

February 8, 2021

The Honorable Troy Waymaster, Chairperson
House Committee on Appropriations
Statehouse, Room 111-N
Topeka, Kansas 66612

Dear Representative Waymaster:

SUBJECT: Fiscal Note for HB 2174 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2174 is respectfully submitted to your committee.

HB 2174 would establish the Rural Hospital Innovation Grant Program within the Kansas Department of Health and Environment (KDHE). An eligible county could apply to KDHE for rural hospital transitional assistance grants. "Eligible county" would mean any county other than Douglas, Johnson, Sedgwick, Shawnee or Wyandotte county. "Transitional assistance" would be defined to mean any assistance related to changing a hospital's current healthcare delivery model to a model that is more appropriate for the community served by the hospital. For every \$1 of state funds awarded, a \$2 match must be provided from private stakeholder monies, which could include hospital foundations or other organizations. The bill would require any money certified by KDHE as a stakeholder match to remain with the private stakeholder until the grant is awarded. A private stakeholder may specify a county to receive a grant using the private stakeholder's contribution. Eligible counties would be allowed to enter into memorandums of understanding with private stakeholders and other eligible counties.

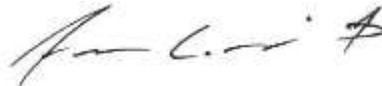
The bill would create the Rural Hospital Innovation Grant Fund in KDHE. On July 1, 2021, \$10.0 million would be transferred from the State General Fund to the Rural Hospital Innovation Grant Fund. Also, any monies from private stakeholders would be deposited into the fund. The Rural Hospital Innovation Grant Program would expire on June 30, 2025. On July 1, 2025, all monies in the Rural Hospital Innovation Grant Fund would be transferred to the State General Fund. All liabilities of the Rural Hospital Innovation Grant Fund would be transferred to the State General Fund and the Rural Hospital Innovation Grant Fund would be abolished.

Assuming sufficient private stakeholder funds are raised under the \$2 private funds to \$1 state funds matching requirement, a maximum of \$30.0 million would be available under the bill in the Rural Hospital Innovation Grant Fund for the grant program (\$10.0 million from the State General Fund transfer plus \$20.0 million from private funds).

KDHE estimates the bill would require additional expenditures totaling \$100,000 from the State General Fund in FY 2022. The amount includes salaries and wages expenses of \$65,000 for 1.00 new FTE program manager position and other operating expenditures of \$10,000, which includes office rent, supplies, communications, travel and computer lease. The amount also includes \$25,000 from an existing supervisor's salaries and wages expenses that are currently funded from federal funds but would have to be shifted to the State General Fund. KDHE indicates that time spent by the supervisor on work related to the bill could not be funded by federal funds.

The Kansas Association of Counties notes that it is possible that grant funds could offset county funds that otherwise would have been used to support a rural hospital. However, the fiscal effect is unknown. Any fiscal effect associated with HB 2174 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Wendi Stark, League of Municipalities
Jay Hall, Association of Counties