

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Marc Rhoades at 9:05 a.m. on February 21 & 22, 2011, in Room 346-S of the Capitol.

All members were present

Committee staff present:

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

Others attending:

See attached list.

- Attachment 1 Amendments-Kansas Health Policy Authority and Kansas Department of Health and Environment
- Attachment 2 Medicaid Report – Kathleen Sebelius, Secretary, Health and Human Services
- Attachment 3 Health Care Cost Containment Contract
- Attachment 4 Contract Award
- Attachment 5 State Workers Compensation Program
- Attachment 6 FY 2012 Budget Committee Report – Postsecondary Education Systemwide
- Attachment 7 Board of Regents Capital Improvements Addition
- Attachment 8 Recovery Audit Contract for Health Care Payments in Kansas
- Attachment 9 Proposed Amendment – Department of Health and Environment Subcommittee Report

Chairman Rhoades welcomed committee members and reviewed the meeting agenda. He stated that going forward all bill introductions must go through the Speaker of the House for review and approval. Discussion by committee members followed. It was noted that Budget Chairs have already received this request, which was in consideration of the approaching turn around timeframe, alleviate duplications, and to safe guard staff's workload.

Representative Crum, Chair, Department of Health and Environment - Health, reviewed amendments to the Kansas Health Policy Authority and Kansas Department of Health and Environment FY 2012 Budget Report, (Attachment 1), and reviewed the Medicaid Report from the Health and Human Services Secretary Kathleen Sebelius, (Attachment 2).

Representative Crum made a motion to amend the Kansas Health Policy Authority and Department of Health and Environment – Health FY 2012 Budget Committee Report that would add item h. requesting additional information on the maintenance of effort requirements from the American Recovery and Reinvestment Act (ARRA) and the ability to reverse the Medicaid policy going forward based on maintenance of effort requirements. The motion was seconded by Representative Mast.

Representative Crum reviewed the ARRA maintenance of effort requirements, which was presented to the Budget Committee. He stated that these requirements were no longer in effect as of July 1, 2009. Concern was expressed regarding program expansion and the impact on maintenance of effort requirements from the federal government. Additional information was requested regarding these requirements by committee members.

Representative Crum responded to questions from committee members regarding the Kansas Health Policy Authority Health Care Cost Containment contract, (Attachment 3), and the Contract Award document, (Attachment 4). He stated that the estimated savings of \$27 million was the committee's FY 2010 projection and is included in the FY 2011 budget. The \$16.08 million reflects the contract with Health Data Insights, Inc. guarantee as a minimum collection over a three year period. The state's minimum recovery is approximately \$4.5 million. It was noted that any money recovered would be shared with the federal government based on the federal 60% and the state's 40%. He stated that the amendment

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was based on the federal government's recommendation. Information on the State Worker's Compensation Program was distributed and reviewed, (Attachment 5).

Amy Deckard, Kansas Legislative Research Department, responded to questions from committee members. She stated that the \$27 million was captured in the caseload budget items for FY 2011 and FY 2012. In FY 2011, \$9.6 million was transferred from the State Employee Health Plan into the State General Fund, and is included in the revenue projections. This will reflect a funding shortfall when the consensus caseload estimates are reviewed in April, she noted.

Representative Crum made a motion that would add language to item e. that states the committee recommends that the agency investigates options for additional contracts regarding these audits. The motion was seconded by Representative Mast.

Discussion followed regarding the language that did not include a dollar amount. The request was made to review this at Omnibus, following additional information from the agency.

The motion was renewed. Motion carried.

The motion to approve the report as amended was renewed. Motion carried.

Representative Brown made a conceptual amendment requesting income verification for state aid programs and an independent audit. The motion was seconded by Representative Crum.

Amy Deckard responded to questions from committee members. She reviewed audit functions as related to audits of actual payments and the audits based on eligibility income guidelines.

Discussion continued regarding on-going and random audits, and the costs for internal and independent auditors. A directive for the Department of Revenue to communicate with the Department of Health and Environment to verify income and that additional audits would be forthcoming and look for other options for additional savings was expressed. It was noted that language in the amendment would allow for this authority but not are not required. The amendment will be reviewed in committee tomorrow, when the language is available for members, Chairman Rhoades stated.

Representative Brown withdrew the motion.

Representative Gordon, Chair, House Education Budget Committee, presented the FY 2011 Postsecondary Education Systemwide Budget Committee Report, (Attachment 6). The Budget Committee concurred with the Governor's recommendation with the following adjustments: add \$5.3 million for special revenue funds for the Kansas State University Large Animal Research Center, add \$5.2 million for special revenue funds to accelerate construction of Justin Hall at Kansas State University, add \$300,000 special revenue funds for the project to remove the Old Chemical Waste Landfill at Kansas State University, add \$1.2 million from special revenue funds for upgrades to West Hall at Kansas State University, add \$2 million from special revenue funds to construct the Kansas State University Southeast Research-Extension Center in Parsons, KS, add \$600,000 from special revenue funds at Kansas State University for renovation of the chemical engineer lab in Durland Hall, add \$600,000 from special revenue funds at Kansas State University to remodel the Technology Assistance Center on the Salina Campus, add \$550,000 from special revenue funds at Kansas State University to upgrade the John C. Pair Center in Wichita, and allow Kansas State University to enter into a lease agreement with the KSU Foundation for new Grain Science Center Feed Mill.

Representative Gordon made a motion to adopt the FY 2011 Postsecondary Education Systemwide Budget Committee Report. The motion was seconded by Representative Feuerborn.

Discussion followed by committee members. Clarification was provided regarding special revenue funds, which does not impact the State General Funds (SGF).

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Audrey Dunkel, Kansas Legislative Research, responded to committee questions. She discussed funding sources that are in place to cover expansion, maintenance and construction projects that were included in the Budget Committee Report, and she stated that these projects do not require funds from the SGF for deferred maintenance. The review process for capital improvement requests within these budgets was based on the Board of Regents project review process and identified maintenance costs which were not approved until January, 2011. The source of special revenue funds will be provided to committee members and project completion dates, as requested.

Chairman Rhoades stated the House Education Budget Committee Report discussion will continue in committee tomorrow, and additional information and clarification will be provided to committee members.

The meeting was adjourned at 10:47 a.m.

Chairman Rhoades called the meeting to order at 9:04 a.m., February 22, 2011

Representative Henry made a motion to introduce legislation that would fund the waiting list for the PD, DD, Traumatic Brain Injury, and Autism waivers. The motion was seconded by Representative Feuerborn. Motion carried.

Representative McLeland made a motion to introduce legislation regarding gubernatorial inauguration contributions. The motion was seconded by Representative Mast. Motion carried.

Representative Gordon, Chair, House Education Budget Committee, referred to the handout from the Board of Regents Capital Improvement Additions, (Attachment 7). This report reflects project, completion date and funding sources, as requested by committee members. She reviewed the statute regarding the annual maintenance and operations cost when seeking approval for improvements.

Discussion followed by committee members regarding the FY 2012 Postsecondary Education Systemwide Budget Committee Report. Concern was expressed for spending recommendations and the timeliness of requests for capital improvements.

Sue Peterson, Assistant to the President, Director of Governmental Relations, Kansas State University, responded to questions from committee members regarding the reporting timeframe for the Regents Capital Improvements. She stated that negotiations were conducted with the Department of Health and Environment and the grant award notifications were received later in the year. Many projects are funded by private funds, bonding authority and foundation dollars. She stated that special revenue funds may be from fees and other components. She noted that the lease information on the SE Research – Extension Center will be provided. The impact of economic development on these projects was highlighted.

Representative McLeland, made a motion for an amendment that would add language requesting that the Board of Regents report back to the Legislature regarding a study on outsourcing opportunities in order to evaluate potential cost savings to the state. The motion was seconded by Representative Brown.

Committee members discussed privatization, outsourcing and encouraged agencies to explore options that would provide an immediate and long term cost savings for the state. It was noted that the Government on Efficiencies passed out a bill yesterday that would establish a council that would review outsourcing opportunities and would allow private enterprises to initiate case studies.

The motion to amend was renewed. Motion carried.

Representative Gordon, Chair, House Education Budget Committee, presented FY 2012 Postsecondary

Education System Budget Committee Report. The Budget Committee concurred with the Governor's recommendation with the following adjustments: add \$1.5 million from special revenue funds for demolition of the existing Presidents Home at Pittsburg State University and replace it with new housing, add \$1.3 million for window and door replacement at McMidnes Hall and add \$4 million for Special revenue funds for indoor practice facility at Fort Hays State University, add \$3.7 million for special

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revenue funds at Kansas State University for the second stage of the Old Chemical Waste Landfill project and add \$50 million in bonding authority for the Snyder Family Stadium improvements.

Representative Gordon made a motion to adopt the FY 2012 Postsecondary Education Systemwide Budget Committee Report. The motion was seconded by Representative Feuerborn.

Discussion followed by committee members. Representative Gordon referred to the statute regarding capital improvements and new construction. It was noted that if 51% of funding is obtained by private dollars the agency is required to have a maintenance fund to provide for future maintenance and operational costs and no costs could be requested from the SGF.

Audrey Dunkel, Kansas Legislative Research Department, responded to questions by committee members. She discussed the deferred maintenance and infrastructure maintenance practices, and noted that private funding would not qualify for the use of SGF. As part of the on-going process, the Board of Regents requires Universities to provide the source of maintenance and operations funds for all of their projects as they are reviewed regardless of their funding sources. Future maintenance could be requested from existing resources in SGF, however, there are other resources that are available. It was noted that the bonding authority was let by the Athletic Corporation and they are not state-backed bonds. If structures are built on state owned property the building request must be approved by the Governor and Legislature, she added.

The motion was renewed. Motion carried.

Representative Gordon made a motion to bundle the remaining FY 2011 and FY 2012 Postsecondary Education Systemwide Budget Committee Reports. The motion was seconded by Representative Schwartz. Motion carried.

Representative Crum, Chair, Social Services Budget Committee, reviewed the amendment which was approved at yesterday's committee meeting. This amendment integrated concerns with Medicaid reform. Additional information was distributed to members regarding the Recovery Audit Contract (RAC) for Health Care Payments in Kansas, (Attachment 8).

Representative Brown made a motion for an amendment to the Department of Health and Environment Committee Report requesting the design and implementation of a process to verify income eligibility for FY 2012, (Attachment 9). The motion was seconded by Representative Donohoe. Motion carried.

Discussion by committee members continued regarding increased Human Services caseloads. It was noted that the net increase in caseloads is \$60 million, however savings have also been experience and deducted from the budget as a result of FTE reductions, the consolidation of Kansas Health Policy Authority into the Kansas Department of Health and Environment and no enhancement requests were funded.

The motion was renewed as amended. Motion carried.

Meeting adjourned: 10:18 a.m.

Marc Rhoades, Chairman