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ITEMS FOR OMNIBUS CONSIDERATION

Department of Administration

A. SB 330, Kansas Gold Star Families Memorial Fund (Law). Among other provisions, SB 330 establishes the Kansas Gold Star Families Memorial Fund for the purpose of creating and constructing a permanent memorial honoring Kansas Gold Star families on the Statehouse grounds. In order for expenditures to be made from this fund, it will need to be included in an act of appropriation.

B. SB 479, Kansas Suffragist Memorial Fund (Law). Among other provisions, SB 479 establishes the Kansas Suffragist Memorial Fund for the purpose of creating and constructing a permanent memorial in the State Capitol commemorating the work of Kansas suffragists toward achieving the right of women to vote in Kansas and the passage of the 19th Amendment to the U.S. Constitution. In order for expenditures to be made from this fund, it will need to be included in an act of appropriation.

C. Docking State Office Building (Conference Committee). The Governor recommended \$120.0 million State General Fund (SGF) for FY 2023 to fund the rehabilitation and repair of the Docking State Office Building in its entirety rather than incur additional debt. In testimony before both House and Senate committees, the Department of Administration indicated at least 50.0 percent of the total \$120.0 million cost would be allowable under American Rescue Plan Act (ARPA). Accordingly, the Conference Committee on House Sub. for Sub. for SB 267 deleted \$60.0 million SGF and added language lapsing up to \$60.0 million SGF if federal funding is received in excess of \$60.0 million. The agency has since confirmed that 50.0 percent of project costs can be funded by ARPA. Contracting firms for the Docking State Office Building project have until April 29 to respond to the notice in the *Kansas Register*.

D. Budget Stabilization Fund (Conference Committee). The Conference Committee on House Sub. for Sub. for SB 267 decreased the transfer from SGF to the Budget Stabilization Fund by \$100.0 million, for a total transfer of \$500.0 million in FY 2022. The Conference Committee also recommended reviewing and considering the transfer of an additional \$100.0 million in FY 2022 at Omnibus.

E. Series 2015A/G Debt Service (Additional Item for Consideration). The Governor recommended \$332.2 million SGF for FY 2023 to pay off the debt service (\$45.2 million) and remaining balance (\$287.0 million) of two series of callable bonds ahead of the final maturity dates in FY 2035. Both House and Senate committees deleted the entire \$332.2 million amount, including the \$45.2 million allocated for debt service for FY 2023, in consideration of separate legislation that would address those bonds. ***Absent legislative action, appropriations for the debt service payment (\$45.2 million) for both bonds are not currently included for FY 2023.***

Those bonds include Kansas Development Finance Authority Series 2015A bonds (\$160.5 million), which includes four refunding bonds as well as bonds related to debt service for the John Redmond Reservoir and a University of Kansas Medical Center education building, and Series 2015G bonds (\$171.8 million), which were issued to support the State's portion of the National Bio and Agro-Defense Facility.

Series 2015A	
Debt Service Principal	\$ 20,140,000
Debt Service Interest	7,639,250
Remaining Balance	132,681,600
Subtotal-Series 2015A	\$ 160,460,850
Series 2015G	
Debt Service Principal	\$ 9,235,000
Debt Service Interest	8,178,700
Remaining Balance	154,351,600
Subtotal-Series 2015G	\$ 171,765,300
GRAND TOTAL	\$ 332,226,150

F. GBA No. 2, Item 7, Page 6 - Stabilize State Health Insurance Plan Reserve Fund.

G. GBA No. 2, Item 8, Page 6 - Kansas Resident Tax Rebate.

Kansas Public Employees Retirement System

A. House Sub. for Sub. for SB 267, KPERS Legislator Participation (Line-Item Veto).

House Sub. for Sub. for SB 267 included language allowing any member of the Legislature to become a member of the Kansas Public Employees Retirement System provided said member previously elected not to participate in the system. Such elections would need to be completed before the beginning of the 2023 Legislative Session.

B. SB 421, KPERS Layering Payment and Supplemental Contribution (Conference Committee). SB 421 would transfer \$1.125 billion from the SGF directly to the Kansas Public Employees Retirement System (KPERS) Trust Fund. Of that amount, the first \$253.9 million SGF would pay off outstanding accounts receivable for KPERS-School employer contributions withheld in FY 2017 and FY 2019 (“layering payments”), while the remaining \$871.1 million SGF would be applied to the KPERS-School unfunded actuarial liability.

The bill would transfer \$853.9 million in FY 2022 in two installments—\$553.9 million on the effective date of the bill and \$300.0 million on June 1, 2022. The remaining \$271.1 million would be transferred in FY 2023 in two installments, both subject to approval, but not modification, from the State Finance Council—\$146.1 million on August 1, 2022, and \$125.0 million on December 1, 2022.

SB 421 Payment Schedule by Fiscal Year	
FY 2022	
KPERS Layering Payment (effective date of bill)	\$ 253,866,022
KPERS-School (effective date of bill)	300,000,000
KPERS-School (June 1, 2022)	300,000,000
Subtotal–FY 2022	\$ 853,866,022
FY 2023	
KPERS-School (August 1, 2022)*	\$ 146,133,978
KPERS-School (December 1, 2022)*	125,000,000
Subtotal–FY 2023	\$ 271,133,978
GRAND TOTAL	\$ 1,125,000,000

* The bill authorizes the State Finance Council to stop these payments upon approval of a resolution.

Based on estimates from KPERS, SB 421 would result in \$71.1 million in savings, from all funding sources, for FY 2023, including annual savings from making the layering payment (\$25.8 million) and additional savings from added contributions (\$45.3 million). KPERS estimates total savings of \$463.5 million over the first five years, from FY 2023 to FY 2027. SB 421 would also result in the following changes to the KPERS-State/School Group:

SB 421 Impacts to the KPERS-State/School Group*		
	<u>Current</u>	<u>SB 421</u>
Unfunded Actuarial Liability		
CY 2023 (in billions)	\$ 4.43	\$ 3.55
Funded Ratio		
CY 2022	77.4 %	80.1 %
CY 2023	80.4	84.3
Employer Contribution Rate		
FY 2023	13.11 %	12.23 %
FY 2024	12.57	11.27

* Figures provided by KPERS.

The Conference Committee also recommended review of employer contribution rates for FY 2023 and FY 2024 at Omnibus. The House Committee of the Whole adopted the Conference Committee Report for SB 421 on March 31, 2022. The Senate Committee of the Whole has not adopted the report as of March 31, 2022.

Judicial Branch

A. HB 2541, Judicial Surcharge (Law). HB 2541 shifts deposit of the following fees and surcharges from Judicial Branch fee funds to the SGF: the first \$15 and 41.17 percent of the remaining amount of **driver's license reinstatement fees**, 15.25 percent of **marriage license fees**, **docket fees** received by the clerk of the Supreme Court, the balance of revenues received from

district court docket fees following deduction of other specified amounts, and additional **judicial surcharges** imposed by the Supreme Court.

The Office of Judicial Administration indicates if the fees that are redirected to the SGF are not replaced with an equal appropriation from the SGF for FY 2023, the Judicial Branch would face a revenue shortfall to meet its budgeted expenditures. For FY 2023, this would include the addition of \$17.3 million SGF and the deletion of \$17.3 million from special revenue funds, including the Docket Fee Fund (\$15.9 million) and the Nonjudicial Salary Adjustment Fund (\$1.5 million). Estimated receipts for the fees and surcharges included in HB 2541 are as follows:

FY 2023 Estimated Receipts for Fees Redirected by HB 2541	
Nonjudicial Salary Adjustment Fund	
Driver's License Reinstatement Fees	\$ 1,300,000
Marriage License Fees	155,000
Interest Income	300
Subtotal–Nonjudicial Salary Adjustment Fund	\$ 1,455,300
Docket Fee Fund	
District Court Docket Fees	\$ 15,826,750
Appellate Court Docket Fees	46,800
Judicial Surcharge*	-
Subtotal–Docket Fee Fund	\$ 15,873,550
GRAND TOTAL	\$ 17,328,850

* House Sub. for Sub. for SB 267 shifts \$9.0 million in expenditures from the Docket Fee Fund to the SGF, based on estimated receipts from the Judicial Surcharge.

B. HB 2361, Specialty Court Resources Fund (Law). Among other provisions, HB 2361 establishes the Specialty Court Resources Fund for the purpose of operating specialty court programs established pursuant to the bill. The bill defines “specialty court” to mean a district court program that uses therapeutic or problem-solving procedures to address underlying factors that may be contributing to a person’s involvement in the judicial system, including, but not limited to, mental illness or drug, alcohol, or other addictions. In order for expenditures to be made from this fund, it will need to be included in an act of appropriation.

C. Court Appointed Special Advocate (CASA) Program Funding Allocations (House Committee). The House Committee recommended review of funding sources for CASA programs and consideration of an additional \$250,000 in distributions for FY 2023 in the absence of transfers from the Kansas Endowment for Youth (KEY) Fund to the Permanent Families Account of the Family and Children Investment Fund. The Permanent Families Account is used to provide grant resources to CASA and Citizen Review Board programs using revenue generated from statutory charges for certified birth certificates. In the past, the Legislature has also included proviso language in appropriation bills to make incidental transfers from the KEY Fund to the Permanent Families Account.

Kansas Department of Health and Environment – Division of Environment

A. Deletion of \$32.5 million SGF for a New Laboratory on Lot 4 of the Capitol Complex for FY 2023 (House Committee). The Governor recommended \$65.0 million SGF for FY 2023 to fund the construction of a new laboratory on Lot 4 of the Capitol Complex in its entirety rather than incur additional debt. In previous testimony, the Department of Administration has indicated that at least

50.0 percent of the total \$65.0 million cost would be allowable under ARPA. The Conference Committee deleted \$32.5 million SGF of the amount recommended by the Governor for FY 2023 and added language that should additional federal coronavirus relief fund moneys be available, an amount equal to the additional moneys available will be lapsed. The Committee requested to review the amount of additional federal coronavirus relief fund moneys available for the project. The Department of Administration has confirmed that 50 percent of the project is allowable under ARPA.

Kansas Water Office

A. Review of \$80.0 million SGF added to pay off Big Hill, Clinton, and Hillsdale Reservoirs Water Supply Storage Debt in FY 2022 (Conference Committee). As of September 2022, the current balance on water supply storage debt in five federal reservoirs will be \$136.0 million. If payments were to be made on the call date of each reservoir, the total balance of water supply storage debt will be \$195.3 million. Revenue from the Water Marketing Program is not adequate to cover these costs. The Conference Committee added \$80.0 million SGF to pay off Big Hill, Clinton, and Hillsdale reservoirs and added language requiring any moneys from the Water Marketing Fund previously obligated for payment of water supply storage debt for Big Hill, Clinton, and Hillsdale reservoirs be used for the payment of water supply storage debt for all other reservoirs.

B. Expenditures Totaling \$150,000 from the State Water Plan Fund for a Study of the Arbuckle Group for FY 2023 (Senate Committee). The Arbuckle Group is a sequence of sedimentary rocks used as a source of oil and fresh water and as disposal space for industrial waste. Funding is designated for a study by the Kansas Geological Survey to collect data including best practice measurement techniques for future structural mapping, pressure/fluid-level mapping, and fluid-flow modeling. The agency states collected data would provide guidance on actions needed to protect the Arbuckle Group and its economic benefit to Kansans and to address any associated water quality risks. House Sub. for Sub. for SB 267 included \$150,000 from the State Water Plan Fund for this study.

Kansas Board of Veterinary Examiners

A. GBA No. 2, Item 15, Page 9 - Budget Shortfall.

Kansas Board of Barbering

A. GBA No. 2, Item 14, Page 9 - Budget Shortfall.

Department for Children and Families

A. Addition of \$500,000 SGF for Safe Families for Children - Kansas (Senate Committee). Safe Families for Children is currently located in the Kansas City and Wichita regions of the state. It is a volunteer-driven and professionally supported program serving Kansas families. It is not foster care or adoption services. Parents maintain parental rights and full custody of their children while receiving services from the organization. In most cases, these services are provided prior to any Department for Children and Families (DCF) engagement. The organization would like to expand the program to other

areas throughout the state. The funding will be used to appropriately staff current locations, as well as recruit and train additional volunteers.

B. Human Services Consensus Caseloads and GBA No. 2, Item 1, Page 2. The FY 2022 estimate for the Temporary Assistance for Needy Families (TANF) program is \$10.5 million, all from federal funds, which is an increase of \$1.5 million above the approved amount. The caseload increase is attributed to the elimination of COVID-19 stimulus funds and reduced unemployment benefits post pandemic. Estimated expenditures for the Foster Care program in FY 2022 are \$254.9 million, including \$167.4 million from the State General Fund. The estimate is a decrease of \$4.1 million from all funding sources, and a decrease of \$6.6 million from the State General Fund. The caseload is projected to decrease by 3.8 percent in FY 2022 and is in large part attributed to the Families First Prevention Services Act. As this program continues to grow, foster care caseloads are expected to decrease further. It is estimated that contract costs will continue to fluctuate based on acuity levels and service needs of children which can impact placement costs and needed supports.

The FY 2023 estimate for the Temporary Assistance for Needy Families (TANF) program is \$10.7 million, all from federal funds, which is an increase of \$2.1 million above the approved amount. The caseload increase is attributed to the elimination of COVID-19 stimulus funds and reduced unemployment benefits post pandemic. Estimated expenditures for the Foster Care program in FY 2023 are \$272.0 million, including \$187.6 million from the State General Fund. The estimate is a decrease of \$2.0 million from all funding sources, and a decrease of \$5.4 million from the State General Fund. The caseload is projected to decrease by 2.8 percent in FY 2023 and is in large part attributed to the Families First Prevention Services Act. As this program continues to grow, foster care caseloads are expected to decrease further. It is estimated that contract costs will continue to fluctuate based on acuity levels and service needs of children which can impact placement costs and needed supports.

Kansas Bureau of Investigation

A. Forensic Science Laboratory at Washburn University (Senate Committee). The Senate Committee requested additional information related to the Forensic Science Laboratory bond. The remaining balance on the bonds for the forensic science laboratory is \$41.2 million. Annual payments are approximately \$4.3 million SGF. The 20-year bonds were issued in 2014 and are expected to be paid off in 2034. The bonds have an interest rate of approximately 5.0 percent. The bonds have been callable since December 1, 2021, and there is no penalty for early payoff.

If the bonds are paid off in FY 2022, the amount owed would be \$41.2 million plus interest dependent on the payoff date. The savings would be approximately \$10.7 million. If the bonds are paid off in FY 2023, the amount owed would be \$38.3 million plus interest dependent on the payoff date. The savings would be approximately \$9.1 million.

B. HB 2228 Sexual Assault Evidence Kits (Law). HB 2228 requires all law enforcement agencies to adopt a policy regarding submission of sexual assault evidence kits. HB 2228 also requires KBI to increase the amount of time the agency is required to retain all unreported sexual assault evidence kits from 5 years to 20 years. KBI indicated that an additional \$28,000 SGF would be required to purchase and install additional shelving units to store the kits.

C. SB 366 Kansas Offender Registration (Conference Committee). Among other provisions, SB 366 would allow certain drug offenders to file a petition for relief from the Kansas Offender Registration Act requirements if the offender has registered for a period of at least five years after the date of parole, discharge, or release, or five years after the date of conviction or adjudication

if the offender was not confined. The bill outlines requirements that must be included in a petition. The KBI states that implementation would require \$57,371 SGF and 1.0 Administrative Officer FTE position.

Office of Administrative Hearings

A. GBA No. 2, Item 18, Page 11 - Additional FTE Positions.

Kansas Commission on Veterans Affairs Office

A. GBA No. 2, Item 4, Page 4 - Updated Debt Service Estimates for New Veterans Home.

Kansas Real Estate Commission

A. GBA No. 2, Item 16, Page 10 - Licensing Software Replacement.

Board of Indigents' Defense Services

A. Request for a Pay Scale Adjustment for FY 2023 (Senate Committee). The agency requested an enhancement of \$4.0 million SGF to adjust salaries for pay parity with prosecutors and other comparable government employees for FY 2023. The agency has created a series of internal pay scales for each position that appropriately reflects the level of experience of its employees and competes with prosecutor pay and other comparable government salaries.

This item was included in House Sub. for Sub. for SB 267 by the Conference Committee.

B. Request to Partially Fund the Internal Training Program for FY 2023 (Senate Committee). The agency requested an enhancement of \$140,125 SGF to partially fund the new training division for FY 2023. This amount is for the office space, training programs, organizational memberships, and Bar Fees. The House Budget Committee recommended that the agency fund the internal training portion from existing resources.

TRAINING DIVISION EXPENDITURES		
Item	SGF	FTE
Rent/Office Space	\$ 15,000	--
Program Funding:		--
Annual Agency Two-day Conference for attorneys, investigators, legal assistants	50,000	--
New Public Defender Intensive Training Program	14,000	--
Annual Internal Leadership and Management Training Summit	11,000	--
Capital Trainings	7,000	--
Support Staff Trainings	10,000	--
Annual National Association of Public Defense Membership (includes member trainings and constantly updated resources)	4,525	--
BIDS Public Defender Annual Bar Licensing Fees	28,600	--
TOTAL	\$ 140,125	--

C. Review the Request for Ethical Caseloads Staffing and Support Plan for FY 2023 (Senate Committee). The agency requested an enhancement of \$8.1 million SGF to support 88.0 FTE positions to address chronic attorney caseload issues and insufficient support staffing in its public defender offices.

ETHICAL CASELOADS STAFFING AND SUPPORT PLAN					
Item	Agency		Gov. Rec.		
	SGF	FTE	SGF	FTE	
Staffing (Remainder of Phase I)	\$ 4,000,000	53.0	\$ -	\$ -	--
Appellate Defender	2,596,000	22.0	-	-	--
Capital Defender	944,000	8.0	-	-	--
Administrative Support	539,500	5.0	-	-	--
TOTAL	\$ 8,079,500	88.0	\$ -	\$ -	--

Staff Note: The 2021 Legislature partially funded the agency's staffing enhancement request in the amount of \$3.9 million SGF to fund approximately 45.0 FTE positions in FY 2022.

D. Request for the Expansion of the Public Defender Offices for FY 2023 (Senate Committee). The agency requested an enhancement of \$1.2 million SGF to establish a public defender office and 12.0 FTE positions in the 7th Judicial District (Douglas County). This reflects first-year cost, including salaries and wages, overhead costs, a full-service office lease, plus the initial one-time start-up costs of establishing a new office. The FTE positions include 6.0 public defenders, 2.0 legal assistants, 2.0 investigators, and 2.0 administrative assistants.

The agency estimates ongoing operating costs of approximately \$1.1 million for the FTE positions, overhead, and office lease obligations.

E. Assigned Counsel Consensus Caseloads. On April 18, 2022, the Division of the Budget, the Board of Indigents' Defense Services, and the Kansas Legislative Research Department reviewed actual and historical data to develop a revised assigned counsel estimate for FY 2022 and FY 2023.

The revised caseload estimate for FY 2022 is \$16.5 million SGF. This is the same as the FY 2022 amount approved by the 2021 Legislature.

The revised caseload estimate for FY 2023 is \$20.1 million SGF. This is an increase of \$3.6 million, or 21.6 percent, above the FY 2023 approved amount. The increase is due to the 2022 Legislature approving the agency's enhancement request to increase the assigned counsel hourly rate up to \$120 per hour for FY 2023, and is reflected in House Sub. for Sub. for SB 267.

Kansas State School for the Blind

A. Funding for the Agency's HVAC Capital Improvement Project in FY 2022 and for FY 2023 (Senate Committee). The Governor's recommendation for capital improvement expenditures included \$250,818 in FY 2022 and \$300,234 for FY 2023, all from the State Institutions Building Fund, to replace outdated boiler systems with updated HVAC systems in the Brighton and Irwin buildings. The Committee recommended these projects be reviewed at Omnibus to determine if they could be completed in FY 2022 rather than in both FY 2022 and FY 2023. The agency indicates that the project could be completed in one fiscal year if funds were available. However, due to timing, the agency

indicates that it would not be feasible to complete the project in FY 2022. The agency would require additional time to schedule the labor for the project and order materials that could not be acquired in the remaining months of FY 2022.

Kansas State Department of Education

A. Education Consensus Caseload Adjustment and GBA No. 2, Item 10, Page 7. The Division of the Budget, Kansas Department of Education, and the Legislative Research Department (Consensus Group) met on April 11, 2022, to review Kansas Public Employee Retirement for United School Districts (KPERS-USDs) caseload expenditures in FY 2022. The starting point for the April 2022 estimate was the fall 2021 consensus caseload estimate and the Governor's Budget Recommendation for the 2022 Legislative Session, as represented in Senate Sub. for HB 2567.

The Consensus Group determined that due to increases in KPERS-USDs employer contributions in FY 2022, as a result of higher than anticipated salaries and wages expenditures, the lapse currently included in Senate Sub. for HB 2567 would result in a KPERS-USDs shortfall. The estimate in FY 2022 increased by \$11.1 million SGF above the FY 2022 Governor's Budget Recommendation. Adoption of the new estimate would reduce the current lapse included in Senate Sub. for HB 2567 from \$35.1 million to \$24.0 million to add \$11.1 million SGF in FY 2022.

B. Senate Sub. for HB 2239 (Law). Among other provisions, Senate Sub. for HB 2239 increases the amount of the residential tax exemption from the 20 mill uniform statewide school finance property tax levy from \$20,000 of valuation to \$40,000 of valuation beginning in tax year 2022. The bill also provides for the exemption amount to be increased in future tax years based off of the average percentage change in statewide residential real property for the preceding 10 tax years. This reduction in property taxes results in the need for additional SGF moneys, since property taxes pay for a portion of State Foundation Aid in the Kansas State Equity and Enhancement Act (KSEEA). For FY 2023, KSDE estimates it requires an additional \$42.8 million SGF as a result of this bill for State Foundation Aid.

C. Kansas State Department of Education Budget (House and Senate Committees).

FY 2022

The **Governor** recommended expenditures of \$6.5 billion, including \$4.6 billion SGF, in FY 2022. This is an increase of \$404.4 million, or 6.6 percent, including an SGF increase of \$394.1 million, or 9.4 percent, above the agency's FY 2022 revised estimate. The increase was primarily attributable to the Governor recommending a one-time appropriation of \$199.6 million SGF to eliminate delayed school payments and \$253.9 million SGF to pay off the KPERS layering payments in FY 2022. The Governor also recommended adoption of the fall 2021 consensus caseload estimate in FY 2022.

The **House Committee** recommended the deletion of provisions related to KSDE's budget from HB 2592 and inserted them into Sub. for Sub. for HB 2512, as recommended by the House Committee on K-12 Education Budget, in FY 2022.

Both the **House Committee** and **Senate Committee** concurred with the Governor's recommendation in FY 2022 with one adjustment to delete the \$253.9 million SGF used to pay off the

KPERS layering payments in FY 2022, as the transfer is included in the provisions of SB 421.

The **Senate Committee** also recommended deleting \$199.6 million in FY 2022 to eliminate delayed school payments in FY 2022 and move this amount to FY 2023 for the same purpose.

The **Conference Committee** inserted the provisions related to the KSDE budget for FY 2022, FY 2023, and FY 2024 into Senate Sub. for HB 2567 with other education-related provisions. The Conference Committee concurred with the Governor's recommendation in FY 2022 with the one adjustment:

- Concur with the Senate and delete the \$199.6 million SGF to eliminate delayed school payments in FY 2022 and move this amount to FY 2023 for the same purpose.

[*Note:* The Conference Committee Report for Senate Sub. for HB 2567 has not been adopted by either chamber of the Legislature.]

FY 2023

The **Governor** recommended expenditures of \$6.4 billion, including \$4.2 billion SGF, for FY 2023. This is a decrease of \$127.3 million, including an SGF decrease of \$152.3 million, below the agency's FY 2023 request. The overall decrease was primarily attributable to the Governor recommending adoption of the fall 2021 consensus caseload estimate. The SGF decrease was also partially attributable to the decrease in KPERS layering payment expenditures due to the Governor's recommendation to pay off the KPERS layering payments in FY 2022.

The **Senate Committee** concurred with the Governor's recommendation for FY 2023 with the following adjustments:

- Add language to allow KSDE to distribute excess funds in the Local School District Contributions Checkoff Fund to school districts for FY 2023; and
- Add language to increase virtual state aid from \$5,000 for each full-time pupil to \$5,600 for each full-time pupil for FY 2023, from existing resources.

The **House Committee** recommended deleting provisions related to KSDE's budget from HB 2588 for FY 2023 and FY 2024 and inserted the provisions into a separate bill, Sub. for Sub. for HB 2512. The House Committee concurred with the Governor's budget recommendation with the following adjustments:

- Add \$5.0 million SGF for School Safety and Security Grants for FY 2023 and add language to allow school districts to expend School Safety and Security Grants for new school resource officer positions;
- Delete \$1.5 million SGF to not adopt the agency's enhancement request for Career and Technical Education (CTE) Transportation;

- Add language to require KSDE to fund \$100,000 for Communities in Schools from existing resources for FY 2023;
- Add language to require KSDE to establish a fee for service to fund the Dyslexia Coordinator position (\$100,000) for FY 2023;
- Add language for KSDE to establish a fee for service to be paid by districts, not to exceed \$4.0 million, to require school districts with 50.0 percent or more of the student population of grades 7 through 12 in the bottom half of the state assessment in math (tier one and tier two) to implement a virtual math program for FY 2023; and
- Add language to allow KSDE to distribute excess funds in the Local School District Contributions Checkoff Fund to school districts for FY 2023.

The **Conference Committee** inserted the provisions related to the KSDE budget for FY 2022, FY 2023, and FY 2024 into Senate Sub. for HB 2567 with other education-related provisions. The Conference Committee concurred with the Governor's recommendation with the following adjustments:

- Concur with the House and add \$5.0 million SGF for School Safety and Security Grants for FY 2023 and add language to allow school districts to expend School Safety and Security Grants for new school resource officer positions;
- Concur with the Senate and do not delete \$1.5 million SGF to not adopt the agency's enhancement request for Career and Technical Education (CTE) Transportation;
- Concur with the Senate and add \$199.6 million to eliminate delayed school payments for FY 2023; and
- Concur with the Senate and add language to increase virtual state aid from \$5,000 for each full-time pupil to \$5,600 for each full-time pupil for FY 2023, from existing resources;
- Concur with the House and add language to require KSDE to fund \$100,000 for Communities in Schools from existing resources for FY 2023;
- Concur with the House and add language to require KSDE to establish a fee for service to fund the Dyslexia Coordinator position (\$100,00) for FY 2023; and
- Add \$3.0 million from federal American Rescue Plan Act (ARPA) funds in FY 2023 through the Office of the Governor for KSDE to implement a virtual math program to be made available to all school districts and require KSDE to establish a fee for service to be paid by districts for any remaining costs for the implementation of such statewide virtual program for FY 2023.

[*Note:* The Conference Committee Report for Senate Sub. for HB 2567 has not been adopted by either chamber of the Legislature.]

D. GBA No. 2, Item 11, Page 7 - Special Education Excess Costs.

Legislature

A. Kansas Legislative Information Services System (KLISS) Modernization Project (Additional Item for Consideration). At the direction of the Legislative Coordinating Council (LCC), the Kansas Legislative Office of Information Services (KLOIS) released a request for proposal (RFP) for a replacement for KLISS during the fall of 2021. The RFP closed in November 2021, with five vendors submitting proposals.

The LCC directed KLOIS and the procurement negotiating committee to proceed to negotiating a contract for redesigning and restructuring of the existing KLISS system, within a three-year timetable as specified in the RFP. This will be a deliverables-based contract with a conversion to a Microsoft Word-based system, redesign of the bill and amendment drafting system, review and redesign of the systems and applications utilized by KLRD, review and redesign of systems and processes used by both House and Senate chambers, review and redesign of the current committee management system, and redesign of the Legislature's website, including mobile capability and member interface. The LCC will review final contract language.

The LCC also authorized the recommendation for six additional FTE positions with KLOIS, one FTE position in KLRD, and two FTE positions in Office of Revisor of Statutes. The FTE positions for KLRD and the Office of the Revisor of Statutes are reflected in those agency sections. The positions requested by KLOIS include application developer, user interface developer, business analyst, and customer service positions.

Finally, the LCC approved the legislative agencies to seek appropriate budgetary adjustments from the budgetary process to accommodate the recommendations. The Legislature is requesting a total of \$5,097,000, all SGF, for FY 2023. This request includes: \$4.5 million, all SGF, for the contract with Propylon to redesign KLISS, the addition of 6.0 FTE positions and \$572,000 SGF for salaries and wages, and \$25,000 SGF for capital outlay for the new positions for FY 2023.

Legislative Research Department

A. KLISS Modernization Project (Additional Item for Consideration). At the direction of the Legislative Coordinating Council, the Kansas Legislative Office of Information Services (KLOIS) released a request for proposal (RFP) for a replacement for KLISS during the fall of 2021. Additional information can be found in the Legislature section of this memorandum. The LCC approved the legislative agencies to seek appropriate budgetary adjustments from the budgetary process to accommodate the recommendations. The Legislative Research Department is requesting \$81,842 SGF and 1.0 FTE position to assist with the KLISS modernization project, which includes a review and redesign of systems and applications utilized by the Department including improved publication processes; updated document compilation functions; improved reporting tools; and improved review and tracking of appointments process.

Office of the Revisor of Statutes

A. KLISS Modernization Project (Additional Item for Consideration). At the direction of the Legislative Coordinating Council, the Kansas Legislative Office of Information Services (KLOIS) released a request for proposal (RFP) for a replacement for KLISS during the fall of 2021. Additional information can be found in the Legislature section of this memorandum. The LCC approved the legislative agencies to seek appropriate budgetary adjustments from the budgetary process to accommodate the recommendations. The Office of the Revisor of Statutes is requesting \$163,684 SGF and 2.0 FTE position to assist with the KLISS modernization project, which includes a redesign of the bill and amendment drafting system to include: reduced processing time of amendments; addressing system workflow inefficiencies; providing improved publication processes; providing a process for distributing amendments in committee; providing an appropriations workflow and collaboration; creating functionality for handling tables and images in bills and amendments; providing a system for exchanging and editing documents; and providing a system for searching documents internally.

State Institutions for Mental Health

A. Additional Funding for a Social Detox Program at Osawatomie State Hospital (Senate Committee). Osawatomie State Hospital requested \$993,018 SGF and 5.0 FTE positions for FY 2023 to create a social detox program, as part of its effort to lift the moratorium on involuntary admissions at the state hospital. The program was designed to allow patients with substance abuse needs to be observed during their detox period upon admission to the hospital. The hospital currently utilizes nurses and doctors at the hospital to meet this need, which it believes decreases the staff available for other patients' care. The agency sought to create this program with the funding and additional FTE positions to have dedicated staff to observe patients during detox. The Governor included the agency's request in her recommendation.

During the agency's budget hearing, concern was raised that while the social detox beds would serve the entire Osawatomie catchment area, the beds would be predominantly used by counties close to the state hospital. The agency responded that this was a service that was provided prior to the imposition of the moratorium, and the agency aimed to restore these services as part of its plan to lift the moratorium. Additionally, the agency indicated these services were also currently provided by Larned State Hospital for its catchment area. The agency also provided a map indicating that there were an additional 19 social detox beds located in the northeastern area of the state in Shawnee, Douglas, and Johnson counties, while there are 14 social detox beds in the south central Kansas region serving Reno and Sedgwick counties. The Senate Committee on Ways and Means deleted the funding and FTE positions for the program, and the Conference Committee on House Sub. for Sub. for SB 267 concurred with the Senate's position and did not include the funding or the positions.

B. Additional Funding at Larned State Hospital for Contract Nursing Staff (Senate Committee). Larned State Hospital requested \$13.0 million SGF in FY 2022 and for FY 2023 for the cost of agency nursing staff to provide nursing coverage for the hospital. The agency reports that its nursing department experiences high vacancy rates for direct care positions. Due to these vacancy rates, the agency utilizes contracted nursing staff to perform critical duties such as passing medications, supervising activities of daily living, supervising patients in crisis, as well as taking vital signs. The agency's requests were not included in the Governor's recommendation.

During the budget hearings, the agency indicated that its overall turnover rate was 23.8 percent and its vacancy rate was 41.6 percent. The agency also commented that it generally can cover the salary for 5.0 FTE positions for each 1.0 contract position it utilizes. As it pertains to its nursing staff, the agency provided the below information representing the turnover for specific positions.

EMPLOYEE TURNOVER IN NURSING POSITIONS				
<u>Position</u>	<u>0-6 Months</u>	<u>6-12 Months</u>	<u>12-18 Months</u>	<u>18-24 Months</u>
Advanced Practice Registered Nurse	-	-	1.0	-
Licensed Practical Nurse	6.0	3.0	3.0	-
Registered Nurse	10.0	7.0	9.0	2.0
TOTAL	16.0	10.0	13.0	2.0

Nursing staff is the second category with the highest turnover behind Mental Health Developmental Disability Technicians. In the fall of 2021, the Governor released her pay plan for 24/7 facilities. This provided a base hourly rate increase between \$2.00 to \$3.00, with several temporary pay differentials if facilities meet certain requirements. The pay plan was an effort to address the recruitment and retention issues at the state hospitals. Due to the timing of when the pay plan was introduced, the agency had not factored in its effect on the need for contracted nursing staff in its original budget submission. During its budget hearing, the agency indicated that it was reevaluating its need for contractual nursing staff and would pursue a potential GBA. As of April 7, 2022, the agency's overall turnover rate is 5.6 percent, and the overall vacancy rate is approximately 43.0 percent.

C. GBA No. 2, Item 5, Page 4 - Contracted Nursing Staffing at Larned State Hospital.

Kansas Department for Aging and Disability Services

A. Reviewing the Status of \$15.0 million and Removing the Governor’s Recommendation for 50 Additional Regional Mental Health Beds for FY 2023 (House Committee). The Governor’s recommendation included the addition of \$15.0 million SGF for an additional 50 regional mental health beds for FY 2023. The funding was envisioned as providing an additional 25 new regional beds for involuntary patients and 25 beds for competency needs in an effort to reduce the waitlist at the state hospitals. These beds are currently envisioned as operating in the Wichita/Sedgwick County area.

The agency indicates these beds are being added in an effort to move the state to a regional model for mental health beds, as recommended by the Mental Health Task Force in 2018 and 2019. The 2020 Mental Health Task Force report recommended a regional model to supplement the state hospitals to service both voluntary and involuntary admissions. The report specifically identified a shortage in capacity in south central Kansas.

Currently the State Security Program at Larned State Hospital (LSH) provides a majority of competency evaluation and treatment services for the state. Currently, LSH reports an average wait time of 342 days for a male defendant for admission for competency evaluations. The addition of the 25 beds for competency needs was one of the efforts to reduce the waitlist at LSH for these services.

The House Committee on Social Services Budget recommended the funding be deleted and the agency provide a report to the Legislature detailing the current mental health beds within the state for consideration of a potential location for these regional mental health beds. The House Committee on Appropriations' recommendation was to consider the potential deletion of the funding at Omnibus. The agency has provided maps detailing where beds are located within the state as part of the mental health continuum of care to provide an overview of where beds are located in comparison to the beds proposed by the Governor's recommendation.

B. Addition of Language to Make the \$15.0 million Allocated for Regional Mental Health Bed Expansion Contingent on State Finance Council Approval (Senate Committee). As detailed above, the Governor's recommendation included \$15.0 million SGF for regional mental health beds for FY 2023. The Senate Committee on Ways and Means Subcommittee on Human Services recommended that a requirement be included to make disbursement of the funds contingent on State Finance Council approval.

Additionally, the subcommittee considered a provision to require the Secretary for Aging and Disability Services to report on the process of determining the location of the facility to the State Finance Council. The subcommittee's provision included language that would require the agency to work with Sedgwick County to study the need for regional mental health beds within the county and identify the impact of opening a new 50-bed facility on the Sedgwick County health and human services sector for FY 2023. The costs of the study would be shared between the agency and the county, with the agency covering 80.0 percent of the cost and the County covering 20.0 percent.

As detailed above, these mental health beds are currently planned for the Wichita/Sedgwick County area. This was partly due to the 2019 Mental Health Task Force report, which specifically identified a shortage in capacity in south central Kansas. Sedgwick County had an existing plan to develop behavioral health services, and requested funding from the SPARK Taskforce for psychiatric hospital development. Currently, LSH reports that Sedgwick County accounted for 17.0 percent of admissions to the State Security Program in FY 2021, and as of March 2022, 19.0 percent of defendants waiting for admission to the State Security Program are from Sedgwick County. Additionally, in FY 2021 Sedgwick County accounted for 19.0 percent of admissions to Osawatimie State Hospital, and counties surrounding Sedgwick accounted for 20.4 percent of admissions to LSH.

[Staff Note: Sedgwick County falls in the Osawatimie catchment area, while surrounding counties fall under the catchment area of LSH.]

C. Funding for the 988 Behavioral Crisis Hotline and the Status of 2021 HB 2281 to Establish a Means of Funding the Hotline Through a Fee of Telephone Providers (Senate Committee) / House Sub. for SB 19, Implementation of the 988 Suicide Prevention and Mental Health Crisis Hotline (Conference Committee). In FY 2020, the Federal Communications Commission announced that all telecommunication carriers will be required to implement a 988 code for behavioral health crisis calls. This code would operate similarly to the 911 number, but rather than be routed to emergency services, these calls would be routed to national suicide prevention crisis centers, where the calls would be addressed by trained mental health professionals. The 988 behavioral health crisis hotline will go live in July 2022.

HB 2281 (2021) was introduced to establish a \$0.50 per month fee per telecommunication subscriber. The revenue generated from this fee would then be used to cover the costs of implementation of the 988 code. The bill had a hearing and was worked by the House Committee on Health and Human Services, and it was referred to the House Committee on Appropriations. The 2021 Legislature added \$3.0 million SGF for operational costs of expanding the call capacity of the 988

hotline in Kansas for FY 2022. While the \$3.0 million was added in 2021 SB 159, during the 2021 veto session this additional funding was envisioned as being replaced by the funding generated by the 2021 HB 2281 fee on telecommunication subscribers.

During the 2022 Session, 2021 HB 2281 was referred to House Committee on Health and Human Services and the committee recommended a substitute bill be passed. The substitute bill, which, among other changes, decreased the subscriber fee to \$0.20 per month and created a \$3.0 million demand transfer from the SGF to the newly created 988 Suicide Prevention and Mental Health Crisis Hotline Fund (Hotline Fund). Expenditures from the Hotline Fund would be limited to:

- Ensuring the efficient and effective routing of calls made to the Hotline to an appropriate crisis Center; and
- Personnel; the provision of acute mental health, crisis outreach, and stabilization services by directly responding to the Hotline; public promotion; data collection; and reporting.

After the substitute bill was passed out of the House Committee on Health and Human Services, it was referred to the House Committee on Energy, Utilities and Telecommunications. The House Committee on Energy, Utilities and Telecommunications (Committee) amended the bill to remove the provision for the subscriber fee of \$0.20 per month and increased the transfer from the SGF from \$3.0 million to \$10.0 million. Additionally the Committee added a provision reducing the transfer by any certified ending balance of the Hotline Fund for the previous fiscal year. The Committee then replaced the contents of 2021 SB 19 with the amended contents of HB 2281.

Conferees for House Sub. for SB 19 have been appointed, however a conference committee has not been called. Should the bill pass, the Hotline Fund would need to be appropriated in order to allow the agency to make expenditures from the fund.

D. HB 2703, My Reemployment Plan Program (Law). HB 2219 (2021) establishes a tax credit for businesses that employ individuals with developmental disabilities who are residents of Kansas. The bill requires the Secretary for Aging and Disability Services to develop a program to measure the results of the tax credits and analyze the employment of individuals with disabilities, their quality of life while employed, and the impact upon taxpayers saving and government programs.

Originally, the agency sought to develop and implement this program, with an additional 5.0 FTE positions, including 3.0 FTE positions to staff the program with tax expertise, and 2.0 FTE positions for IT staff to monitor a secure IT system to track the tax data the agency would be required to track. The agency indicated it would require \$555,750 for those staff members. Additionally, the agency anticipated needing the assistance of a tax consultant to develop the program, as well as a new secure IT system to receive the requisite tax information.

However, the agency now indicates it will contract with a third party to review the impact of the tax credit and currently estimates an ongoing cost of \$500,000 SGF for each fiscal year during the five years of the study. Through contracting the review of the tax credit to a third party, the agency anticipates avoiding the costs for 5.0 FTE positions, the tax consultant, and a new IT system.

The contents of 2021 HB 2219 were included in HB 2703, which was signed into law by the Governor on April 18, 2022. The agency requests the addition of \$500,000 SGF for each fiscal year to contract the review of the tax credit to a third party.

E. House Sub. for Sub. for SB 84, Sports Wagering (Conference Committee). House Sub. for Sub. for SB 84 would amend the Kansas Expanded Lottery Act (KELA), Kansas Lottery Act, and Kansas Parimutuel Racing Act. The bill would authorize the Kansas Lottery (Lottery) to offer sports wagering through the lottery gaming facility managers who have contracted with the Lottery under KELA to manage sports wagering. The bill would also allow the operation of historical horse racing machines at a licensed facility in Sedgwick County.

The bill was originally passed by the Senate during the 2021 Session. During the 2022 Session, the House Committee of the Whole removed the contents of Sub. for SB 84 and inserted the contents of HB 2740, and further amended the bill. The Conference Committee considered the bill and came to an agreement. The House has adopted the conference committee report, and the Senate has not yet taken action on the conference committee report.

The Kansas Department for Aging and Disability Services originally anticipated an increase of \$1.4 million in expenditures for increases in problem gambling treatment capacity, as well as a statewide media campaign regarding problem gambling services available. The estimate also includes \$150,000 and 2.0 FTE positions for additional problem gambling specialists to provide consultation and community support to the regional task forces.

The bill would also increase the transfer from the State Gaming Revenues Fund to the Problem Gambling and Addictions Grant Fund (PGAGF) from \$80,000 to \$100,000. Additionally, the bill would require a 2.0 percent transfer of sports wagering revenue be transferred to the PGAGF, similar to the 2.0 percent of expanded lottery revenue already transferred to the fund. In the original fiscal note, the agency indicated the \$1.4 million would be spent from the PGAGF, however, the agency indicated it has concerns whether the amount of revenue generated by the bill would cover the costs of its anticipated expenditures.

F. GBA No. 2, Item 1, Page 2 - Human Services Consensus Caseloads. The Division of the Budget, Department for Children and Families (DCF), Department of Health and Environment (KDHE), Department for Aging and Disability Services (KDADS), and the Kansas Legislative Research Department (Consensus Group) met on April 14, 2022, to revise the estimates on human services consensus caseload expenditures for FY 2022 and FY 2023. The caseload estimates include expenditures for Temporary Assistance for Needy Families, the Reintegration/Foster Care Contracts, KanCare Regular Medical Assistance, and KDADS Non-KanCare.

The estimate for KDADS Non-KanCare in FY 2022 is \$38.0 million, including \$24.6 million from the State General Fund. This is a decrease of \$1.4 million from all funding sources from the amount approved by the 2022 Legislature. The decrease is primarily attributable to a correction to the state match rate for waiver assessments and is a decrease in federal funds only.

For FY 2023, the KDADS KanCare estimate includes an increase in the cost associate with the transition of community mental health services to a Certified Community Behavioral Health Clinics (CCBHCs) model. CCBHCs would receive a daily, clinic-specific rate when at least one of the nine required demonstration services has been provided to a Medicaid beneficiary. The rate is intended to reimburse providers their expected cost share for providing those services. The actual cost per day will be determined through negotiations with KDADS, CMS, and the CCBHCs, using provider cost projections as a starting point. Upon initial review of the calculated daily rates, provider cost estimates are significantly higher than what was appropriated for this program. State agencies are actively partnering with interested stakeholders to determine a solution to manage cost expectations, while maintaining the fidelity of the new program. Any adjustments as a result of those solutions will be reflected during the next caseload meeting in the fall. Additionally, the increase includes funding to

fully rebase the nursing facility daily rate. After review of nursing facility cost reports, the agency found the amount appropriated was slightly lower than is current estimate based on actual costs.

The estimate for KDADS Non-KanCare for FY 2023 is \$88.6 million, including \$46.5 million from the State General Fund. This is an increase of \$3.4 million, including \$2.3 million from the State General Fund, above the amount approved by the 2022 Legislature. The increase is primarily due to increased expenditures from rebasing of nursing facility rates.

G. GBA No. 2, Item 6, Page 5 - Additional Staffing for Home and Community Based Services Waiver Program.

Kansas Department of Health and Environment – Division of Health

A. GBA No. 2, Item 1, Page 2 - Human Services Consensus Caseloads. The Division of the Budget, Department for Children and Families (DCF), Department of Health and Environment (KDHE), Department for Aging and Disability Services (KDADS), and the Kansas Legislative Research Department (Consensus Group) met on April 14, 2022, to revise the estimates on human services consensus caseload expenditures for FY 2022 and FY 2023. The caseload estimates include expenditures for Temporary Assistance for Needy Families, the Reintegration/Foster Care Contracts, KanCare Regular Medical Assistance, and KDADS Non-KanCare.

The starting point for the April 2022 estimates was the budget approved by the 2022 Legislature for FY 2022 and FY 2023, as represented in House Sub. for Sub. for SB 267. The estimate for FY 2022 is an increase of \$110.4 million from all funding sources, and a State General Fund decrease of \$12.6 million, compared to the FY 2022 approved amount. The estimate for FY 2023 is an increase of \$221.5 million from all funding sources and a State General Fund increase of \$61.3 million above the FY 2023 approved amount. The combined estimate for FY 2022 and FY 2023 is an all funds increase of \$331.9 million, and a State General Fund increase of \$48.7 million, above the approved amount.

The administration of KanCare within the state is accomplished by KDHE maintaining financial management and contract oversight, including regular medical services, while KDADS administers the Medicaid Waiver programs for disability services, as well as long-term care services, mental health and substance abuse services, and the state hospitals. In addition, the Department of Corrections (DOC) administers the part of KanCare related to youth in custody. The DOC KanCare expenditures have been included in the KDHE budget since FY 2018. Throughout this memorandum, KanCare Medical estimates include all Medicaid KanCare expenditures for all agencies.

FY 2022

The FY 2022 estimate for KanCare Medical is \$3.8 billion from all funding sources, including \$942.7 million from the State General Fund. This an increase of \$114.4 million from all funding sources, and a State General Fund decrease of \$6.0 million, compared to the budget approved by the 2022 Legislature. The KanCare Medical estimate includes medical expenditures for KDHE and KDADS.

KanCare Medical

The KanCare Medical all funds increase is partially attributable to an increase in capitation expenditures from continued member growth. The increase is a result of higher estimated population growth as compared to estimates made last fall due to an extension of the Public Health Emergency (PHE) which extends federal restrictions on removing individuals from Medicaid until the end of the month in which the PHE ends, as a condition of accepting the increase of 6.2 percentage-points in the Federal Medical Assistance Percentage (FMAP) match rate. Since the October 2021 estimates, additional months of actual population data under the PHE have been received. For FY 2022 actuals through February 2022, caseload populations have grown at an average of 3,559 members per month. For FY 2021 this average was at 3,487 members per month. Based on this data, it is now estimated that the number of KanCare Medicaid members could exceed 420,000 by the end of FY 2022.

The all funds increase is also attributable to new pandemic-related policies mandated by the federal Centers for Medicare and Medicaid Services (CMS) and agency policy changes for certain optometry and global pregnancy services. Increased estimates for disproportionate share (DSH) payments to hospitals, as well as Medicare buy-in payments, also contributed to the increase. Additional funding, based upon current cost reports, is included for Certified Community Behavioral Health Clinics (CCBHCs) estimated expenditures. An offset to the all funds increase is a reduction in the estimate for the Support and Training to Employ People Successfully (STEPS) pilot program, as the program has not grown as quickly as originally expected after implementation. STEPS is an extension of the working healthy program that allows individuals between the ages of 16 and 65 who meet the Social Security Administration definition of disability and are not being served by a home and community-based services waiver, to receive supportive employment services.

The State General Fund decrease is primarily attributable to the federal Families First Coronavirus Response Act which provides states a temporary 6.2 percentage-point increase to the FMAP. The increased FMAP is in effect for all of FY 2022, raising the FY 2022 FMAP from its base of 60.04 percent to 66.24 percent. The extension of the increased FMAP through all of FY 2022 is a change from the October 2021 estimates. Under the October 2021 caseload estimates, it was assumed the increased FMAP would be in effect for the first, second, and third quarters of FY 2022. This change represented a savings of approximately \$35.0 million for KDHE and \$35.0 million for KDADS from the Fall 2021 estimate to the current estimate for FY 2022. The temporary increase in the FMAP began on January 1, 2020 and extends through the last day of the calendar quarter in which the PHE is declared terminated by the federal Department of Health and Human Services. The federal Centers for Medicare and Medicaid Services will inform states when the PHE period for COVID-19 ends. The caseload estimates include enhanced funding through September 2022 as the current PHE is scheduled to continue through July of 2022.

Partially offsetting the State General Fund reduction is a decrease of \$13.6 million in the estimate of revenue from the Medical Assistance Fee Fund (HMO Privilege Fee) and a \$1.8 million decrease from the Nursing Facility Provider Assessment (Bed Tax) that is available to offset State General Fund obligations based upon Spring 2022 consensus revenue estimates.

FY 2023

The FY 2023 revised estimate is \$4.4 billion from all funding sources, including \$1.4 billion from the State General Fund. The estimate is a change from the amount approved by the 2022 Legislature, reflecting an all funds increase of \$221.5 million, including \$61.3 million from the State General Fund.

KanCare Medical

The FY 2023 estimate for KanCare Medical is \$4.1 billion from all funding sources, including \$1.2 billion from the State General Fund. The estimate is an increase from the amount approved by the 2022 Legislature of \$217.9 million, including \$64.3 million from the State General Fund.

The all funds increase is largely due to increased KanCare capitation expenditures as populations continue to grow, resulting in an all-time high member population. As mentioned above, federal rules are in place during the PHE that restrict the removal of individuals from Medicaid until the end of the month in which the public health emergency ends. It is expected that the growth in membership will remain higher than normal in FY 2023 even after the end of the PHE as eligibility staff at the Kansas Department of Health and Environment (KDHE) begin to reinstate the redetermination process for all Medicaid recipients. While redeterminations will be processed as soon as possible, it will take some time for membership to return to baseline levels after the PHE is ended.

Similar to FY 2022, the all funds increase is also attributable to new pandemic-related policies mandated by CMS and agency policy changes for certain optometry and global pregnancy services. Increased estimates for DSH payments to hospitals, as well as Medicare buy-in payments, also contributed to the increase. Also contributing to the increase in cost is the transition of community mental health services to a CCBHC model. CCBHCs would receive a daily, clinic-specific rate when at least one of the nine required demonstration services has been provided to a Medicaid beneficiary. The rate is intended to reimburse providers their expected cost share for providing those services. The actual cost per day will be determined through negotiations with KDADS, CMS, and the CCBHCs, using provider cost projections as a starting point. Upon initial review of the calculated daily rates, provider cost estimates are significantly higher than what was appropriated for this program. State agencies are actively partnering with interested stakeholders to determine a solution to manage cost expectations, while maintaining the fidelity of the new program. Any adjustments as a result of those solutions will be reflected during the next caseload meeting in the fall. Additionally, the increase includes funding to fully rebase the nursing facility daily rate. After review of nursing facility cost reports, the agency found the amount appropriated was slightly lower than is current estimate based on actual costs.

An offset to the all funds increase is a reduction in the estimate for the STEPS pilot program. As mentioned previously the program has not grown as quickly as originally expected after implementation.

In addition to the factors discussed above, also contributing to the State General Fund increase is a decrease of \$21.7 million in the estimate of revenue from the Medical Assistance Fee Fund (HMO Privilege Fee) and a \$1.8 million decrease from the Nursing Facility Provider Assessment (Bed Tax), which is used to offset State General Fund obligations.

The State General Fund increase is partially offset by the extension of the temporary 6.2 percentage-point increase to the FMAP through the first quarter of FY 2023. The U.S. Department of Health and Human Services announced the renewal of the PHE effective April 16, 2022. With this renewal, the enhanced FMAP will be available through September 2022, effectively decreasing the base state share by approximately 1.55 percent for FY 2023. This change represented a savings of about \$38.0 million for KDHE and \$21.0 million for KDADS from the Fall 2021 estimate to the current estimate for FY 2023. However, due to the 6.2 percent increase in effect for all of FY 2022, the overall state share increased by 4.83 percent between FY 2022 and FY 2023.

The estimates for FY 2022 and FY 2023 include State General Fund expenditures for the Health Care Access Improvement Program (HCAIP). HCAIP is an assessment on inpatient revenues for hospitals that was created to help improve access to medical care for low-income Kansans. Funds generated from the assessment are used to draw down federal matching dollars that are dispersed back to hospitals and physicians through a variety of methods, including increased reimbursement for certain procedures and a pool to fund hospitals for uncompensated care. In 2020, HB 2246 was enacted to implement changes to the HCAIP program that were intended to bring the revenue to a level that consistently covers all outgoing payments. These changes must be approved by CMS before being implemented; as of this time, CMS has not approved these changes. The HCAIP program is estimated to require \$5.1 million State General Fund in FY 2022 and \$9.1 million in FY 2023.

B. GBA No. 2, Item 13, Page 8 - Specialty Health Care Access Programs.

Children's Initiatives Fund

A. Tobacco Settlement Revenue Estimates. The Kansas Legislative Research Department, the Division of the Budget, and the Office of the Attorney General met on April 19, 2022, to discuss the projected revenue from the tobacco settlements. The informal consensus estimate for receipts from the tobacco settlement agreement for FY 2022 is estimated to be \$61.3 million, which is an increase of \$14.3 million above the fall 2021 estimate. The consensus estimate for tobacco settlement receipts for FY 2023 totals \$50.0 million, which is an increase of \$5.0 million above the fall 2021 consensus estimate.

Board of Nursing

A. Senate Sub. for HB 2279, Amending the Kansas Nurse Practice Act (Law). Among other provisions, Senate Sub for HB 2279 allows advanced practice registered nurses (APRNs) to prescribe drugs without a written protocol as authorized by a responsible physician, requires an APRN to maintain malpractice insurance, and requires national certification for initial licensure as an APRN. The Board of Nursing estimates \$40,600, all from the Board of Nursing Fee Fund, for one-time implementation costs to comply with Senate Sub. for HB 2279. This funding would cover enabling current software to validate national certification and malpractice insurance, communicating with all currently licensed APRNs and their employers about the change in requirements, updating APRN applications, and updating agency rules and regulations.

Kansas Highway Patrol

A. Addition of \$18.1 million SGF for Aircraft Replacement and Upgrades in FY 2022 Pending the Outcome of Federal Funds (House Committee). The agency's FY 2023 budget request included an \$18.1 million dollar enhancement request for an upgraded Forward-Looking Infrared Radar (FLIR) on the agency's 2012 Cessna 206 aircraft, two helicopters, and one single-engine airplane. The Governor recommended fully funding this request using SGF moneys in FY 2022. The House Committee recommended deleting these funds and reviewing at Omnibus due to the agency's pending request to the SPARK Taskforce for federal ARPA funding. Currently, neither the SPARK Executive Committee nor the State Finance Council has made determinations regarding this request. However, this item was not included in the list of projects recommended by the SPARK Advisory Panels.

The Conference Committee deleted the \$18.1 million SGF included in the Governor's recommendation and added \$11.2 million, all from the State Highway Fund, in FY 2022 to allow the agency to purchase one new helicopter with FLIR (\$6.3 million), and one new C208 Cessna caravan with FLIR (\$5.7 million) in FY 2022.

B. Purchase of Two Additional FLIRs (Conference Committee). The agency's \$18.1 million FY 2023 budget enhancement request included an upgraded FLIR on the agency's 2012 Cessna 206 aircraft, two helicopters, and one single-engine airplane. The Governor recommended fully funding this request using SGF moneys in FY 2022. The Conference Committee approved an appropriation of \$11.2 million, all from the State Highway Fund, in FY 2022 to allow the agency to purchase one new helicopter with FLIR (\$6.3 million), and one new C208 Cessna caravan with FLIR (\$5.7 million) in FY 2022. In addition, the Conference Committee recommended reviewing the purchase of two additional FLIRs. The agency estimates this would cost approximately \$1.6 million (\$800,000 per FLIR).

C. HB 2377, Revising Laws Relating to Operating an Aircraft and Driving Under the Influence (Law). As part of creating and amending laws related to ignition interlock devices (IIDs), HB 2377 transfers oversight of the state certification of IID manufacturers and service providers from the Kansas Department of Revenue to the Kansas Highway Patrol. Included in the transfer are provisions regarding use of state moneys credited to the DUI-IID Designation Fund and the transfer of the DUI-IID Designation Fund to the KHP from the Department of Revenue. Enabling the transfer as envisioned in the bill requires the fund and current balance to be appropriated to the Kansas Highway Patrol.

Office of the State Treasurer

A. Deletion of \$13.0 million from the STAR Bonds Sales Tax Revenue Replacement Fund, and the SGF transfer, for FY 2023 to hold STAR Bond districts harmless from the elimination of the food sales tax (House Committee). The Governor recommends expenditures of \$13.0 million, and the SGF transfer of such funds, for FY 2023 to hold STAR bond districts harmless from the elimination of the state's portion of the food sales tax. The \$13.0 million would be funded by a quarterly transfer from the SGF. The amount of \$13.0 million is based on the Governor's recommendation to decrease the sales tax on food and food ingredients to 0.0 percent beginning on July 1, 2022. The Conference Committee concurred with the House Committee to delete the funding and the transfer, and requested to review the deletion at Omnibus.

HB 2106 would decrease the sales tax on food and food ingredients from 6.5 percent to 4.0 percent on January 1, 2023, to 2.0 percent on January 1, 2024, and to 0.0 percent on January 1, 2025. The House and Senate each adopted a Conference Committee Report agree to disagree. The final Conference Committee Report has not yet been adopted by either chamber.

Kansas Lottery

A. House Sub. for Sub. for SB 84 - Sports Wagering (Conference Committee). House Sub. for Sub. for SB 84 would amend the Kansas Expanded Lottery Act (KELA), Kansas Lottery Act, and Kansas Parimutuel Racing Act. The bill would authorize the Kansas Lottery (Lottery) to offer sports wagering through the lottery gaming facility managers (managers) who have contracted with the Lottery under KELA to manage sports wagering. The bill would also allow the operation of historical horse racing machines at a licensed facility in Sedgwick County.

The bill was originally passed by the Senate during the 2021 Session. During the 2022 Session, the House Committee of the Whole removed the contents of Sub. for SB 84 and inserted the contents of HB 2740, and further amended the bill. The Conference Committee considered the bill and came to an agreement. The House has adopted the conference committee report and the Senate has not yet taken action on the conference committee report.

The bill would require the appropriation of the following no-limit funds:

- **Sports Wagering Receipts Fund (Receipts Fund).** The fund would be administered by the Lottery. The Receipts Fund would contain separate accounts for sports wagering moneys received from each manager. The bill would require revenues to be paid to the Lottery Directory weekly. The bill would allow negative revenues to carry over and be applied to returns filed in subsequent weeks. Moneys would be transferred from the Receipts Fund to the Lottery Operating Fund on a weekly basis, to pay the managers and to carry out the transfers described below.
- **White Collar Crime Fund.** The fund would be administered by the Office of the Governor. The first \$750,000 credited to the Lottery Operating Fund from sports wagering revenues would be transferred to the White Collar Crime Fund.
- **Attracting Professional Sports to Kansas Fund (Sports Fund).** The fund would be administered by the State Finance Council. On July 1, 2023, and each July 1 thereafter, or as soon thereafter as moneys are available, 80.0 percent of the remaining moneys credited to the Lottery Operating Fund from sports wagering revenues would be transferred to the Sports Fund. The State Finance Council would be authorized to pledge these funds for the benefit of attracting any professional sports team to Kansas. The State Finance Council would certify the amount of moneys in the Sports Fund in excess of the amount necessary for the purposes of the Sports Fund. Such amount would be transferred back to the Lottery Operating Fund.
- **Privilege Fee Repayment Fund** (administered by the Lottery), and the **Facility Manager Licensee Repayment Fund** (administered by the Kansas Racing and Gaming Commission). The funds would be used to pay damages resulting from a judicial order in favor of the managers in relation to a racetrack facility's authorization to use historical horse race machines.

The **Lottery** indicates the bill would require up to 5.0 new FTE positions to implement a sports wagering system, in addition to an unknown amount to provide for information technology and other start-up costs during the implementation phase. The FTE expenditures and FTE positions would be funded by special revenue funds.

B. GBA No. 2, Item 2, Page 3 - Lottery and Gaming Revenues

Kansas Racing and Gaming Commission

A. House Sub. for Sub. for SB 84 - Sports Wagering (Conference Committee) The Kansas Racing and Gaming Commission (KRGC) indicates enactment of House Sub. for Sub. for SB 84 would require \$456,000 and 6.0 additional FTE positions annually for ongoing costs to regulate sports wagering. KRGC indicates it would need \$1.8 million and 21.0 FTE positions to regulate historical

horse race machines and a reopened parimutuel racetrack, or \$1.3 million and 13.0 FTE positions to regulate only historical horse race machines. The expenditures and FTE positions would be funded by special revenue funds. House Sub. for Sub. for SB 84 is discussed in more detail in the Kansas Lottery section of this document.

The State Gaming Agency indicates it would require an additional 2.0 FTE positions and \$201,802 annually to regulate sports wagering at existing tribal casinos, if any Indian tribe enters into a new gaming compact regarding sports wagering. The FTE expenditures and FTE positions would be funded by special revenue funds. [Note: The State Gaming Agency is a separate agency, but is combined with the Kansas Racing and Gaming Commission for budgetary purposes.]

Kansas Department of Corrections

A. Community Corrections Salary Increases (Senate Committee). The Senate Committee requested to review at Omnibus salary increases for community corrections agencies. House Sub. for Sub. for SB 267 provides to KDOC \$22.4 million SGF in FY 2022 and \$28.5 million SGF for FY 2023 as aid to community corrections agencies. This includes \$2.6 million in FY 2022 and \$8.4 million for FY 2023 for the purpose of salary increases, as recommended by the Governor. Community corrections agencies are county government entities that receive grant funding from KDOC for community-based supervision of adult offenders serving felony probation and juvenile offenders.

The agency notes that all positions at adult and juvenile community corrections agencies paid with grant funding from KDOC will receive salary increases. These salary increases will make pay for community corrections positions comparable to the current pay of court services officer positions in the Judicial Branch. A community corrections position earning \$16.27 per hour is estimated to increase to \$23.13 per hour, which is the wage for an entry-level court services officer. KDOC states that a total of 618.0 FTE positions at community corrections agencies are supported in part or in full with these grant funds.

The timeframe for implementation of these salary increases is subject to county government consideration. KDOC has advised community corrections agencies to initiate that local consideration process so implementation can occur as funds become available.

B. Addition of \$6.7 million from the Federal ARPA Fund for the Pathways for Success Technical Education Initiative in FY 2022 (Senate Committee). The Senate Committee requested consideration be given to adding \$6.7 million from the federal ARPA Fund, and deleting the same amount of SGF moneys, for the Pathways for Success initiative in FY 2022. The initiative provides equipment, such as virtual welders and commercial driver's license simulators, for technical education programs delivered by community college and university instructors at correctional facilities. The agency indicates such technical skills increase the employability of inmates upon release, which decreases the likelihood of reoffending.

House Sub. for Sub. for SB 267 provides \$6.7 million SGF for this purpose in FY 2022. The Conference Committee added language to lapse these SGF moneys if ARPA Fund moneys are made available in FY 2022.

The agency submitted a request to the appropriate SPARK Advisory Panel for ARPA Fund moneys for the Pathways for Success initiative. Neither the SPARK Executive Committee nor the State Finance Council has made determinations regarding this request. However, this item was not included in the list of projects recommended by the SPARK Advisory Panels.

C. HB 2377, DUI, Diversions, and Commercial Driver's Licenses (Law). Provisions of HB 2377 increase the penalty for a third or subsequent conviction for driving under the influence (DUI). The penalty will increase from a non-grid, nonperson felony, which previously included time served at a county jail, to a severity level 6 nonperson felony, which is subject to periods of incarceration at a correctional facility. The bill applies a similar penalty increase for commercial DUI convictions. The Kansas Sentencing Commission notes the average sentence length for a severity level 6 felony is 23 months and estimates the bill will result in an increase of 193 adult prison beds for FY 2023.

KDOC estimates the bill requires the addition of \$3.5 million SGF to operate an additional 193 prison beds for FY 2023. These expenditures include staffing, medical services, utilities, food services, clothing, incentive pay, and other housing expenses at a rate of \$49.53 per day per inmate.

D. HB 2607, Notice of Release or Anticipated Release of Sexually Violent Predators (Law). Provisions of HB 2607 require that, beginning July 1, 2023, the agency give notice to the Attorney General two years prior to the release of a person who appears to meet the criteria to be determined a Sexually Violent Predator (SVP). Previous law required such notice be given 90 days prior to release. Upon receiving notice, the Attorney General initiates judicial process to civilly commit such person to long-term custody and treatment as an SVP.

KDOC estimates the bill will require the addition of \$1.1 million SGF and 10.0 FTE positions for FY 2023 to review additional cases within the advanced timeframe of two years. The agency notes that an extensive multi-month review process is required to determine if SVP criteria may apply prior to notification of the Attorney General. This review process includes screening of inmates, sex offender treatment, and clinical assessments. Of that amount, \$229,216 would be for contract Clinical Services Report Writers, \$75,000 for 1.0 FTE Administrative Assistant position, \$660,000 for 8.0 FTE Treatment Provider positions, \$93,000 for 1.0 FTE Treatment Supervisor position, and \$75,000 for travel and office equipment.

E. SB 408, Transfer of Substance Abuse Treatment Provider Certification to Sentencing Commission (Law). Provisions of SB 408 transfer provider certification duties for drug abuse treatment programs serving drug offenders from the KDOC to the Kansas Sentencing Commission. KDOC estimates this transfer of duties will result in a decrease \$71,313 SGF in expenditures and 1.0 FTE position from the KDOC budget, which will allow for a corresponding increase in the Kansas Sentencing Commission budget for FY 2023. A further description of the bill and its fiscal impact is reflected in the Kansas Sentencing Commission section of this memorandum.

F. GBA No. 2, Item 9, Page 6 - Community Corrections Pay Plan.

Kansas Sentencing Commission

A. SB 408, Transfer of Substance Abuse Treatment Provider Certification to Sentencing Commission (Law). Provisions of SB 408 transfers provider certification duties for drug abuse treatment programs serving drug offenders from the Kansas Department of Corrections (KDOC) to the Kansas Sentencing Commission (Commission). The Commission administers the 2003 SB 123 Substance Abuse Treatment Program (SB 123 Program), which is a nonprison sanction providing certified substance abuse treatment for nonviolent drug offenders, pursuant to KSA 75-52,144. The SB 123 Program is projected to service 2,947 offenders for FY 2023. Since the program's inception, staff functions have been divided between the Commission and KDOC. The bill consolidates such functions within the Commission.

The Commission estimates the bill requires the addition of \$74,628 SGF and 1.0 FTE position for a Program Consultant for FY 2023. These expenditures include salary and fringe benefits. The position will execute the duties of certifying and providing ongoing monitoring of 140 substance abuse treatment providers under the direction of the Commission's SB 123 Program Director. KDOC estimates a corresponding decrease of \$71,313 SGF and 1.0 FTE position. The Commission notes that the difference of \$3,315 between the Commission and KDOC estimates is attributed to the position's role in implementing 2021 HB 2026, which expands substance abuse treatment to include drug offenders on diversion.

Adjutant General's Department

A. Addition of \$21.0 million SGF for the State Defense Building Remodel (House Committee). House Sub. for Sub. for SB 267 deletes \$21.0 million SGF for the remodel of the State Defense Building in Topeka for FY 2023. The House Committee recommended this deletion due to the agency's pending request to the SPARK Taskforce for ARPA funding. Currently, neither the SPARK Executive Committee nor the State Finance Council has made determinations regarding this request. However, this item was not included in the list of projects recommended by the SPARK Advisory Panels. The House Committee expressed support for this project and recommended adding SGF if ARPA funds were not available.

The agency requests \$21.0 million SGF for the complete remodeling of the State Defense Building, which houses the Kansas Division of Emergency Management (KDEM) and the State Emergency Operations Center (SEOC). The SEOC is the state's primary site for coordinating disaster response with local communities and processing emergency situation intelligence to better inform decision-makers.

HB 2007 (2021) provided \$1.6 million SGF for project design in FY 2022. The \$21.0 million requested by the agency in FY 2023 would support construction, engineering, and the integration of technology. Further, the remodel would allow for the consolidation of multiple agency offices, such as the Comptroller's Office and Human Resources Office. The agency states it is unaware of federal funds suitable for capital improvements of a state emergency management facility, aside from federal COVID-19 relief funds.

The agency states the current State Defense Building is inadequate and lacks the following:

- Operating space for the SEOC, sleeping and feeding amenities to support 24-hour operations during periods of activation, and secure space for planning and briefings with decision-makers;
- Technology improvements sufficient to meet emerging threats;
- Document and data storage in accordance with state and federal requirements;
- Office space to support KDEM day-to-day operations; and
- Joint Information Center workspace and media briefing capabilities to inform the public.

B. Addition of \$18.1 million SGF for a New Hays Armory (House Committee). House Sub. for Sub. for SB 267 provides \$18.1 million SGF for construction of a new National Guard armory in Hays for FY 2023. The House Committee recommended deletion of this funding due to the agency's pending request to the SPARK Taskforce for ARPA funding. However, this item was not included in the list of projects recommended by the SPARK Advisory Panels. The Conference Committee restored \$18.1 million SGF for this purpose.

The expenditure of \$18.1 million includes the purchase of a 15-acre site (\$2.1 million) and construction of a 49,792-square foot facility (\$16.0 million). The agency notes the current facility is over 60 years old and is located in a flood plain, which does not support new construction. The agency states the current facility lacks adequate space and kitchen facilities, and its limited maintenance bay capacity is ill-suited for modern military vehicles. Construction is estimated to be completed by FY 2026.

The agency notes that costs for the land purchase include procurement of the land and associated site development, such as road improvements and utilities connections. National Guard facilities must comply with the federal Uniform Facilities Code, which specifies minimum construction standards for Anti-Terrorism Force Protection measures relating to personnel, classified equipment, and weapon systems. This generally requires the hardening of walls and windows for blast protection.

C. GBA No. 2, Item 3, Page 4 - Migrate Kansas Department of Emergency Management to Office of Information Technology Network.

Board of Regents

A. House Sub. for Sub. for SB 267, Benedictine College Engineering Program (Line-Item Veto). The Governor line-item vetoed the \$200,000 SGF for the Benedictine College Engineering Program for FY 2023. The Governor stated there is a \$10.0 million grant program in Section 29(f) of the bill that is reserved exclusively for the state's private and independent colleges. The veto message indicated Benedictine College should apply for funding for the college engineering program through this specifically designated appropriation.

B. Deletion of \$20.7 million SGF from the Postsecondary Education Operating Grant (House and Senate Committees). The Conference Committee adopted the Senate position to delete \$20.7 million of the \$45.7 million enhancement request for the state universities. This was an enhancement request by the Board of Regents to: 1) Restore funding to the FY 2021 funding level (\$4.7 million); 2) Add a 1.9 percent inflationary factor on the general-use budgets (\$26.1 million); and 3) Add an adjustment to offset the equivalent of a 2.0 percent tuition increase. The funding for the tuition increase includes language for an agreed-to tuition freeze.

According to the agency, the full state funding request is key to the Board's affordability efforts and is premised on buying down a tuition increase which would hold tuition flat for students. If only \$25.0 million is appropriated, that aspect of the Board's plan will be lost. Within the framework of its strategic plan, the Board of Regents is identifying strategies that improve student affordability beyond tuition, as well as finding promising practices that improve student outcomes. The Board focus is influencing the state universities to devote more resources toward marketing and recruitment, as well as student advising and increased recruitment. The universities are also impacted by inflation and expense pressures for their operating expenditures. The campuses indicated they will use the additional state support to focus not only on those services that will help students graduate faster, but also developing micro and non-credit credentials in response to market needs. They will also use a

portion of this funding for mandatory operating expenditures such as fringe benefit increases for employees, cybersecurity and property insurance premiums, and facility maintenance.

C. Provide a List of Demolition Projects at the State Universities with Associated Costs (Senate Committee). House Sub. for Sub. for SB 267 contains an appropriation of \$10.0 million SGF for demolition projects at the state universities with \$750,000 of the amount designated for Washburn University. The unspent funding can reappropriate through FY 2025. The Board of Regents has provided a separate handout of the facilities the universities have identified as candidates for demolition, including facilities at Washburn University.

According to the agency, there is a subset of buildings that are "demolition ready" while others will require greater time and planning in order to vacate and execute the demolition. The full \$10.0 million will be used within the allotted time frame. As Fort Hays State University has razed several buildings in recent years, there are no current demolition projects noted here.

The list highlights in gray \$7.3 million that could be expended by the universities within FY 2023 to take down nine buildings, totaling 400,782 gross square feet. The total estimated costs displayed in the full list covers the demolition, abatement, and restoration of sites that will require more time to fully execute. As noted on the list, the projects will carry additional costs to relocate and consolidate occupants in order to fully vacate the buildings.

D. Senate Sub. for Sub. for HB 2567 - Increase Appropriation to Tuition Waivers (Conference). Senate Sub. for Sub. for HB 2567 contains the contents of HB 2716, which would, if appropriated, increase the amount to the Tuition Waiver SGF account from \$350,000 to \$500,000 and would add definitions to the statute. The bill would provide for an increase of \$150,000 SGF to the account. Neither chamber has taken action on the conference committee report.

Fort Hays State University

A. \$500,000 for FY 2023 for Cybersecurity in the Operating Budget of the Agency (Senate Committee). The agency stated they have a robust web and mobile application development, networking, health informatics, and computer science and cybersecurity curricular program. Through the Kansas Board of Regents strategic plan, they have proposed a technology business incubator center to leverage existing synergies on campus and create a dedicated, focused, supportive environment to inspire, develop, and launch technology and security-oriented ventures. The Senate Committee requested to review the \$500,000 included in House Sub. for Sub. for SB 267 for this project.

Kansas State University - Veterinary Medical Center

A. GBA No. 2, Item 17, Page 10 - Veterinary Medicine Scholarship Program.

Kansas Board of Pharmacy

A. HB 2087, Amending Law Related to the Review of Administrative Rules and Regulations (Law). The agency states that this bill, as amended, creates the need for a full-time attorney since they have more than 108 pages of administrative regulations to be reviewed. The

agency is requesting 1.0 FTE position and increased expenditures of \$121,274 from the Pharmacy Fee Fund for salaries and wages and associated overhead costs for a full-time attorney annually beginning in FY 2023.

State Fire Marshal

A. Status of the ARPA/SPARK Requested Funding for Projects (House and Senate Committees). The State Fire Marshal has applied for ARPA/SPARK funds for the following projects:

1. Kansas Firefighter Retention and Recruitment Grant - \$1.2 million from the Efficiency and Modernization advisory panel to support volunteer and part-time fire departments across Kansas with no-match grant funding for personal protection equipment (PPE) including structural fire bunker gear and wildland fire fighting gear. **The ARPA funding for this item is in House Sub. for Sub. for SB 267.**
2. Kansas Wildland Firefighting Grant - \$3.0 million from the Efficiency and Modernization advisory panel to replace or repair equipment or fire apparatus that have been destroyed or damaged in large wildland fires. **This project has been recommended by the advisory panel to move forward.** The SPARK Executive Committee and the State Finance Council have not taken action on this recommendation.

B. Deletion of the \$100,000 from the Kansas Firefighter Recruitment and Safety Program Pending Application for ARPA funding (House Committee). These funds were restored into the agency's budget during conference. The funding for this item, all from the Fire Marshal Fee Fund, is in House Sub. for Sub. for SB 267.

The Firefighter Recruitment and Safety Grant provides no-match funds to volunteer/part-time departments across the state for personal protective equipment, physicals not covered by insurance, and support of junior firefighter programs. This funding was in the FY 2022 budget and the Governor had added the funding to the FY 2023 budget.

C. HB 2005, Boiler Safety Act and Elevator Safety Act (Law). The bill, as amended, creates the Elevator Safety Act. The bill assigns duties of implementation and administration of the Elevator Safety Act to the State Fire Marshal; establishes fees for licensure; establishes penalties for violation of the Elevator Safety Act; and establishes the Elevator Safety Fee Fund.

The State Fire Marshal has indicated the increased expenditures for start-up costs would come from the Fire Marshal Fee Fund until the revenues generated from fees are collected in the Elevator Safety Fee Fund. After six months of collecting fees, the agency states it would be able to sustain the expenditures of the Elevator Safety Act going forward. The agency requests \$144,984 in authorized expenditures from the Fire Marshal Fee Fund and 2.0 additional FTE positions, 1.0 Program Administrator FTE position and 1.0 Administrative Assistant FTE position. The bill also requires the appropriation of the Elevator Safety Fee Fund.

D. Prevention Division Fire and Life Safety Inspections Increase in Full-Time Employee Positions (Senate Committee). The agency is requesting 5.0 FTE positions due to the increased fire and safety plans review and inspections from local jurisdiction fire departments, the increased work demands from the federal Centers for Medicare and Medicaid Services, KDHE, and KDADS, as well as business growth and new construction. The new unclassified positions would include: one Fire

Protection specialist; one Fire Prevention Enforcement Officer; two Fire Prevention Inspectors; and one Fire Prevention Senior Administrative Specialist. Expenditures for the five positions would total \$463,285 including \$321,970 in salaries and wages, \$117,275 for commodities, and \$24,040 for contractual services. The agency states it is able fund the 5.0 positions for a portion of FY 2023 with current savings and would request legislation next session to increase the agency's allocation of insurance premium taxes to the Fire Marshal Fee Fund by 0.25 percent.

E. GBA No. 2, Item 19, Page 11 - Fuel Costs.

Emergency Medical Services Board

A. Medicaid Reimbursements for Ground and Air Ambulance Services (Senate Committee). The current Medicaid reimbursement rates for the different air and ground ambulance services range between 11.0 percent to 48.0 percent. Both Sub. for SB 444 and House Sub. for Sub. for SB 267 contained provisions for increasing the reimbursement rates. The Conference Committee adopted the Senate position to add \$10.0 million, including \$4.5 million SGF, to raise the Medicaid reimbursement rates for both ground and air ambulance codes for FY 2023. This increase was added to the budget of the Kansas Department of Health and Environment.

The Kansas Department of Health and Environment calculated the approximate fiscal impact of setting ground and air ambulance Medicaid rates at 65.0 percent of Medicare rates (ground ambulance mileage was calculated at 100 percent of the rural medicare rate). Air ambulance service code reimbursement rates have not been updated since 2005, and the mileage reimbursement for air has not been updated since 2001. Three ground ambulance codes were updated in 2018, but the others have not been updated since 2005.

B. Shortage of Ambulances in FY 2022 Due to Supply Chain Disruption and Lack of Semiconductor Chips (Senate Committee). The agency testified that there are significant disruptions to the supply chain for computer chip sets and other vital components to completing the build out of the vehicles. According to the agency, these disruptions are impacting the EMS industry. The build out time for a new ambulance two years ago was approximately 4 to 6 months. The current build out time for a new ambulance is averaging 26 months and could be up to 3 years.

According to the agency, there are longer transport times and distances and increased call volumes for ambulances. Therefore, ambulances in the state have more extreme numbers of engine hours, significantly higher mileages, and extended life expectancy for vehicle components beyond the manufacturer recommendations before they are replaced.

C. Status of ARPA/SPARK Funding for Projects (Senate Committee). The Emergency Medical Services Board has submitted the following requests for funding:

1. Education Incentive Grant - \$1.0 million from the Economic Revitalization advisory panel. This grant provides cost reimbursement for individuals to take initial courses to become EMS providers as well as for current EMS providers to obtain continuing education or professional development courses.
2. Kansas Revolving Assistance Fund - \$1.0 million from the Health and Education advisory panel. These funds provide assistance to ambulance services for the purchase of equipment for their ambulance service.

3. Modernizing Exam Process - \$2.0 million from the Health and Education advisory panel. Currently, the examination for Emergency Medical Responders and Emergency Medical Technicians requires the candidate to come to a test site and appropriately manage a simulated patient for 15 minutes. There is an opportunity to migrate this examination process to a virtual reality solution. This would eliminate the need for the additional testing personnel as well as the restrictions on size for test sites.
4. Expanding Rural Access to Training - \$3.0 million from the Health and Education advisory panel. There is a concern in the lack of availability and access to simulated patients and environments to EMS providers to further their education and hone their skills. This request proposes the development of two simulation lab trucks with the ability to bring high-fidelity simulation to every health care facility and every EMS agency with the state regardless of the size or location. The trucks would simulate both an emergency room and an EMS environment.

These projects have not been awarded as of the preparation of this document.

Office of the Governor

A. Holocaust Memorial Grant (Senate Committee). The Legislature in House Sub. for Sub. for SB 267 added \$10,000, all from the Economic Development Initiatives Fund (EDIF), to assist in funding the 2023 Holocaust Commemoration in the State Capitol. The bill also added language directing that the EDIF be lapsed in the event the cost can be paid from within existing resources.

B. GBA No. 2, Item 12, Page 8 - Governor's Grants Office CASA Funding.

Kansas Department of Commerce

A. House Sub. for SB 91, Establishing the Kansas Commission for the United States Semiquincentennial (Law). The bill establishes the Kansas Commission for the United States Semiquincentennial (Commission) within and as a part of the Department of Commerce (Department) in order to plan, encourage, develop, and coordinate the commemoration of the 250th anniversary of the founding of the United States and to recognize the impact of this event on the people of Kansas and the nation's past, present, and future.

The bill requires the Commission to cooperate with the United States Semiquincentennial Commission (U.S. Commission) and various state agencies, boards, commissions, departments, and political subdivisions in order to execute commemorative events and implement education activities, events, and celebrations related to the semiquincentennial of the United States.

The Department estimates its expenditures would total \$73,500 SGF in FY 2022 and FY 2023. This estimate includes \$67,500 for salary and wage expenditures for 1.0 FTE position and \$6,000 in overhead, travel, and operational costs. The agency indicates it would require SGF moneys until the revenue generated from the newly created Kansas Commission for the United States Semiquincentennial Gifts and Donations Fund could support the expenditures of the Commission.

The bill also requests the appropriation of the Kansas Commission for the United States Semiquincentennial Gifts and Donations Fund.

B. House Sub. for SB 347 - The Attracting Powerful Economic Expansion Act (Law). The Attracting Powerful Economic Expansion Act establishes new economic development incentives targeted at specific industries to firms that agree to invest at least \$1.0 billion within the State of Kansas and at their suppliers. Included in the bill are the following three funds, Attracting Powerful Economic Expansion Payroll Incentive Fund, the Attracting Powerful Economic Expansion New Employee Training and Education Fund, and the Attracting Powerful Economic Expansion Kansas Residency Incentive Fund. In order for expenditures to be made from these funds, they will need to be included in an act of appropriation.

C. University Challenge Grants (House Committee). The Governor recommended \$195.0 million SGF for FY 2023. The grants were intended as one time funding to encourage economic investment and required a 1:1 match in non-state funds or in-kind contributions. The Legislature in House Sub. for Sub. for SB 267 deleted the SGF funding from the Department of Commerce and added the following to the Office of the Governor:

- \$75.0 million from federal ARPA funds for grants for the State Board of Regents, requiring a three-to-one match;
- \$50.0 million from federal ARPA funds for business closure rebates;
- \$35.0 million from federal ARPA funds for economic development grants at the University of Kansas;
- \$35.0 million from federal ARPA funds to offer a grant to a new agricultural production facility;
- \$28.5 million from federal ARPA funds for grants to various community colleges with a one-to-one match requirement;
- \$25.0 million from federal ARPA funds for agriculture development at Kansas State University;
- \$25.0 million from federal ARPA funds for Health Sciences at the University of Kansas and Wichita State University;
- \$10.0 million from federal ARPA funds for private and independent colleges with a three-to-one match requirement; and
- \$10.0 million from federal ARPA funds for Washburn University and community colleges other than those included in the \$28.5 million above with a one-to-one match requirement.

Kansas Department of Revenue

A. Senate Sub. for SB 2239 – Amending Law Related to Property Tax, Income Tax, and Sales Tax. (Law) Among other provisions, the bill requires, beginning in tax year 2023, the individual income tax return form to contain a checkoff enabling taxpayers to make donations to Kansas state-owned historic sites in a specific amount (e.g., \$1, 5, 10, or another amount). The bill requires the

Department of Revenue to assign a historic site number to each state-owned historic site to enable taxpayers to select the site to receive the donation.

The bill creates the Kansas Historic Site Fund, administered by the Department. The proceeds of any such donation will be deposited in the Kansas Historic Site Fund. The Department is required to distribute the moneys in the Fund to the historic site of the taxpayer's choice to be used for the operation, maintenance, and preservation of the site.

The bill also enacts the Gage Park Improvement Authority Act (Act), providing for the Shawnee County Commission to submit a question to the voters of Shawnee County regarding the creation of a Gage Park Improvement Authority (Authority) and the imposition of a local sales tax to benefit Gage Park, the Topeka Zoo, and the Kansas Children's Discovery Center. The bill authorizes the Shawnee County Commission, after a public hearing and adoption of resolution, to submit to the voters of Shawnee County a question of the creation of the Authority and imposition of a sales tax of at least 0.2 percent and not more than 0.5 percent to benefit Gage Park, the Topeka Zoo, and the Kansas Children's Discovery Center.

The bill creates the Gage Park Improvement Authority Sales Tax Fund in the Kansas Department of Revenue. All moneys in the funds will be distributed to the Authority on a quarterly basis.

In order for expenditures to be made from these funds, the funds will need to be included in an act of appropriation.

B. Food Sales Tax Administrative Costs (Senate Committee). The House Committee on Appropriations and Senate Committee on Ways and Means deleted \$287,531 SGF in FY 2022, and \$525,864 SGF and 8.0 FTE positions for FY 2023 for the administrative costs to implement the elimination of the sales tax on food recommended the Governor. The Senate Committee on Ways and Means requested a review of this deletion pending the passage of legislation related to the food sales tax.

HB 2106 was agreed to by the second Conference Committee on April 1, 2022, and is awaiting consideration by the Legislature. The bill would reduce the state sales and compensating use tax rate on food and food ingredients from 6.5 percent to 4.0 percent, beginning January 1, 2023. The rate would be further reduced to 2.0 percent on January 1, 2024, and to 0.0 percent on January 1, 2025.

"Food and food ingredients" would be defined to include bottled water, candy, dietary supplements, soft drinks, and food sold through vending machines and to exclude alcoholic beverages, tobacco, and most prepared foods.

Kansas Department of Transportation

A. SB 313 (Conference). SB 313 would designate a portion of U.S. Highway 69 as the Senator Tom R Van Sickle Memorial Highway; a certain bridge on K-126 as the Dennis Crain Memorial Bridge; and a portion of U.S. Highway 69 as the AMM2c Walter Scott Brown Memorial Highway. The Department of Transportation indicates that manufacturing and installation of the signs would require \$18,120 from the State Highway Fund.

Other Statewide Adjustments

A. GBA No. 2, Item 20, Page 11 - Salary Increase for Employees in the 24/7 Plan.