

Approved: 5/7/10
Date

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Kevin Yoder at 9:07 a.m. on March 17, 2010, in Room 346-S of the Capitol.

All members were present.

Committee staff present:

Jim Wilson, Office of the Revisor of Statutes
Nobuko Folmsbee, Office of the Revisor of Statutes
Alan Conroy, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Jonathan Tang, Kansas Legislative Research Department
Stephen Huggins, Chief of Staff, Appropriations Committee
Kathy Holscher, Committee Assistant, Appropriations Committee

Others attending:

See attached list.

- Attachment 1 Budget Committee Report on Legislature, Legislative Coordinating Council, Legislative Research Department, Revisor of Statutes and Legislative Division of Post Audit
- Attachment 2 Proposed Amendments to **HB 2673**
- Attachment 3 Cash Flow Analysis
- Attachment 4 Kansas Affordable Airfares Program Fiscal Year 2009 Report

Representative Yoder, Chair, House Legislative Budget Committee, presented the FY 2011 Legislature Budget Committee Report, (Attachment 1). The Budget Committee concurs with the Governor's recommendation.

Representative Yoder made a motion to approve the FY 2011 Legislature Budget Committee Report. The motion was seconded by Representative Whitham.

Representative Yoder responded to questions from committee members regarding the decrease in the franking privileges and summer interim committee reductions. He stated that the committee determined that the Legislative Coordinating Council would have the authority to make the internal operating decisions of the Legislature.

Representative Feuerborn made a motion for an amendment to delete \$125,000 from the State General Fund for franking privileges. The motion was seconded by Representative Henry. Motion carried.

Representative Yoder made a motion to approve the FY 2011 Legislature Budget Committee Report as amended. The motion was seconded by Representative Whitham. Motion carried.

Representative Yoder, Chair, House Legislative Budget Committee, presented the FY 2011 Legislative Coordinating Council Budget Committee Report, (Attachment 1). The Budget Committee concurs with the Governor's recommendation.

Representative Yoder made a motion to approve the FY 2011 Legislative Coordinating Council Budget Committee Report. The motion was seconded by Representative Whitham. Motion carried.

Representative Yoder, Chair, House Legislative Budget Committee, presented the FY 2011 Legislative Research Department Budget Committee Report, (Attachment 1). The Budget Committee concurs with the Governor's recommendation.

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:07 a.m. on March 17, 2010, in Room 346-S of the Capitol.

Representative Yoder made a motion to approve the FY 2011 Legislative Research Department Budget Committee Report. The motion was seconded by Representative Merrick. Motion carried.

Representative Yoder, Chair, House Legislative Budget Committee, presented the FY 2011 Revisor of Statutes Budget Committee Report, (Attachment 1). The Budget Committee concurs with the Governor's recommendation.

Representative Yoder made a motion to approve the FY 2011 Revisor of Statutes Budget Committee Report. The motion was seconded by Representative Merrick. Motion carried.

Representative Yoder, Chair, House Legislative Budget Committee, presented the FY 2011 Legislative Division of Post Audit Budget Committee Report, (Attachment 1). The Budget Committee concurs with the Governor's recommendation

Representative Yoder made a motion to approve the FY 2011 Legislative Division of Post Audit Budget Committee Report. The motion was seconded by Representative Merrick.

Representative Yoder responded to questions from committee members regarding staffing issues and school audits conducted by the 2010 Commission. He reviewed the committee presentation from the 2010 Commission and the cost savings that were identified. The committee concurred with the Governor's recommendation to retain the 5 FTE positions for the purpose of on-going audits to identify further budget reductions. It was noted that over a \$1 million savings was identified during the first year as a result of the Derby School District audit, and over \$540,000 in savings during the first year in the Ellinwood School District. A committee member commended the Legislative Division of Post Audit for their efforts.

Barb Hinton, Legislative Post Auditor, Legislative Division of Post Audit, responded to questions from committee members. She stated that the first audit was the most costly of the audits, due to initial preparation. The following audits expenditures were reduced substantially and efforts to reduce travel by coordinating close proximity of school was also contributing factors, she added.

Representative Yoder renewed the motion. Motion carried.

HB 2673 - Assessment of quality assurance fee on skilled nursing care facilities to improve the quality of care

Representative Feuerborn made a motion to approve HB 2673. The motion was seconded by Representative Lane.

Representative Feuerborn reviewed proposed amendments to **HB 2673**, (Attachment 2). He stated that this amendment primarily includes an assessment on all facilities not to exceed \$1,200 annually per licensed bed, removes Item 5 and includes one person appointed by the Kansas Hospital Association serving on the Quality Care Improvement Panel.

Representative Feuerborn made a motion for an amendment to HB 2673. The motion was seconded by Representative Gatewood.

Discussion followed by committee members. Representative Feuerborn stated that the deletion of Item 5 on the amendment would allow for up to 1% for administrative costs and the remainder would go directly to the skilled nursing care facility. He noted that the \$1,200 was the federal draw down, which is half the amount of the required maximum draw down, which will keep our nursing homes in business. Concern was expressed for dollars going in to the nursing homes as opposed to the Health Policy Authority.

Representative Feuerborn reviewed the cash flow analysis, (Attachment 3). Discussion followed by committee members regarding the proposed assessment rate, reviewed in committee last week, in the amount of \$1,325. This amendment would change the dollar amount slightly and these changes will be provided to the committee before the bill goes to the floor, Representative Feuerborn stated. Chairman Yoder stated that this bill has

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:07 a.m. on March 17, 2010, in Room 346-S of the Capitol.

been double referred from the Appropriations Committee and will go to the Budget Committee for the Department on Aging prior to going on the floor.

Alan Conroy, Director, Kansas Legislative Research Department, discussed the status of the potential \$131 million in federal medicaid dollars. He noted that this passed in the Senate and goes on to the United States House of Representatives for approval. Approximately \$24 million in federal "clawback" dollars has already been approved and will be coming to the state over a two year period in FY 2010 and FY 2011, he noted. These funds do not apply to nursing homes, only to individuals with Medicare and Medicaid coverage, and will not impact the calculations of this bill, Mr. Conroy noted. Representative Yoder added that the FMAP extension, if Congress approves, would reduce the state required expenditure to draw-down medicaid funds, resulting in a budget savings of \$131 million. There are several options available to either add to Medicaid spending or savings in order to resolve the \$377 million shortfall, he added.

Representative Feuerborn renewed the motion for the amendment. Motion carried.

Discussion followed by committee members regarding redistribution of money by some facilities in order to help other facilities.

Representative Mast made a motion for an amendment that no money can be used from this fund except to benefit Medicaid eligible individuals in nursing homes, with the deletion of Items 4 (a) & 4 (f) on page 3. The motion was seconded by Representative Rhoades.

Discussion followed by committee members. Concern was expressed regarding restrictions that may not meet federal guidelines. Representative Mast responded that all money would go directly to Medicaid patients, and that this bill will be passed on to another committee for debate. It was noted that with this amendment there would be administrative costs, which can not exceed 1%.

Representative Mast withdrew the motion with the approval of the second of the motion Representative Rhoades.

Committee members expressed opposition to this bill. It was noted that there are no guarantees that funds will be available to off set expenditures; some fines or fees may be applicable; data provided by other states reflect the need to use the nursing home provider tax to fill other budget gaps; the lack of mandates to provide quality and efficient services; and the need for further discussion from the Department on Aging Budget Committee.

Representative Donohoe made a motion for further review of this bill at Omnibus. Motion failed.

Discussion followed by committee members regarding additional costs that may be imposed, ensuring that the money would go where it was intended to go for nursing homes, and uncertainties that remain.. Representative Feuerborn stated that this assessment would allow Medicaid to draw down more money, in hopes that the private pay would not have to increase costs.

Representative Feuerborn made a motion to pass **HB 2673**. The motion was seconded by Representative Gatewood.

Discussion followed by committee members. Jim Wilson, First Assistant Revisor, Office of the Revisor of Statutes, discussed the procedure involved with this double referral. He stated that the first committee would take action and then the bill goes on to the second committee. Upon favorable passage, the bill would then go to the floor.

Representative Feuerborn renewed the motion. Motion carried.

Representative Mast made a motion for the approval of **SB 311** favorable for passage. The motion was seconded by Representative Rhoades

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:07 a.m. on March 17, 2010, in Room 346-S of the Capitol.

Representative Whitham made a motion allowing the Governor the use of targeted adjustments to get to zero or 3.5% ending balance. The motion was seconded by Representative Kelley. Motion carried.

Representative Mast made a motion to pass ~~SB 311~~ as amended. The motion was seconded by Representative Rhoades. Motion carried.

As requested by committee members, follow-up information from the Kansas Affordable Airfares Program FY 2009 Report, (Attachment 4) was distributed.

The next meeting is scheduled for 8:00 a.m. on March 18, 2010.

The meeting was adjourned at 10:24 a.m.



Kevin Yoder, Chairman

APPROPRIATIONS COMMITTEE GUEST LIST

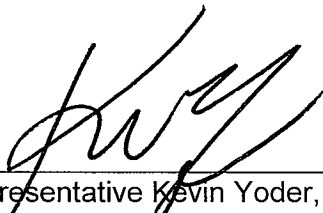
DATE: 3-17-10

NAME	REPRESENTING
Wayne Bolleg	KA VA
Angela Marie Hoff	SKIL
Jan Brad	KSC
PATRICIA SCALIA	BFD S
Marilyn Jacobson	DOA
ALAN BURT	SECRETARY OF STATE
Doug Penner	KICA
Bill Schopf	KDOL
Mitzi McFetrich	KABC
Wigh Keck	Hein Law firm
Keith Bradshaw	JJA
Beelie Kaufman	KS coop Council
Mary Jane Stankevich	KAEP
John Donley	KS Cust. Assn
Dodie Wellhear	KAPP
Chop Wheeler	HCSF Bd of GOVS
ROB MENLY	RENEWAL & Assoc
RS Wilson	KOSI


FY 2011

HOUSE LEGISLATIVE BUDGET COMMITTEE

Legislature
Legislative Coordinating Council
Legislative Research Department
Revisor of Statutes
Legislative Division of Post Audit



Representative Kevin Yoder, Chair



Representative Peggy Mast



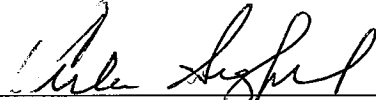
Representative Ray Merrick, Vice-Chair



Representative Mike O'Neal

Representative Paul Davis
Ranking Minority Member

Representative Eber Phelps



Representative Arlen Siegfried

Representative Jim Ward

Appropriations Committee
Date 3-17-10
Attachment 1-1

Senate Subcommittee Report

Agency: Legislature

Bill No. SB 556

Bill Sec. 35

Analyst: Scott

Analysis Pg. No. 1421

Budget Page No. 157

Expenditure Summary	Agency Request FY 2011	Governor Recommendation FY 2011	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 17,601,584	\$ 15,955,987	\$ (351,074)
Other Funds	175,246	175,246	0
Subtotal	<u>\$ 17,776,830</u>	<u>\$ 16,131,233</u>	<u>\$ (351,074)</u>
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 17,776,830</u></u>	<u><u>\$ 16,131,233</u></u>	<u><u>\$ (351,074)</u></u>
FTE positions			
FTE positions	37.0	37.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u><u>37.0</u></u>	<u><u>37.0</u></u>	<u><u>0.0</u></u>

Agency Request

The **agency** requests a FY 2011 budget of \$17,776,830, including \$17,601,584 from the State General Fund, an increase of \$458,963, or 2.7 percent, above the revised current year estimate. The State General Fund is an increase of \$383,717, or 2.2 percent, above the FY 2010 revised request. The increase mainly reflects fringe benefit increases in salaries and wages and the addition of 4.0 temporary FTE positions. Included in the FY 2011 agency request is funding in the amount of \$187,667 and 4.0 temporary FTE positions for redistricting activities that begin in the second half of FY 2011. The request would fund 37.0 FTE positions, the same as requested for the current year.

Governor's Recommendation

The **Governor** recommends \$16,131,233, including \$15,955,987 from the State General Fund. This is a reduction of \$200,448, or 1.2 percent, below the FY 2010 recommendation and a State General Fund reduction of \$275,694 or 1.7 percent, below the FY 2010 recommendation. The request reflects an increase of \$87,917, or 0.9 percent, above the FY 2010 recommendation in salary and wages. The increase is offset by reductions of \$277,032, or 4.1 percent, in contractual services, and a reduction of \$11,333, or 5.0 percent, in commodities.

Senate Subcommittee Recommendation

The **Subcommittee** concurs with the Governor's recommendation with the following adjustments:

1. Delete \$125,000, all from the State General Fund, to continue limiting legislator postage (franking) privileges to 50 percent, and cap leadership postage (franking) privileges at \$2,500 annually. This would continue the limitation approved in the current year in HB 2222 (recission bill).
2. Delete \$97,100, all from the State General Fund, and add language to limit all interim joint committees and special committees, except Legislative Coordinating Council, Legislative Post Audit, Redistricting Advisory Group, Administrative Rules and Regulations, and Senate Confirmations, to a total of two days per committee during the 2010 interim period.
3. Delete \$66,399, all from the State General Fund, to eliminate file clerks. The Subcommittee notes that all bills and supplemental notes are available electronically. The Subcommittee would ask that the Director of Legislative Administrative Services explore options to provide copies of general order bills and supplemental notes on the chamber desks for those members that request a paper copy.
4. Delete \$62,775, all from the State General Fund, and add language to limit distribution of new statute books to only new legislators. This will allow supplements to the statutes to continue to be distributed to all legislators.
5. Delete \$61,098, all from the State General Fund, to eliminate newspaper clippers and newspaper subscriptions. The Subcommittee notes that most newspapers are now electronically available at no cost to any interested individual.
6. Delete \$33,702, all from the State General Fund, and add language to eliminate the distribution of permanent Journals to Legislators.
7. Add language to limit funding for leadership days to the following:
 - President/Speaker 30 days
 - Majority/Minority Leaders 20 days
 - Chairs Ways and Means/Appropriations 15 days
 - Vice President/Speaker Pro-tem 10 days
 - Assistant Majority/Minority Leader 5 days
 - All other leadership positions 0 days

Currently, legislative leaders may claim a leadership day for legislative leadership business without limit and receive pay, subsistence and mileage.

8. Add \$95,000, all from the State General Fund, in a separate line item to fund the required redistricting activities. This action would not fund the \$80,000 for the four temporary positions as requested by the Redistricting Advisory Group. The Subcommittee suggests that existing caucus staff should assist with redistricting activities. This would provide \$20,000 for training of existing staff and \$75,000 for a contract with the Secretary of State to provide revised census data. The funding will allow the agency to start redistricting activities to assist the Legislature in redrawing of legislative, State Board of Education, and congressional districts as required by the U.S. and Kansas Constitutions.

9. Add language to continue the 5.0 percent salary reduction to salaried officers of the state contained in Senate Substitute for HB 2222 with the following exception. Leadership staff would be divided into two categories. The salary of the chief of staff would continue to be reduced by 5.0 percent while the remaining leadership staff would have salaries reduced by 2.5 percent. The 5.0 percent salary reduction would continue to apply to statewide elected officials, Secretary of a department or chief executive officer, members of a board, council, or authority, legislators, legislative leadership, judges and justices and other positions authorized by statute. The Subcommittee also requests a bill introduction to accomplish this salary reduction.

House Budget Committee Report

Agency: Legislature

Bill No. HB 2706

Bill Sec. 35

Analyst: Scott

Analysis Pg. No. 1421

Budget Page No. 157

Expenditure Summary	Agency Request FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 17,601,584	\$ 15,955,987	\$ 0
Other Funds	175,246	175,246	0
Subtotal	<u>\$ 17,776,830</u>	<u>\$ 16,131,233</u>	<u>\$ 0</u>
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 17,776,830</u></u>	<u><u>\$ 16,131,233</u></u>	<u><u>\$ 0</u></u>
FTE positions	37.0	37.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u><u>37.0</u></u>	<u><u>37.0</u></u>	<u><u>0.0</u></u>

Agency Request

The **agency** requests a FY 2011 budget of \$17,776,830, including \$17,601,584 from the State General Fund, an increase of \$458,963, or 2.7 percent, above the revised current year estimate. The State General Fund is an increase of \$383,717, or 2.2 percent, above the FY 2010 revised request. The increase mainly reflects fringe benefit increases in salaries and wages and the addition of 4.0 temporary FTE positions. Included in the FY 2011 agency request is funding in the amount of \$187,667 and 4.0 temporary FTE positions for redistricting activities that begin in the second half of FY 2011. The request would fund 37.0 FTE positions, the same as requested for the current year.

Governor's Recommendation

The **Governor** recommends \$16,131,233, including \$15,955,987 from the State General Fund. This is a reduction of \$200,448, or 1.2 percent, below the FY 2010 recommendation and a State General Fund reduction of \$275,694 or 1.7 percent, below the FY 2010 recommendation. The request reflects an increase of \$87,917, or 0.9 percent, above the FY 2010 recommendation in salary and wages. The increase is offset by reductions of \$277,032, or 4.1 percent, in contractual services, and a reduction of \$11,333, or 5.0 percent, in commodities.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Senate Subcommittee Report

Agency: Legislative Coordinating Council

Bill No. SB 556

Bill Sec. 34

Analyst: Scott

Analysis Pg. No. 1411

Budget Page No. 155

Expenditure Summary	Agency Request FY 2011	Governor Recommendation FY 2011	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 804,057	\$ 727,436	\$ 0
Other Funds	0	0	0
Subtotal	\$ 804,057	\$ 727,436	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
TOTAL	\$ 804,057	\$ 727,436	\$ 0
FTE positions			
FTE positions	11.0	11.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	11.0	11.0	0.0

Agency Request

The **agency** requests a FY 2011 budget of \$804,057, all from the State General Fund, an increase of \$62, or less than 0.1 percent, above the revised current year estimate. The increase reflects fringe benefit increases in salaries and wages. The request would fund 11.0 FTE positions, the same as requested for the current year.

Governor's Recommendation

The **Governor** recommends \$727,436, all from the State General Fund, for a reduction of \$6,304, or 0.9 percent, below the FY 2010 recommendation taken all in salary and wages. The recommendation also is reduction of \$76,621, or 9.5 percent, below the agency request. This reflects a reduction of \$41,319, or 5.5 percent, below the revised request for salary and wages and a reduction of \$35,302, or 74.5 percent, in contractual services.

Senate Subcommittee Recommendation

The **Subcommittee** concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Legislative Coordinating Council

Bill No. HB 2706

Bill Sec. 34

Analyst: Scott

Analysis Pg. No. 1411

Budget Page No. 155

Expenditure Summary	Agency Request FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 804,057	\$ 727,436	\$ 550,00
Other Funds	0	0	0
Subtotal	<u>\$ 804,057</u>	<u>\$ 727,436</u>	<u>\$ 0</u>
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 804,057</u></u>	<u><u>\$ 727,436</u></u>	<u><u>\$ 0</u></u>
FTE positions	11.0	11.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u><u>11.0</u></u>	<u><u>11.0</u></u>	<u><u>0.0</u></u>

Agency Request

The **agency** requests a FY 2011 budget of \$804,057, all from the State General Fund, an increase of \$62, or less than 0.1 percent, above the revised current year estimate. The increase reflects fringe benefit increases in salaries and wages. The request would fund 11.0 FTE positions, the same as requested for the current year.

Governor's Recommendation

The **Governor** recommends \$727,436, all from the State General Fund, for a reduction of \$6,304, or 0.9 percent, below the FY 2010 recommendation taken all in salary and wages. The recommendation also is reduction of \$76,621, or 9.5 percent, below the agency request. This reflects a reduction of \$41,319, or 5.5 percent, below the revised request for salary and wages and a reduction of \$35,302, or 74.5 percent, in contractual services.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation with the following recommendation:

1. Add \$550,000, all from the State General Fund, to distribute to the Legislative Branch agencies in the same manner as was approved in 2010 Senate Substitute for HB 2222. The funding may be distributed by the Legislative Coordinating Council to any Legislative Branch agency (Legislature, Legislative Coordinating Council, Legislative Administrative Services, Post Audit, Revisors, or Legislative Research) that has a funding shortfall. However, the \$550,000 could be used to address redistricting costs in the Legislature (\$190,000) and Legislative Research (\$300,000) and increased costs of the statewide audit due to ARRA reporting requirements in Post Audit (\$190,000).

Senate Subcommittee Report

Agency: Legislative Research Department

Bill No. SB 556

Bill Sec. 34

Analyst: Scott

Analysis Pg. No. 1432

Budget Page No. 159

Expenditure Summary	Agency Request FY 2011	Governor Recommendation FY 2011	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 4,066,423	\$ 3,420,862	\$ 263,811
Other Funds	0	0	0
Subtotal	\$ 4,066,423	\$ 3,420,862	\$ 263,811
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
TOTAL	\$ 4,066,423	\$ 3,420,862	\$ 263,811
FTE positions			
FTE positions	40.0	40.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	40.0	40.0	0.0

Agency Request

The **agency** requests a FY 2011 budget of \$4,066,423, all from the State General Fund, an increase of \$285,092, or 7.5 percent, above the revised current year estimate. The increase reflects the addition of \$225,820 for the second year of redistricting that is required by the U.S. and Kansas Constitutions. This includes 2.0 additional temporary FTE positions and associated operating expenditures. Absent the cost associated with required redistricting, the agency request would reflect an increase of \$59,272, or 1.6 percent. The increase reflects increases in longevity and fringe benefits. The request would fund 40.0 FTE positions, the same as requested for the current year.

Governor's Recommendation

The **Governor** recommends \$3,420,862, all from the State General Fund, for a reduction of \$77,109, or 2.2 percent, below the FY 2010 recommendation. The reduction totals \$49,511, or 1.5 percent, below the FY 2010 recommendation in salary and wages and \$27,598, or 20.1 percent, in contractual services. The recommendation also is reduction of \$645,561, or 15.9 percent, below the agency request. This reflects a reduction of \$405,948, or 11.0 percent, below the agency request for salary and wages, a reduction of \$124,798, or 53.2 percent, in contractual services, a reduction of \$57,475, or 74.2 percent, in commodities, and a reduction of \$57,340, or 100.0 percent, in capital outlay

Senate Subcommittee Recommendation

The **Subcommittee** concurs with the Governors recommendation with the following adjustment:

1. Add \$263,811, all from the State General Fund, in a separate line item to fund the costs associated with redistricting, excluding additional computer equipment. This will allow the agency to continue redistricting activities to assist the Legislature in redrawing of legislative, State Board of Education, and congressional districts as required by the U.S. and Kansas Constitutions.

House Budget Committee Report

Agency: Legislative Research Department

Bill No. HB 2706

Bill Sec. 34

Analyst: Scott

Analysis Pg. No. 1432

Budget Page No. 159

<u>Expenditure Summary</u>	<u>Agency Request FY 2011</u>	<u>Governor Recommendation FY 2011</u>	<u>House Budget Committee Adjustments</u>
Operating Expenditures:			
State General Fund	\$ 4,066,423	\$ 3,420,862	\$ 0
Other Funds	0	0	0
Subtotal	<u>\$ 4,066,423</u>	<u>\$ 3,420,862</u>	<u>\$ 0</u>
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 4,066,423</u></u>	<u><u>\$ 3,420,862</u></u>	<u><u>\$ 0</u></u>
FTE positions	40.0	40.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u><u>40.0</u></u>	<u><u>40.0</u></u>	<u><u>0.0</u></u>

Agency Request

The **agency** requests a FY 2011 budget of \$4,066,423, all from the State General Fund, an increase of \$285,092, or 7.5 percent, above the revised current year estimate. The increase reflects the addition of \$225,820 for the second year of redistricting that is required by the U.S. and Kansas Constitutions. This includes 2.0 additional temporary FTE positions and associated operating expenditures. Absent the cost associated with required redistricting, the agency request would reflect an increase of \$59,272, or 1.6 percent. The increase reflects increases in longevity and fringe benefits. The request would fund 40.0 FTE positions, the same as requested for the current year.

Governor's Recommendation

The **Governor** recommends \$3,420,862, all from the State General Fund, for a reduction of \$77,109, or 2.2 percent, below the FY 2010 recommendation. The reduction totals \$49,511, or 1.5 percent, below the FY 2010 recommendation in salary and wages and \$27,598, or 20.1 percent, in contractual services. The recommendation also is reduction of \$645,561, or 15.9 percent, below the agency request. This reflects a reduction of \$405,948, or 11.0 percent, below the agency request for salary and wages, a reduction of \$124,798, or 53.2 percent, in contractual services, a reduction of \$57,475, or 74.2 percent, in commodities, and a reduction of \$57,340, or 100.0 percent, in capital outlay

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Senate Subcommittee Report

Agency: Revisor of Statutes

Bill No. SB 556

Bill Sec. 34

Analyst: Scott

Analysis Pg. No. 1443

Budget Page No. 163

Expenditure Summary	Agency Request FY 2011	Governor Recommendation FY 2011	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 3,451,541	\$ 3,215,664	\$ 0
Other Funds	0	0	0
Subtotal	\$ 3,451,541	\$ 3,215,664	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
TOTAL	\$ 3,451,541	\$ 3,215,664	\$ 0
FTE positions			
FTE positions	27.0	27.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	27.0	27.0	0.0

Agency Request

The **agency** requests a FY 2011 budget of \$3,451,541, all from the State General Fund, an increase of \$20,174, or 0.6 percent, above the revised current year estimate. The increase is mainly in contractual expenditures (\$21,000, or 3.6 percent) which is partially offset by a reduction in salaries and wages (\$826, or less than 0.1 percent). The request would fund 27.0 FTE positions, the same as requested for the current year.

Governor's Recommendation

The **Governor** recommends \$3,215,664, all from the State General Fund, for a reduction of \$57,598, or 1.8 percent, below the FY 2010 recommendation. The reduction totals \$136,198, or 5.0 percent, below the FY 2010 recommendation in salary and wages and \$78,600, or 14.8 percent, above the recommendation in commodities. The recommendation also is a reduction of \$235,877, or 6.8 percent, below the agency request. This reflects a reduction of \$235,877, or 8.3 percent, below the agency request for salary and wages.

Senate Subcommittee Recommendation

The **Senate Subcommittee** concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Revisor of Statutes

Bill No. HB 2706

Bill Sec. 34

Analyst: Scott

Analysis Pg. No. 1443

Budget Page No. 163

Expenditure Summary	Agency Request FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 3,451,541	\$ 3,215,664	\$ 0
Other Funds	0	0	0
Subtotal	<u>\$ 3,451,541</u>	<u>\$ 3,215,664</u>	<u>\$ 0</u>
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 3,451,541</u></u>	<u><u>\$ 3,215,664</u></u>	<u><u>\$ 0</u></u>
FTE positions	27.0	27.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u><u>27.0</u></u>	<u><u>27.0</u></u>	<u><u>0.0</u></u>

Agency Request

The **agency** requests a FY 2011 budget of \$3,451,541, all from the State General Fund, an increase of \$20,174, or 0.6 percent, above the revised current year estimate. The increase is mainly in contractual expenditures (\$21,000, or 3.6 percent) which is partially offset by a reduction in salaries and wages (\$826, or less than 0.1 percent). The request would fund 27.0 FTE positions, the same as requested for the current year.

Governor's Recommendation

The **Governor** recommends \$3,215,664, all from the State General Fund, for a reduction of \$57,598, or 1.8 percent, below the FY 2010 recommendation. The reduction totals \$136,198, or 5.0 percent, below the FY 2010 recommendation in salary and wages and \$78,600, or 14.8 percent, above the recommendation in commodities. The recommendation also is a reduction of \$235,877, or 6.8 percent, below the agency request. This reflects a reduction of \$235,877, or 8.3 percent, below the agency request for salary and wages.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

Senate Subcommittee Report

Agency: Legislative Division of Post Audit

Bill No. SB 556

Bill Sec. 36

Analyst: Scott

Analysis Pg. No. 1453

Budget Page No. 161

Expenditure Summary	Agency Request FY 2011	Governor Recommendation FY 2011	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 2,954,826	\$ 2,557,658	\$ (420,633)
Other Funds	0	0	0
Subtotal	\$ 2,954,826	\$ 2,557,658	\$ (420,633)
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
TOTAL	\$ 2,954,826	\$ 2,557,658	\$ (420,633)
FTE positions			
FTE positions	27.0	27.0	(5.0)
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	27.0	27.0	(5.0)

Agency Request

The **agency** requests a FY 2011 budget of \$2,954,826, all from the State General Fund, an increase of \$186,944, or 6.8 percent, above the revised current year estimate. The increase mainly reflects fringe benefit increases in salaries and wages (\$36,844, or 1.6 percent) and increased contractual expenditures (\$154,800, or 32.0 percent) due to an anticipated increase in the cost of the single state audit. The audit work will increase because of the addition of federal American Recovery and Reinvestment Act funding to many state agency's budgets. The request would fund 27.0 FTE positions, the same as requested for the current year.

Governor's Recommendation

The **Governor** recommends \$2,557,658, all from the State General Fund, for a reduction of \$41,255, or 1.6 percent, below the FY 2010 recommendation. The reduction totals \$114,855, or 5.2 percent, below the FY 2010 recommendation in salary and wages and \$1,200, or 7.2 percent, below the FY 2010 recommendation in commodities. The decreases are partially offset by an increase of \$74,800, or 20.6 percent, in contractual services.

Senate Subcommittee Recommendation

The **Subcommittee** concurs with the Governor's recommendation with the following adjustments:

1. Delete \$210,208, all from the State General Fund, and 5.0 FTE positions to eliminate the school district audit team. This team reports to the 2010 Commission which sunsets on December 31, 2010. Currently, the last meeting of the 2010 Commission is tentatively scheduled for April 23, 2010.
 2. Add language to suspend all school district audits for two years. The Subcommittee also requests a bill introduction to accomplish the two year suspension.
 3. Delete \$210,425, all from the State General Fund, and add language to allow Post Audit the ability to pass through the costs to the state agencies for the single statewide audit. The \$210,425 in expenditures would then be spread across the budgets of almost all other state agencies. The Subcommittee also requests a bill introduction to allow Post Audit to pass through these costs and a review of the progress of the bill during Omnibus.
-

House Budget Committee Report

Agency: Legislative Division of Post Audit

Bill No. HB 2706

Bill Sec. 36

Analyst: Scott

Analysis Pg. No. 1453

Budget Page No. 161

Expenditure Summary	Agency Request FY 2011	Governor Recommendation FY 2011	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 2,954,826	\$ 2,557,658	\$ 0
Other Funds	0	0	0
Subtotal	\$ 2,954,826	\$ 2,557,658	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0
TOTAL	\$ 2,954,826	\$ 2,557,658	\$ 0
FTE positions			
FTE positions	27.0	27.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	27.0	27.0	0.0

Agency Request

The **agency** requests a FY 2011 budget of \$2,954,826, all from the State General Fund, an increase of \$186,944, or 6.8 percent, above the revised current year estimate. The increase mainly reflects fringe benefit increases in salaries and wages (\$36,844, or 1.6 percent) and increased contractual expenditures (\$154,800, or 32.0 percent) due to an anticipated increase in the cost of the single state audit. The audit work will increase because of the addition of federal American Recovery and Reinvestment Act funding to many state agency's budgets. The request would fund 27.0 FTE positions, the same as requested for the current year.

Governor's Recommendation

The **Governor** recommends \$2,557,658, all from the State General Fund, for a reduction of \$41,255, or 1.6 percent, below the FY 2010 recommendation. The reduction totals \$114,855, or 5.2 percent, below the FY 2010 recommendation in salary and wages and \$1,200, or 7.2 percent, below the FY 2010 recommendation in commodities. The decreases are partially offset by an increase of \$74,800, or 20.6 percent, in contractual services.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation.

PROPOSED AMENDMENTS TO HB NO. 2673
[deleted material in strike type with new material in larger print and bold face]

HOUSE BILL NO. 2673
By Committee on Federal and State Affairs

AN ACT providing for assessments on certain nursing facilities; prescribing powers, duties and functions for the Kansas health policy authority; creating the quality care assessment fund; providing for implementation and administration.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) As used in this section, and amendments thereto, unless the context requires otherwise:

(1) Words and phrases have the meanings respectively ascribed thereto by K.S.A. 39-923 and amendments thereto.

(2) "Skilled nursing care facility" means a licensed nursing facility providing skilled nursing care but shall not include the following: Skilled nursing care facilities which are waived from paying the assessment, the Kansas soldiers' home and the Kansas veterans' home.

(3) "Licensed bed" means those beds within a skilled nursing care facility which the facility is licensed to operate.

(4) "Authority" means the Kansas health policy authority.

(b) (1) Except as otherwise provided in this section and in subsection (f), there is hereby imposed and the authority shall assess an annual, uniform assessment per licensed bed, hereinafter called a quality care assessment, on each skilled nursing care facility. The assessment on all facilities in the aggregate shall be an amount fixed by rules and regulations of the authority, shall not exceed ~~[the maximum percentage of nursing facility inpatient revenues allowed under federal law]~~ **\$1,200 annually per licensed bed** and shall be imposed as an amount per licensed bed. No rules and regulations of the authority shall grant any exception to or exemption from the quality care assessment. The assessment shall be paid quarterly, with one fourth of the annual amount due by the 30th day after the end of the month of each calendar quarter. The assessment made for years subsequent to the third year from the date the provisions of this section are implemented shall not exceed 60% of the first assessment made under this section.

(2) Beds licensed after July 1 each year shall pay a prorated amount of the applicable annual assessment so that the assessment applies only for the days such new beds are licensed. The proration shall be calculated by multiplying the applicable assessment by the percentage of days the beds are licensed during the year. Any change which reduces the number of licensed beds in a facility shall not result in a refund being issued to the skilled nursing facility.

(3) If an entity conducts, operates or maintains more than one licensed skilled nursing care facility, the entity shall pay the nursing facility assessment for each facility separately. No skilled nursing care facility shall create a separate line-item charge for the purpose of passing through the quality care assessment to residents. No skilled nursing care facility shall be guaranteed, expressly or otherwise, that any additional moneys paid to the facility under this section will equal or exceed the amount of its quality care assessment.

(4) The payment of the quality care assessment to the authority shall be an allowable cost for medicaid reimbursement purposes. A rate adjustment pursuant to paragraph (5) of subsection (d) shall be made effective on the date of imposition of the assessment, to reimburse the portion of this cost imposed on medicaid days.

Appropriations Committee
Date 3-17-10
Attachment 2-1

(d) (1) There is hereby created in the state treasury the quality care fund, which shall be administered by the authority. All moneys received for the assessments imposed pursuant to subsection (b), including any penalty assessments imposed thereon pursuant to subsection (e), shall be remitted to the state treasurer in accordance with K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the quality care fund. All expenditures from the quality care fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the authority or the authority's designee.

(2) All moneys in the quality care fund shall be used to finance initiatives to maintain or improve the quantity and quality of skilled nursing care in skilled nursing care facilities in Kansas. No moneys credited to the quality care fund shall be transferred to or otherwise revert to the state general fund at any time. Notwithstanding the provisions of any other law to the contrary, if any moneys credited to the quality care fund are transferred or otherwise revert to the state general fund, 30 days following the transfer or reversion the quality care assessment shall terminate and the authority shall discontinue the imposition, assessment and collection of the assessment. Upon termination of the assessment, all collected assessment revenues, including the moneys inappropriately transferred or reverting to the state general fund, less any amounts expended by the authority, shall be returned on a pro rata basis to skilled nursing care facilities that paid the assessment.

(3) Any moneys received by the state of Kansas from the federal government as a result of federal financial participation in the state medicaid program that are derived from the quality care assessment shall be used to finance actions to maintain or increase healthcare in skilled nursing care facilities.

(4) Moneys in the fund shall be used exclusively for the following purposes:

(A) To pay administrative expenses incurred by the authority or its agent in performing the activities authorized by this section, except that such expenses shall not exceed a total of 1% of the aggregate assessment funds collected for the prior fiscal year;

(B) to increase nursing facility payments to fund covered services to medicaid beneficiaries within medicare upper payment limits, as may be negotiated;

(C) to reimburse the medicaid share of the quality care assessment as a pass-through medicaid allowable cost;

(D) to restore the medicaid rate reductions implemented January 1, 2010;

(E) to restore funding for fiscal year 2010, including re-basing and inflation;

(F) The remaining amount, if any, shall be expended for quality enhancement of skilled nursing care facilities but shall not be used directly or indirectly to replace existing state expenditures for payments to skilled nursing care facilities for providing services pursuant to the state medicaid program.

~~[(5) Of the amount allocated pursuant to this subsection to increase or supplement the rates paid to skilled nursing care facilities for providing services pursuant to the state medicaid program, a rate adjustment shall first be made to reimburse the portion of the assessment imposed.]~~

~~[(6)]~~ (5) Adjustment payments shall be paid on a quarterly basis to reimburse covered medicaid expenditures in the aggregate within the upper payment limit.

~~[(7)]~~ (6) On or before the 10th day of each month, the director of accounts and

reports shall transfer from the state general fund to the quality care fund interest earnings based on:

(A) The average daily balance of moneys in the quality care fund for the preceding month; and

(B) the net earnings rate of the pooled money investment portfolio for the preceding month.

(i) For purposes of administering and selecting the reimbursements of moneys in the quality care assessment fund, the quality care improvement panel is hereby established. The panel shall consist of the following members: Two persons appointed by Kansas homes and services for the aging; two persons appointed by the Kansas health care association; one person appointed by Kansas advocates for better care; **one person appointed by the Kansas hospital association**; one person appointed by the governor who is **a member of the Kansas adult care executives association**, an executive of a Kansas adult care home **and whose employing home is not affiliated with any of the trade organizations specified in this subsection**; one person appointed by the Kansas foundation for medical care; one person appointed by the governor from the department on aging; and one person appointed by the governor from the Kansas health policy authority. The panel shall meet as soon as possible subsequent to the effective date of this act and shall elect a chairperson from among the members appointed by the trade organizations specified in this subsection. The members of the quality care improvement panel shall serve without compensation or expenses. The quality care improvement panel shall report annually on or before January 10 to the legislature concerning the activities of the panel during the preceding calendar year and any recommendations which the panel may have concerning the administration of and expenditures from the quality care assessment fund.

Cash Flow Analysis

	to NF <u>All Enhancements</u>	from NF <u>Qtrly Assessment</u>	Net <u>Monthly</u>	<u>YTD</u>
Jul-10	2,698,600	0	2,698,600	2,698,600
Aug-10	2,698,600	0	2,698,600	5,397,201
Sep-10	2,698,600	-3,993,294	-1,294,693	4,102,508
Oct-10	2,698,600	0	2,698,600	6,801,108
Nov-10	2,698,600	0	2,698,600	9,499,709
Dec-10	2,698,600	-3,993,294	-1,294,693	8,205,015
Jan-11	2,698,600	0	2,698,600	10,903,616
Feb-11	2,698,600	0	2,698,600	13,602,216
Mar-11	2,698,600	-3,993,294	-1,294,693	12,307,523
Apr-11	2,698,600	0	2,698,600	15,006,123
May-11	2,698,600	0	2,698,600	17,704,724
Jun-11	2,698,600	-3,993,294	-1,294,693	16,410,030
Total	32,383,205	-15,973,175	16,410,030	16,410,030

	<u>KDOA Cash Flow</u>			
	<u>SGF Out</u>	<u>SGF In</u>	<u>Net/MO</u>	<u>Net/YTD</u>
Jul-10	-1,081,599	0	-1,081,599	-1,081,599
Aug-10	-1,081,599	0	-1,081,599	-2,163,198
Sep-10	-1,081,599	3,394,300	2,312,701	149,503
Oct-10	-1,081,599	0	-1,081,599	-932,097
Nov-10	-1,081,599	0	-1,081,599	-2,013,696
Dec-10	-1,081,599	3,394,300	2,312,701	299,005
Jan-11	-1,081,599	0	-1,081,599	-782,594
Feb-11	-1,081,599	0	-1,081,599	-1,864,193
Mar-11	-1,081,599	3,394,300	2,312,701	448,508
Apr-11	-1,081,599	0	-1,081,599	-633,092
May-11	-1,081,599	0	-1,081,599	-1,714,691
Jun-11	-1,081,599	3,394,300	2,312,701	598,010
Total	-12,979,189	13,577,199	598,010	598,010



ANDOVER, ARKANSAS CITY, AUGUSTA, BEL AIRE, BENTLEY, BENTON, BUTLER COUNTY, CHENEY, CLEARWATER, COLWICH, CONWAY SPRINGS, DERBY, EL DORADO, GODDARD, HALSTEAD, HARVEY COUNTY, HAYSVILLE, HESSTON, HUTCHINSON, KECHI, KINGMAN COUNTY, MAIZE, MCPHERSON COUNTY, MOUNT HOPE, MULVANE, NEWTON, PARK CITY, RENO COUNTY, ROSE HILL, SEDGWICK, SEDGWICK COUNTY, SUMNER COUNTY, VALLEY CENTER, WELLINGTON, WICHITA, WINFIELD

Prepared for the Kansas Department of Commerce

Kansas Affordable Airfares Program Fiscal Year 2009 Report *Executive Summary*

In accordance with Senate Bill 2968, REAP is required to provide a report on activities and progress attained by REAP to develop and implement the Kansas Affordable Airfares Program to provide the stated statutory purpose of "more air flight options, more competition for air travel and affordable air fares for Kansas" for fiscal year 2009 (July 2008 – June 2009).

For fiscal year 2009 REAP awarded funds to Sedgwick County to provide a one year revenue guarantee for AirTran to maintain affordable airfares to eastern destinations, continuing an effective program initiated in 2002, and developing affordable airfares to western U.S. destinations by providing a one year revenue guarantee for Frontier. The total funding of the program was \$7 million, with the \$5 million in State funding, the required \$1.7 million by a local match, and an additional \$300,000 of local funds.

KAAP Performance for Fiscal Year 2009

- residents from **three quarters of Kansas** counties utilize the airport
- **7-14%** of users come from **out of state**
- **35-41%** of users are from Kansas counties **other than Sedgwick County**
- AirTran's existence translated into a direct savings of **\$46.2 million** saved on airfares.
- Frontier's existence projected to translate into a direct savings of **\$20.7 million** saved on airfares.
- **The combined effect of these two services result in nearly 860,000 travelers benefiting from lower fares, with \$66.9 million saved on airfares in fiscal year 2009.**
- The direct investment of the \$7 million funding resulted in the following benefit-to-cost ratio:
 - State of Kansas received **\$5.25** for every **\$1** invested
 - City of Wichita received **\$1.35** for every **\$1** invested
 - Sedgwick County received **\$1.86** for every **\$1** invested
 - For the three entities combined, they received **\$3.64** for every **\$1** invested.
- It is also estimated that AirTran's entry into the Wichita market attributes to the following:
 - Average annual number of jobs totaled **9,720**
 - Average annual payroll for these jobs totaled **\$283.4 million**
- Markets served by AirTran have experienced a **passenger growth of 74%**, whereas markets not served by AirTran have only grown 36%, and the top 35 markets have only had a 48% growth.
- Markets served by AirTran have experienced a **31% decrease in fares** while markets not served by AirTran only experienced a 14% decrease. In addition, the top 35 markets only had a 23% decrease in fares.
- Round trip fares through Atlanta and selected destinations served by AirTran have experienced **reductions of as much as 46%** between 2000 and 2008.
- Markets served by Frontier have experienced a **passenger growth of 21%**, or 76,950 more passengers.
- Markets served by Frontier reveal a **33% decrease in fares** while markets not served by Frontier only experienced a 4% decrease. In addition, the top 35 markets only had a 3% decrease in fares.

Submitted by REAP

Strengthening the economy of South Central Kansas through joint action of cities and counties.

Appropriations Committee
Date 3-17-10
Attachment 4-1

Kansas Affordable Airfares Program Fiscal Year 2009 Report

Background

Under the authority of House Substitute for Senate Bill 475 and the omnibus appropriation bill, Senate Bill 2968, both enacted in the 2006 session of the Kansas Legislature, REAP is assigned authority for administering the Kansas Affordable Airfares Program. In the 2009 legislative session, Governor Sebelius recommended and the Kansas Legislature appropriated \$5 million for continued funding of KAAP, through Senate Sub. for House Bill 2373.

In accordance with Senate Bill 2968, REAP is required to provide a report on activities and progress attained by REAP to develop and implement the program to provide the stated statutory purpose of "more air flight options, more competition for air travel and affordable air fares for Kansas" for fiscal year 2009 (July 2008 – June 2009).

For fiscal year 2009 REAP awarded funds to Sedgwick County to provide a one year revenue guarantee for AirTran to maintain affordable airfares to eastern destinations, continuing an effective program initiated in 2002, and by providing a one year revenue guarantee for Frontier to maintain affordable airfares to western U.S. destinations. The total funding of the program was \$7 million, with the \$5 million in State funding, the required \$1.7 million by a local match, and an additional \$300,000 of local funds.

KAAP Performance for Fiscal Year 2009

Overall Mid-Continent Performance

A record 1,619,075 passengers flew in and out of Wichita Mid-Continent Airport in 2008, an increase of 1.43% over 2007's record year. The 2008 record broke the 2007 record by 23,000 passengers despite high fuel costs, capacity reductions, and soft passenger demand in 2008. The 2008 passenger traffic exceeded the 2004 record of 1,498,749 by over 120,000 more passengers. Even more impressive is that there was an average of 14,000 more passengers each month in 2008 than in 2006. Wichita was ranked the 19th fastest growing airport out of 137 airports in the U.S. in 2008. At the same time, passenger traffic on the national average declined 4.3% according to the Bureau of Transportation Statistics.

In addition, average airline fares at Wichita Mid-Continent Airport for the fourth quarter 2008 fares increased 4.9% from fourth quarter 2007, but for the year, averages fares decreased nearly 3% in 2008 from 2007, according to the Bureau of Transportation Statistics. For the 4th quarter 2008, the national average fares increased 4.3%. Comparing average airline fares from 2000 to 2008, Wichita's air fares dropped by 12.7%, which was the 11th largest decrease of the top 100 U.S. airports. The U.S. average fares increased 1% from 2000 to 2008.

KAAP Usage

The initial estimates for the proposal indicated that an area representing two-thirds of the State of Kansas utilized Mid-Continent for air service. However, as the program has increased, it has been illustrated that residents from **three quarters of Kansas counties** utilize the airport, as documented by research conducted by Mid-Continent in December of 2006. To update the usage study, Mid-Continent Airport staff conducts random samplings using parking lot license plate surveys. In November 2007 and March 2009 tag surveys were conducted and the findings revealed that on any given day:

- 7-14% of users were coming from out of state
- 35-41% of users were from Kansas counties other than Sedgwick County
- 45-58% of users were from Sedgwick County.

**REAP
KAAP Fiscal Year 2009 Report**

KAAP Economic Impact

In fiscal year 2009 there were 412,260 passengers that traveled to 15 markets served by AirTran. In addition, the fares were on average \$56 less each way, based on record of markets not served by AirTran. This translates into a direct savings of **\$46.2 million saved on airfares in fiscal year 2009.**

However, the program also continued an expansion of service through Frontier. This service was estimated to impact 264,000 passengers traveling to 7 western markets served by Frontier. In fiscal year 2009 there were actually 447,320 passengers to 11 western markets served by Frontier, which was an increase of 21% from 2007 to 2008. The immediate impact has been realized with the fares on average \$46 less each way. This translates into a direct savings of **\$20.7 million saved on airfares in fiscal year 2009.**

The combined effect of these two services result in nearly 860,000 travelers benefiting from lower fares, with \$66.9 million saved on airfares in fiscal year 2009.

In addition, the direct investment of the \$7 million funding resulted in a direct return on investment to the program funders of **3.6 to 1**, with the following benefit-to-cost ratio as calculated by the Center for Economic Development and Business Research (CEDBR) at Wichita State University:

- **State of Kansas received \$5.25 for every \$1 invested**
- **City of Wichita received \$1.35 for every \$1 invested**
- **Sedgwick County received \$1.86 for every \$1 invested**
- **For the three entities combined, they received \$3.64 for every \$1 invested.**

It is important to note that this economic analysis does not include the impact of Frontier Airlines because the study was undertaken less than three months after Frontier entered the market, not allowing enough time to gather appropriate data.

CEDBR also estimated that AirTran's entry into the Wichita market attributes to the following:

- **Average annual number of jobs totaled 9,720**
- **Average annual payroll for these jobs totaled \$283.4 million**

Eastern Impact with AirTran

The table below illustrates the passenger growth from Wichita due to the existence of AirTran. The table identifies the growth in the passenger traffic for Mid Continent over the period of 2000-2008 due to 2000 being the most accurate year prior to the entrance of AirTran in the Wichita market. Evaluation of the markets that are served by AirTran reveal a growth of 74%, whereas the growth in markets not served by AirTran only grew by 36%. In addition, the top 35 markets only witnessed a 48% growth during the same time.

	2000	2008	% Change
TOTALS: TOP 35 MARKETS	725,540	1,077,400	48% growth
TOTALS TO AIRTRAN DESTINATIONS	237,600	412,260	74% growth
TOTALS TO DESTINATIONS W/O AIRTRAN	487,940	665,140	36% growth

REAP
KAAP Fiscal Year 2009 Report

In addition to the increase in passengers, fare changes from Wichita have been significant since the entrance of AirTran in the Wichita market. The table below illustrates these changes. Evaluation of the markets that are served by AirTran reveal a 31% decrease in fares while markets not served by AirTran only experienced a 14% decrease. In addition, the top 35 markets only witnessed a 23% decrease in fares during the same time.

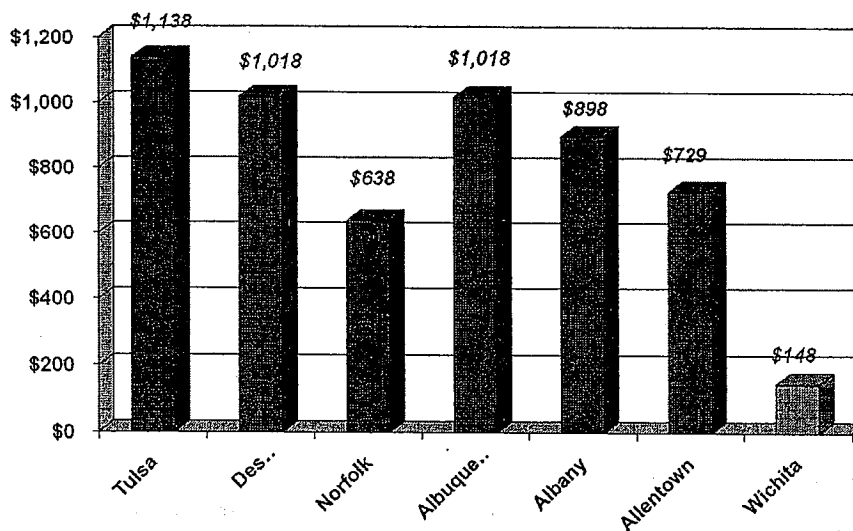
	2000	2008	% Change
AVERAGE: TOP 35 MARKETS	\$225.62	\$174.60	23% decrease
AVERAGE TO AIRTRAN DESTINATIONS	\$237.82	\$169.33	31% decrease
AVERAGE TO DESTINATIONS W/O AIRTRAN	\$216.28	\$185.15	14% decrease

Research has shown that Atlanta is one of the most popular destinations for travelers from Wichita Mid-Continent Airport. Further, as Atlanta is the busiest airport in the world this route means travelers from Wichita can make a one-stop flight to virtually any destination they might choose. The competitive effects of this low-cost option to Atlanta thus permeate throughout the entire range of destination options available in Wichita. The table below provides a comparison of round trip fares through Atlanta and selected destinations served by AirTran, showing reductions of as much as 46% between 2000 and 2008.

Market	2000	2008	% Decrease in Fare
Atlanta	\$233.82	\$126.00	-46%
Orlando	\$172.47	\$143.00	-17%
New York	\$263.85	\$171.00	-35%
Washington, DC	\$203.42	\$170.00	-16%
Baltimore	\$222.56	\$165.00	-26%
Pittsburgh	\$251.87	\$156.00	-38%
Tampa	\$252.52	\$143.00	-43%
Boston	\$288.91	\$166.00	-43%
Philadelphia	\$246.32	\$170.65	-31%
Miami	\$194.90	\$145.56	-28%
Baltimore	\$218.33	\$167.55	-25%
Charlotte	\$239.07	\$151.00	-37%
Fort Lauderdale	\$237.97	\$155.00	-35%

**REAP
KAAP Fiscal Year 2009 Report**

In addition, evaluation of comparable markets that are not served by AirTran reveal significant disparity in fares to Atlanta and illustrate the direct impact of the presence of AirTran. The table below provides a comparison of average round trip fares to Atlanta and six other markets (Tulsa, OK; Des Moines, IA; Norfolk, VA; Albuquerque, NM; Albany, NY; and Allentown, PA) that are similar to Wichita but not served by AirTran. *Note: The information for this table was researched and collected on April 28, 2009 and provides a 14-day advance purchase fare according to Cheaptickets.com.*



Western Impact with Frontier

In order to provide low fares to most major western destinations, in 2007 Sedgwick County entered into a similar revenue-guarantee agreement with Frontier Airlines. This service began in October, 2007. In return for bringing low-fare service to Wichita Frontier received \$500,000 for the period ending June 30, 2008, and another \$500,000 for the subsequent 12-month period. In this abbreviated period Wichita travelers gained reduced fares to the west, and have responded by increasing their use of the airport for those destinations. From 2007 to 2008, the average one-way fare to the 11 destinations that are served by Frontier in Wichita's top 35 decreased 21%, while fares to all other destinations in the top 35 only decreased 4%. In addition, passenger traffic to the 11 locales served by Frontier increased 21% since the introduction of Frontier to the Market in late 2007. However, during fiscal year 2009 the service experienced a 33% increase, compared to 12% growth for all other destinations in the top 35. Frontier's service has been successful to the extent that no further revenue guarantees are expected to be provided.

Additional Information

Attached to this report is documentation provided through the Fiscal Year 2010 submittal by Sedgwick County as well as the Executive Summary of the Center for Economic Development and Business Research (CEDBR), Wichita State University: *Economic and Fiscal Impact of AirTran Airways on the Wichita MSA*, March 2008. Both of these documents help to provide additional progress and background information.

Submitted by REAP



SEDGWICK COUNTY, KANSAS

DIVISION OF FINANCE

* 525 N. Main, Suite 823 * Wichita, Kansas 67203 * Telephone (316) 660-7591 * FAX (316) 383-7729 *

June 18, 2009

Mr. Joe Yager
Executive Officer
REAP
Box 155
1845 Fairmount
Wichita KS 67260

Dear Mr. Yager:

Sedgwick County requests the award of \$4,875,000 through the Kansas Affordable Airfares Program for the period of July 1, 2009 – June 30, 2010. Sedgwick County commits to provide matching funds in the amount of \$1,625,000, 33% of the requested award. The County will provide the matching funds from general revenues of the county and, to the extent they are received, anticipated payments to the County by the City of Wichita.

These funds will be used to assure affordable airfares for Kansas residents and businesses from Wichita Mid-Continent Airport.

Travelers will benefit from direct low-fare service to Atlanta with connections to other destinations throughout the country as well as Europe, the Caribbean and South America. We will do this by providing revenue guarantees to AirTran in return for offering three direct daily flights to and from Atlanta.

Research has shown that Atlanta is one of the most popular destinations for travelers from Wichita Mid-Continent Airport. Further, as Atlanta is the busiest airport in the world this route means travelers from Wichita can make a one-stop flight to virtually any destination they might choose. The competitive effects of this low-cost option to Atlanta thus permeate throughout the entire range of destination options available in Wichita. Before the AirTran program was initiated in 2002, Wichita had one of the nation's highest average fares. In 2000 the average one-way fare to the fifteen most popular east coast destinations out of Wichita was \$238 and area residents commonly drove to the Kansas City, Tulsa or Oklahoma City airports to avoid the high cost. Late in 2008, Wichita's overall average one-way fare to these destinations had decreased to \$169 because of the low fare competition provided by AirTran.

In the year ending 10/31/08, 412,260 passengers – 74% more than in 2000, before AirTran brought low fares to Wichita -- flew between Wichita and these fifteen destinations. Whether they flew AirTran or another carrier, due to price competition every one of them benefited directly from the presence of a low fare carrier in the Wichita market. The experience of other similar-

sized jurisdictions shows that without AirTran, the average one-way fare between Wichita and Atlanta would be at least \$410 if not higher.

These lower fares add up to substantial economic savings. If low-fare competition did not exist in Wichita, it is realistic to think average fares to the 15 markets served by AirTran would have decreased 12%, as did markets not served by AirTran, instead of decreasing by 31% since 2000. The average one-way fare to these 15 markets thus might be expected to have been \$56 more than it actually was in 2008. If this had been the case, the 412,260 passengers from Wichita to those markets would have paid an additional \$46.2-million for round-trip airfares in 2008.

The benefit of AirTran's presence in Wichita is demonstrated further by four attached charts showing:

- ▶ annual passenger counts between Wichita and the 35 most popular destinations in 2000 and 2008, showing a 74% rate of growth for markets served by AirTran contrasted with a 36% rate of growth for those not so served;
- ▶ a comparison of one-way fares to the 35 top travel markets from Wichita in 2000 and 2008, showing that airfare to markets served by AirTran have dropped an average of 31%, more than double the fare reduction in markets not served by AirTran;
- ▶ a comparison of round trip fares between Atlanta and selected destinations served by AirTran, showing reductions of as much as 46% between 2000 and 2008; and
- ▶ a comparison of average round-trip fares to Atlanta from Wichita and six other markets similar to Wichita but not served by AirTran.

A fiscal impact study conducted by the Center for Economic and Business Research at WSU in 2008 concluded that AirTran's departure from Wichita would have a pronounced negative impact on the local economy and on state and local tax receipts. The study shows AirTran's presence in the Wichita MSA has increased employment by 9,720 jobs and the average annual payroll by \$283.4-million. It shows the state government has received \$5.25 of benefits for each \$1.00 of funding that has been provided to the Affordable Airfares Program. Clearly, Kansans and their government have a lot to lose if AirTran leaves Wichita.

To assure this does not happen, Sedgwick County plans to renew a contract with AirTran guaranteeing revenues that will cover the airline's costs to provide three daily round-trip flights between Wichita and Atlanta for the 12 months beginning July 1, 2009 (with service reduced to two round-trip flights on Saturdays). Based on historical travel patterns and ridership projections, the County expects to pay AirTran approximately \$6.5-million during the term of the contract.

Achievement of low airfares to the west coast also is important, and has been achieved thanks to the Kansas Affordable Airfares Program. In order to provide low fares to most major western destinations, in 2007 Sedgwick County entered into a similar revenue-guarantee agreement with Frontier Airlines. This service began in October, 2007. In return for bringing low-fare service to Wichita Frontier received \$500,000 for the period ending June 30, 2008, and another \$500,000 for the subsequent 12-month period. In this abbreviated period Wichita travelers gained reduced fares to the west, and have responded by increasing their use of the airport for those destinations. From 2007 to 2008, the average one-way fare to the 11 destinations that are served by Frontier in Wichita's top 35 decreased 26%, while fares to all other destinations in the top 35 only decreased 4%. Passenger traffic to the 11 locales served by Frontier increased 33% from 2007 to 2008, compared to 12% growth for all other destinations in the top 35. Frontier's service has been successful to the extent that no further revenue guarantees will be provided, and Sedgwick County is not requesting any further funding for this service.

Sedgwick County government values accountability and transparency of public actions. Understanding that REAP has special obligations to report progress of the Kansas Affordable Airfares Program to the Legislature and Commerce Secretary, the County will provide REAP reports at least once each quarter showing the number of riders, average fare per rider and use of state and matching local funds. If REAP requests additional information or different report formats or frequency the County will endeavor to comply. The County also will prepare written reports for REAP to deliver to its state overseers.

I look forward to your favorable consideration of this request. Please contact me if you have questions about it or require additional details.

Cordially,



Chris Chronis
Chief Financial Officer

Attach.

Passenger Growth From Wichita:
The AirTran Effect

	2000	2008	% Change
TOTALS: TOP 35 MARKETS	725,540	1,077,400	48% growth
TOTALS TO AIRTRAN DESTINATIONS	237,600	412,260	74% growth
TOTALS TO DESTINATIONS W/O AIRTRAN	487,940	665,140	36% growth



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Fare Changes From Wichita:
The AirTran Effect

	2000	2008	% Change
AVERAGE: TOP 35 MARKETS	\$225.62	\$174.60	23% decrease
AVERAGE TO AIRTRAN DESTINATIONS	\$237.82	\$169.33	31% decrease
AVERAGE TO DESTINATIONS W/O AIRTRAN	\$216.28	\$2185.15	14% decrease



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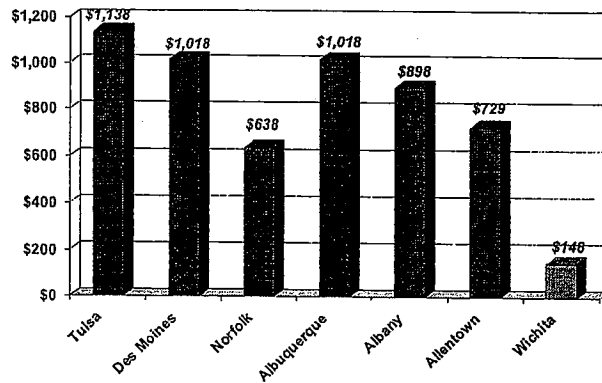
Average Wichita Fares To Selected Markets Served By AirTran

Market	2000	2008	% Decrease in Fare
Atlanta	\$233.82	\$126.00	-46%
Orlando	\$172.47	\$143.00	-17%
New York	\$263.85	\$171.00	-35%
Washington, DC	\$203.42	\$170.00	-16%
Baltimore	\$222.56	\$165.00	-26%
Pittsburgh	\$251.87	\$156.00	-38%
Tampa	\$252.52	\$143.00	-43%
Boston	\$288.91	\$166.00	-43%
Philadelphia	\$246.32	\$170.65	-31%
Miami	\$194.90	\$145.56	-28%
Baltimore	\$218.33	\$167.55	-25%
Charlotte	\$239.07	\$151.00	-37%
Fort Lauderdale	\$237.97	\$155.00	-35%



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Round-Trip Fares to Atlanta



14-day advance purchase fares researched on 4/28/09
Source: Cheaptickets.com

SINCE 1897
**WICHITA STATE
UNIVERSITY**

Executive Summary
Economic and Fiscal Impact of AirTran
Airways on the Wichita MSA
March 2008

Prepared by
Center for Economic Development and Business Research
W. Frank Barton School of Business
Wichita State University

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Executive Summary

Good airline service is an important factor in urban economic development. Frequent service to a variety of destinations at competitive rates are reflected in a high level of passenger enplanements, which facilitates easy face-to-face contact with businesses in other cities, attracting new firms to the metro area and stimulating employment at established companies.¹ Recognizing the importance of air service to the area's economic growth, business and government leaders spearheaded the development of the FairFares program in the spring of 2002. As a joint public/private initiative between the city of Wichita and local businesses, the FairFares program was designed to attract and retain new low-cost carriers to Wichita's Mid-Continent Airport through the use of subsidies. As a result of the FairFares program, low-cost carrier AirTran Airways started service at Wichita's Mid-Continent Airport in 2002. After several years of success, the Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University was contracted by the Wichita Airport Authority to determine the economic impact of AirTran Airways on the Wichita Metropolitan Statistical Area (MSA) comprised of Butler, Harvey, Sedgwick and Sumner counties.

Low-cost carrier AirTran Airway's, entrance into the Wichita market generated positive economic and fiscal impacts for the Wichita MSA.

The economic impact of low-cost air service occurs in a number of ways including:

- Increased sales, wages and employment generated by business activity. In the case of this analysis, the operations of AirTran were analyzed including the firm's Wichita employment, payroll, and expenditures of AirTran flight crews on overnight stays.
- Increased airport activity measured by enplanements and increased airport spending, such as increased concession and parking revenues.
- Decreased ticket prices as a result of increased competition, benefiting all Mid-Continent passengers whether flying AirTran or not.

Taking into account multiplier impacts, the average annual number of Wichita metro area jobs attributed to low-cost carrier AirTran Airways' entrance into the Wichita market totaled 9,720 during the six-year analysis period from 2002 through 2007. The average annual payroll for these jobs totaled \$283.4 million.

Fiscal impacts are usually estimated using two measures 1) a return on investment percentage and 2) a benefit-cost ratio. These measures view the taxing entities' expenditures as a public investment. Public benefits are measured by tax collections. If public benefits exceed public costs then the rate of return is greater than 100 percent and the benefit-cost ratio is greater than 1. For example, a benefit-cost ratio of 1.55 would show benefits during the relevant analysis period were 155 percent of public costs. In other words, for every \$1 of public expenditures the taxing entity received back that dollar plus another 55 cents. Conversely, a benefit-cost ratio of 0.75

¹ Brueckner, Jan K., *Airline Traffic and Urban Economic Development*, Urban Studies, Vol. 40, No. 8 1455-1469, July 2003, pg. 1467.

would show that public benefits were only 75 percent of public costs – costs exceed benefits. In other words, for every \$1 of public expenditures the taxing entity received back only 75 cents.

An opportunity cost exists for the use of public funds for subsidies. If public funds were not used to provide subsidies, they would be available for alternative use. Estimating the potential economic impact of alternative uses of these opportunity costs was beyond the scope of this analysis.

For the purpose of this analysis, subsidy data amounts were given to the Center for Economic Development and Business Research from the Kansas Affordable Air Fares Program. It should be noted that the Center is aware that not all funds provided by the city of Wichita, Sedgwick County and the state of Kansas to the Kansas Affordable Air Fares Program were given directly to AirTran Airways. We acknowledge that some of these funds were used to subsidize other low-cost carriers, for marketing expenditures and for administrative costs. Consequently, the costs of subsidies for AirTran were overstated in this report.

Taking into account multiplier impacts, total fiscal benefits attributed to low-cost carrier AirTran Airways' entrance into the Wichita market totaled \$15.4 million for the city of Wichita, \$7.2 million for Sedgwick County and \$107.3 million for the state of Kansas during the six-year analysis period from 2002 through 2007. During this same period, the city of Wichita has provided subsidies to the FairFares and Kansas Affordable Air Fares program totaling nearly \$10 million, Sedgwick County has provided \$2,275,000 million and the state of Kansas has provided \$10 million.

Using these estimates of fiscal costs and benefits arising from the entrance of low-cost carrier AirTran Airways into the Wichita market, the rate of return and fiscal benefit-cost ratios for FairFares and the Kansas Affordable Airfares Program were estimated for the six-year analysis period. For each of the taxing entities under consideration the benefits exceeded the costs of the program.

• For the city of Wichita	34.8% rate of return	1.35 benefit-cost ratio
• For Sedgwick County	86.2% rate of return	1.86 benefit-cost ratio
• For the state of Kansas	425.4% rate of return	5.25 benefit-cost ratio
• For the three entities combined	263.9% rate of return	3.64 benefit-cost ratio