have been hired to date, the salary and support staff needs has not been identified. The board has approved the proposal, she added.

Representative Gordon withdrew the motion with the approval of the second to the motion.

Representative Gordon made a motion for an amendment that would allow the Board of Healing Arts to raise expenditure limitations to \$100,000 and raise fees to \$60,000 for the purpose of hiring a part-time contracted medical director. Representative Lane seconded the motion. Motion carried.

Children's Initiative Fund

Representative Crum reported that members of the subcommittee met and decided that the Conference Committee would be in a better position to work with budget issues for this fund, due to the timeframe.

Representative Henry reported that the Children's Cabinet should make the recommendations for the committee's consideration.

Veterinary Medicine Application Process

Audrey Dunkel, Legislative Research Department, presented additional information on the College of Veterinary Medicine (Attachment 5), as requested by committee members. The graduation rate for the program is 98%. Additional information was requested by members regarding; out-of-state tuition rates as compared to Kansas rates, the number of Kansas applicants interviewed and offered positions, rural veterinarians working with large animal care, and the number of graduates who remain in Kansas will be forthcoming, she noted. A scholarship program is available for rural veterinarians, there are 28 veterinarian schools in the state and Kansas receives the lowest in-state support in the nation, she added.

Department of Agriculture

Representative Schwartz made a motion for a proviso that would charge fees for laboratory testing services provided by the Department of Agriculture. (Attachment 6). The motion was seconded by Representative Lane.

Representative Schwartz noted that this fee service could come from other states as well as Kansas.

Jim Wilson, Office of the Revisor of Statutes, stated that a clause was omitted from the proviso. The proviso should include that the proceeds from the fees would be deposited to the credit of special revenue funds as designated by the Secretary of Agriculture.

Representative Schwartz included in the motion for a proviso that fees would be deposited to the credit of special revenue funds as designated by the Secretary of the Department of Agriculture.

The motion was renewed. Motion carried.

State Water Plan Fund

Representative Schwartz discussed the budget shortfall of \$270,000 for the State Water Plan Fund, which was a technical error in drafting of a House floor amendment.

Representative Schwartz made a technical amendment to correct the State Water Plan Fund which should reflect a shortfall of \$170,000. The motion was seconded by Representative Carlin.

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Minutes of the House Appropriations Committee on April 18 & 19, 2011, in Room 346-S of the Capitol. Jim Wilson, Office of the Revisor of Statutes, stated that last session there was \$300,000 authorized and transferred to the new special revenue fund but was never used as it was not appropriated. The supplemental provisions of the bill placed the money in the Water Fund – abolishing the fund and transferring the obligation to a standard fund. The language in the bill would restore the money from the State Water Plan Fund from the Standardized Data Repository Fund. He reviewed the floor amendment which was a different approach from a different funding source.

The motion was renewed. Motion carried.

Department on Aging

Representative Henry requested an update from the Secretary of the Department on Aging regarding layoffs and departmental plans in order to fulfill budget requirements.

Chairman Rhoades stated an update by the secretary will be scheduled for next week.

Kansas Commission on Peace Officers Standards and Training

Representative Gatewood reviewed the Fiscal Note for **SB 82** (Attachment 7). He noted that **SB 93** has **SB 82** provisions included in the bill and is currently in Conference Committee. This includes the request for 1.5 FTE positions for the Kansas Commission on Peace Officers Standards and Training (CPOST) and additional expenditures of approximately \$95,000 for salary, wages and operating expenses he added.

Representative Gatewood made a motion for an amendment to adopt the Fiscal Note adding the expenditures from the CPOST fund for the 1.5 FTE positions. The motion was seconded by Representative Kelley.

Representative Gatewood responded to questions from committee members. He stated that CPOST funding sources come from docket fees assessed by municipal courts and the ending balance reflects \$341,000. Discussion continued regarding investigative procedures.

The motion was renewed. Motion failed.

Human Services Caseloads

Representative Crum stated that an additional \$11.3 million would be required to fund the Human Service Caseloads for FY 2012, based on the revised budget.

Representative Crum made a motion for an amendment that would fund the Human Service Caseloads increase of approximately \$11.3 million from SGF by reducing the base state aid per pupil K -12 by \$17. The motion was seconded by Representative Mast.

Discussion followed by committee members. It was noted that there may be savings forthcoming in the way that Medicaid is funded. The motion would reduce the base state aid per pupil to \$3,745 from the current proposal of \$3,762 for a total reduction in the base of \$267.00.

The motion was renewed. Motion failed.

Social Rehabilitation Services

Gary Haulmark, Legislative Director, Social Rehabilitation Services, reviewed options for the department's reductions (Attachment 8). He stated that no decisions have been made at this time, the list is not prioritized and represents approximately \$20 million in budget reductions, which has been reviewed by Secretary Siedlecki. A review and discussion of these cost savings items would need to take place with the stakeholders in order to meet the budget objectives as have been determined by the Appropriations Committee, he added.

Gary Haulmark responded to questions from committee members regarding possible staff reductions within the state hospitals. He stated that the department would comply with the CMS requirements to meet staffing levels, guidelines and mandates. All programs will be reviewed by the secretary and stakeholders, and budget reductions identified based on final legislative action. The impact on programs and services with any budget reductions will be provided to the committee prior to implementation. All viable options

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Minutes of the House Appropriations Committee on April 18 & 19, 2011, in Room 346-S of the Capitol. will be taken into consideration, he added.

Discussion followed by committee members regarding budget crisis within the state finances and the impact on critical needs of the state's most vulnerable citizens.

Chairman Rhoades stated that changes for the next session will include a priority based budget template for every department that will be completed and submitted to the committee. This will assist committee members as they address specific issues, he added.

Expanded Lottery Funds

Representative Gatewood requested additional information from the budget director on the Governor's recommendation directing dollars from the SGF for the expanded lottery funds.

Chairman Rhoades reviewed the agenda for next week. He stated that the next committee meeting will be held on Wednesday, April 27 and will include continued work on the Omnibus Bill and a hearing on **HB 2149**.

Meeting adjourned at: 11:34 a.m.

Marc Rhoades, Chairman