

KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT

	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Operating Expenditures:							
State General Fund	\$ 725,058,164	\$ 769,396,615	\$ 792,546,610	\$ 768,034,098	\$ 868,024,537	\$ 768,490,264	\$ 888,734,653
Other Funds	<u>1,519,077,134</u>	<u>1,610,054,286</u>	<u>1,648,487,025</u>	<u>1,616,443,887</u>	<u>1,684,491,698</u>	<u>1,604,161,647</u>	<u>1,626,814,223</u>
TOTAL	\$ 2,244,135,298	\$ 2,379,450,901	\$ 2,441,033,635	\$ 2,384,477,985	\$ 2,552,516,235	\$ 2,372,651,911	\$ 2,515,548,876
Capital Improvements:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	<u>0</u>						
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	<u>\$ 2,244,135,298</u>	<u>\$ 2,379,450,901</u>	<u>\$ 2,441,033,635</u>	<u>\$ 2,384,477,985</u>	<u>\$ 2,552,516,235</u>	<u>\$ 2,372,651,911</u>	<u>\$ 2,515,548,876</u>
Percentage Change:							
Operating Expenditures							
State General Fund	7.6 %	6.1 %	9.3 %	(0.2) %	9.5 %	0.1 %	2.4 %
All Funds	12.4	6.0	8.8	0.2	4.6	(0.5)	(1.4)
FTE Positions	798.5	689.4	677.6	677.1	677.1	676.1	676.1
Non-FTE							
Perm.Uncl.Pos.	<u>322.3</u>	<u>409.9</u>	<u>409.9</u>	<u>416.0</u>	<u>416.0</u>	<u>416.8</u>	<u>416.8</u>
TOTAL	<u>1,120.8</u>	<u>1,099.3</u>	<u>1,087.5</u>	<u>1,093.1</u>	<u>1,093.1</u>	<u>1,092.9</u>	<u>1,092.9</u>

AGENCY OVERVIEW

The Kansas Department of Health and Environment (KDHE) is a cabinet-level agency with the mission to promote and protect the health of Kansans through public health programs and services and through preservation, protection, and remediation of natural resources in the environment.

The agency is divided into three main divisions:

The **Division of Public Health** works with local health departments and other organizations to help assure the health of Kansans through public health services and regulatory programs. The Division includes the Office of the Director (including the Center for Health Disparities), and the Bureaus of Surveillance and Epidemiology, Oral Health, Local and Rural Health, Disease Control and Prevention, Child Care and Health Facilities, Environmental Health, Health Promotion, Family Health, Public Health Preparedness (formerly Homeland Security), and Public Health Informatics (formerly the Center of Health and Environment Statistics). The Administration program is also included in the Division of Health function.

MAJOR ISSUES FROM PRIOR YEARS

The **2005 Legislature** established the Senator Stan Clark Pregnancy Maintenance Initiative and appropriated \$300,000 from the State General Fund in FY 2006 for the program. The program is intended to award competitive grants to non-profit organizations to provide a variety of social services to women to enable them to carry their pregnancies to term. The 2007 Legislature appropriated an additional \$100,000, all from the State General Fund, for the Initiative, with a total appropriation of \$400,000 from the State General Fund in FY 2008.

The **Division of Health Care Finance** develops and maintains a coordinated health policy agenda which combines the effective purchasing and administration of health care with health promotion-oriented public health strategies. The powers, duties and functions of the Division are intended to be exercised to improve the health of the people of Kansas by increasing the quality, efficiency and effectiveness of health services and public health programs. The Division oversees the state's Medicaid program, the State Employee Health Plan and the State Self-Insurance Fund workers compensation program.

The **Division of Environmental Services** protects the environment and public health through compliance, enforcement, and proactive activities. The Division includes the Bureaus of Waste Management, Air, Water, Environmental Remediation, and Environmental Field Services (including the Office of the Director of Environment), and the Health and Environment Laboratories.

The **2006 Legislature** approved legislation allowing the State Finance Council to approve the transfer of up to \$10.0 million from the State General Fund to the Avian Flu Vaccine Fund for the prevention and treatment of avian flu in FY 2007. The provision included direction for the agency to present the expenditure request to the Legislative Budget Committee prior to consideration by the State Finance Council.

The **2006 Legislature** appropriated an additional \$1.7 million from the State General Fund and \$200,000 from the Children's Initiatives Fund for the Infant-Toddler Services (Tiny-K) program in FY 2007.

The **2007 Legislature** appropriated an additional \$2.0 million, all from the State General Fund, for the Community Based Primary Health Care Clinics to grow medical capacity, create dental hubs, and support a health care provider recruitment program with language specifying that \$500,000 from the State General Fund appropriated for the Community Based Primary Care Clinics be for dental hubs. This increased total state funding to the clinics to \$4.5 million from the State General Fund in FY 2008.

The **2007 Legislature** enacted the Primary Care Safety Net Clinic Capital Loan Guarantee Act, authorizing the Secretary of Health and Environment to provide capital loan guarantees against risk of default for eligible primary care safety net clinics in Kansas.

The **2007 Legislature** enacted legislation creating a state public trust to administer relocation assistance and to acquire, hold, and dispose of property located within the boundaries of a Superfund site located in Cherokee County. Included in the legislation is authorization to the Kansas Department of Health and Environment to make grants to the trust to provide relocation assistance and purchase property. In addition, the Legislature appropriated \$680,000, all from the State General Fund, for the 10.0 percent state match requirement of the Environmental Protection Agency's (EPA) Superfund program for environmental clean-up activities in the City of Treece.

The **2007 Legislature** appropriated \$800,000, all from the State General Fund, and 2.0 FTE positions in the agency's laboratory program for expanded newborn screening. The 2007 Legislature also amended the newborn screening law, directing

the Kansas Department of Health and Environment to adopt rules and regulations no later than July 1, 2008, requiring newborn screening tests for treatable disorders recommended in the 2005 report by the American College of Medical Genetics entitled "Newborn Screening: Toward a Uniform Screening Panel and System." The Secretary of Health and Environment is required to appoint an advisory committee on the implementation of the expanded screening program. The Committee is to provide advice on program efficiency, cost effectiveness, and whether program adjustments should be made. A designee of the agency is allowed to conduct the initial laboratory screening tests.

The **2008 Legislature** added \$2.5 million, all from the State General Fund, in FY 2009 for additional funding for primary safety net clinics, and added \$2.2 million, all from the Children's Initiatives Fund, to expand newborn screening. In addition, the Legislature shifted FY 2009 expenditures of \$3.5 million for Part C Infant Toddler (Tiny-K) services from the State General Fund to the Children's Initiatives Fund and added an additional \$1.0 million from the Children's Initiatives Fund for Tiny-K services in FY 2009.

The **2008 Legislature** deleted \$405,270, including \$74,949 from the State General Fund, and 5.0 FTE positions in FY 2009 to reflect the transfer of responsibility for the survey and certification of hospital long-term care units from the Kansas Department of Health and Environment to the Department on Aging.

The **2008 Legislature** also deleted \$1.8 million, including \$184,962 from the State General Fund, in FY 2009 to implement provisions of 2008 SB 584, which transfers responsibility for the inspection and licensing of food service and lodging facilities from the Kansas Department of Health and Environment to the Department of Agriculture.

The **2009 Legislature** reduced expenditures of \$243,000, all from the State General Fund, for the Youth Mentoring program in FY 2010.

The **2009 Legislature** added \$328,465, all from the State General Fund, in FY 2010 for safety net clinics, after transferring the same amount from the Kansas Endowment for Youth (KEY) Fund.

The **2009 Legislature** appropriated funding of \$346,125, all from the State General Fund, in FY 2010 for the Pregnancy Maintenance Initiative.

The **2009 Legislature** added funding of \$208,000, all from the State General Fund, in FY 2010 after transferring the same amount from the Kansas Endowment for Youth (KEY) Fund, for the treatment for phenylketonuria (PKU), which had previously been funded from the Children's Initiatives Fund.

The **2009 Legislature** suspended the transfer of \$2.5 million, all from the State General Fund, to repay the Underground Petroleum Storage Tank Release Trust Fund in FY 2009 for a previous loan and delayed repayment until FY 2011.

The **2009 Legislature** suspended the transfer of \$250,000, all from the State General Fund, to repay the Waste Tire Management Fund in FY 2009 for a previous loan and delayed repayment until FY 2011.

The **2009 Legislature** lapsed funding of \$680,000, all from the State General Fund, which had been appropriated as matching funding by the 2007 Legislature for the City of Treece buyout program.

The **2010 Legislature** deleted \$548,617, all from the State General Fund, and 1.0 FTE position, for an operating expenditure reduction of approximately 2.5 percent from the Governor's recommendation for FY 2011 for the Health function.

The Legislature excluded the Cerebral Palsy Posture Seating program from the reduction.

The **2010 Legislature** added \$199,113, all from the State General Fund, for the Teen Pregnancy Prevention program for FY 2011. This restored funding for the program, which was eliminated as the result of the Governor's July 2009 State General Fund allotment.

The **2010 Legislature** added language directing the agency to expend \$199,113, all from the State General Fund, for the Pregnancy Maintenance Initiative for FY 2011. The funding was to come from existing resources. This restores funding for the program, which was eliminated as the result of the Governor's July 2009 State General Fund allotment.

The **2010 Legislature** appropriated the Health Information Exchange-Federal Fund as a no-limit fund for FY 2011. The fund will be used to receive and expend a 5-year, \$9.0 million federal grant to establish the Kansas Health Information Exchange.

The **2010 Legislature** deleted \$191,193, all from the State General Fund, and 3.0 FTE positions, to achieve a State General Fund reduction of approximately 2.5 percent from the Governor's recommendation for FY 2011 for the Environment function.

The **2010 Legislature** appropriated the QuantiFERON TB Laboratory Fund as a no-limit fund for FY 2011. The fund will be used to deposit contractual services payments received from state universities that wish to contract for lab services related to the requirements that all college students have a tuberculosis test using QuantiFERON.

Executive Reorganization Order No. 38 transferred the duties and responsibilities for the Kansas Health Policy Authority, including the State Employee Health Plan, to the

Kansas Department of Health and Environment as the Division of Health Care Finance in FY 2012. With the reorganization, the Division of Health Care Finance is responsible for developing policies, administering and managing programs that fund health care services for persons who qualify for Medicaid (Title XIX), MediKan, and the Children's Health Insurance Program (Title XXI).

The **2011 Legislature** added \$100,000, all from the State General Fund, to the Teen Pregnancy Prevention program, bringing total funding available in FY 2011 to \$299,113 in FY 2011. For FY 2012, the Legislature added \$150,887, all from the State General Fund, to the program, bringing the total available for FY 2012 to \$350,000.

The **2011 Legislature** added \$100,000, all from the State General Fund, to the Senator Stan Clark Pregnancy Maintenance Initiative, bringing total funding available in FY 2011 to \$299,113.

The **2011 Legislature** deleted \$165,000, and 1.0 FTE position from the Office of the Director of Health for FY 2012.

The **2011 Legislature** deleted \$2,786, all from the Children's Initiatives Fund, because of projected shortfalls in tobacco funding for FY 2012.

The **2011 Legislature** deleted \$14,097,744, including \$6,000,000 from the State General Fund, for FY 2012 for reduced regular medical Medicaid expenditures associated with savings achieved in the Prepaid Ambulatory Health Plan managed care contract for mental health services.

The **2011 Legislature** deleted funding totaling \$1,879,699, including \$800,000 from the State General Fund, to capture savings in the Medicaid prescription drug program for FY 2012. A number of antidepressants and atypical anti-psychotic medications are or will soon be available in generic form and

should result in prescription drug savings, according to the agency.

The **2011 Legislature** added \$750,000, all from the State General Fund, to partially restore the Local Environmental Protection Program (LEPP) program for FY 2012.

The **2011 Legislature**, because of a shortfall in budgeted tobacco receipts, deleted funding of \$11,712, all from the Children's Initiatives Fund, from the newborn screening program, in addition to the other CIF reductions for the global reductions approved by the Legislature totaling \$23,750 for FY 2012.

The **2011 Legislature** deleted \$480,511, all from the State General Fund, to reduce the agency's State General Fund expenditures, excluding expenditures used to match federal funding or for federal maintenance of effort issues, by 15.0 percent for FY 2012.

The **2011 Legislature** passed the Kansas Health Information and Technology Act (HB 2182) which synchronizes Kansas health information laws with Health Insurance Portability and Accountability Act (HIPAA) privacy and security rules. This bill will allow Kansas Health Information Exchange to move forward in developing the framework for electronic health records.

The agency started a major initiative to implement the Kansas Eligibility and Enforcement System (KEES) to update the technology and processes for determining eligibility for medical programs and to detect fraud. The project is estimated to cost \$137.9 million over five years to implement and \$50 million each year for ongoing costs to maintain and operate the system. Phase I of the project implements a public portal for online application capability with initial functionality for Medicaid and Children's Health Insurance Program (CHIP) in the fall of 2013.

In addition, the agency started a process to reform Medicaid which includes the implementation of Managed Care contracts for all medical programs. The contracts were awarded in the Fall of 2012 and implemented in January 2013. The Initiative also included agency realignment related to Medicaid responsibility.

The **2012 Legislature** acknowledged the enactment of Executive Reorganization Order No. 41 which became effective on July 1, 2012, which transferred programs from the Kansas Department of Health and Environment (KDHE) to Kansas Department for Aging and Disability Services (KDADS). The following areas of the Health Occupations Credentialing program at KDHE were transferred and will be administered by the Secretary for Aging and Disability Services:

- Licensure of adult care home administrators;
- Licensure of dietitians;
- Certification of residential care facility operators, activity directors, social service designees, nurse aides, medication aides, and home health aides;
- Maintenance of the Kansas Nurse Aide Registry and Criminal History Record Check program, as authorized by credentialing statutes or rules and regulations.

The KDHE Psychiatric Residential Treatment Facility Licensure program was also transferred to KDADS.

In addition, the ERO further delineated the roles and responsibilities for Medicaid by consolidating Medicaid fiscal and contractual management in the Kansas Department of Health and Environment.

The **2012 Legislature** passed SB 14 which established the Newborn Screening Fund and funding mechanism for the program. Specifically, the bill establishes the Kansas Newborn Screening Fund (Fund) in the Kansas Department of Health and

Environment (KDHE) and creates a mechanism for depositing a portion of the privilege fees received by the State from Health Maintenance Organizations (HMOs) into the new fund. All expenditures from the fund must be used for the program. The bill requires the Director of Accounts and Reports, Division of Accounts and Reports, Department of Administration, to determine, on a monthly basis, the amount of receipts from HMOs' privilege fee collections and to transfer the amount necessary to fund the Newborn Screening program for the preceding month as certified by the Secretary of Health and Environment, or designee. The transfer cannot exceed the amount credited to the State General Fund pursuant to KSA 40-3213. KSA 2011 Supp. 40-3213 requires HMOs to pay, on an annual basis, a privilege fee in an amount equal to 1.0 percent per annum of the total of all premiums, subscription charges, or other similar charges made by the HMO to its enrollees. Under the prior law, the entire amount of the collected privilege fees was deposited into the State General Fund.

The **2012 Legislature** added \$407,000, all from the State General Fund, for the Early Detection Works program for FY 2012.

The **2012 Legislature** added \$634,584, all from the State General Fund, for the Primary Care – Safety Net Clinics program for a total program expenditure of \$7,877,649 for FY 2013. To offset this addition, the Legislature deleted \$134,584, all from the State General Fund, for operating expenditures \$500,000, all from the State General Fund, for the Medicaid Reform Health Savings Account (HAS) program for FY 2013.

The **2012 Legislature** deleted \$1,000,000, including \$600,000 from the State General Fund, for statewide education prior to implementation of KanCare for FY 2013 and deleted \$2,427,116, including \$776,677 from the State General Fund, to update the Medicaid Management Information System for KanCare for FY 2013.

The **2012 Legislature** increased the Health Care Access Improvement Fund limit from \$33,354,454 to no limit to account for the increased revenues and expenditures as a result of 2012 HB 2416 which changed the base year for the assessment calculations for FY 2013.

The **2012 Legislature** added language for a new special revenue fund with a \$1.0 million limit for FY 2013 for the purpose of integrating the Medicaid Management Information System and data analysis to monitor data from contractors. State Finance Council may release funds only upon receiving the Approved Medicaid Reform waiver approval by Federal Centers for Medicare and Medicaid Services.

The **2012 Legislature** added language for FY 2013 to delay the implementation of the home and community based services waiver for individuals with developmental disabilities in a managed care system (KanCare). Also, allow for an optional pilot program for those developmental disabilities service provider organizations for FY 2013.

The **2012 Legislature** added \$800,000 for the Local Environmental Protection Program, all from the State Water Plan Fund, for FY 2013. The funding was subsequently vetoed by the Governor.

The **2013 Legislature** added \$634,584, including \$317,292 from the State General Fund to Primary Care - Safety Net Clinics for FY 2014 and \$317,292, all from the State General Fund for FY 2015.

The **2013 Legislature** added \$85.0 million, including \$24.5 million from the State General Fund, to adjust for the Spring Human Services Consensus Caseload estimate for FY 2014.

The **2013 Legislature** concurred with Governor's Budget Amendment No. 2, Item 8 and added \$385,777, all from the

Medical Program Fees Fund for both FY 2014 and FY 2015 for the External Quality Review contract.

The **2014 Legislature** approved funding the Governor added for KanCare Pilots of \$10.5 million, including \$4.5 million from the State General Fund. KDHE requested CMS approval to implement three pilot programs designed to support Kansans who might otherwise be enrolled in Medicaid. Two of the proposed pilots are focused on increasing opportunities for Kansans with disabilities to work and the third pilot would offer an alternative to transitional Medicaid using a Health Account model.

KDHE received \$10.8 million from the Children's Health Insurance Program (CHIP) in FY 2014 in bonus funding for simplifying enrollment and successfully enrolling eligible children. The **2014 Legislature** transferred \$7.1 million of this bonus funding to the Department for Aging and Disability Services to provide additional services to individuals on the underserved waiting list for the Home and Community-Based Services Waiver for individuals with developmental disabilities for FY 2015.

In addition, \$200,000 was added to Safety Net Clinics - Primary Care for FY 2015 from money received for the CHIP Bonus Award. The Legislature also added language directing the agency to spend an additional \$125,000 of the reappropriated State General Fund in the Aid to Local Programs on the Safety Net Clinics - Primary Care Program.

The **2014 Legislature** deleted \$4.7 million, including \$14.8 million from the State General Fund, for spring human services consensus caseload estimates in FY 2014, and added \$58.6 million from all funding sources and deleted \$8.5 million from the State General Fund, for spring human services consensus caseload estimates for FY 2015.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency estimates** operating expenditures for FY 2015 of \$2.4 billion, including \$769.4 million from the State General Fund, \$7.1 million from the Children's Initiatives Fund (CIF), and \$1.8 million from the State Water Plan Fund (SWPF). The request is an all funds increase of \$12.7 million, or 0.5 percent, a State General Fund increase of \$969,093 or 0.1 percent, and a State Water Plan Fund increase of \$136,681, or 8.1 percent, above the amount approved by the 2014 Legislature. The all funds increase is largely due to an increase in other assistance for medical programs partially offset by a reduction in agency operating expenditures for contractual services. The State General Fund increase is due to an increase in contractual services funding off set by a decrease in funding for Salaries and wages. The SWPF increase was due entirely to a appropriation of money that was not spent in FY 2014 and shifted to FY 2015.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of \$2.4 billion, including \$792.5 million from the State General Fund, \$7.1 million from the Children's Initiatives Fund, and \$1.8 million from the State Water Plan Fund. The recommendation is an all funds increase of \$74.0 million, or 3.1 percent, a State General Fund increase of \$23.5 million, or 3.1 percent, a State Water Plan Fund increase of \$130,817, or 7.7

The budget includes 647.9 FTE positions, a decrease of 109.1 FTE positions below, and 409.9 non-FTE unclassified positions, an increase of 87.7 non-FTE unclassified positions above, the approved FY 2015 number. The agency states that due to the nature of its grant and federal funding it is replacing classified positions with non-FTE unclassified positions.

The Governor's December allotment, which was applied after the agency submitted its budget request, reduced the agency's FY 2015 approved amount for State General Fund by \$1,034,093 in the agency operating expenditures for administration (\$642,928), aid to locals for Primary Care - Safety Net Clinics (\$254,000), PKU Treatment Program (\$100,903), the office of the Inspector General (\$36,262), and salaries and wages (\$33,688).

percent, above the agency's revised estimate. The Children's Initiatives Fund is the same as the agency's revised estimate. The increase is largely attributable the addition of \$63.2 million, including \$24.2 million from the State General Fund to fully fund the November Human Services Consensus Caseload estimates.

FY 2016 Agency Request

The **agency** requests operating expenditures for FY 2016 of \$2.4 billion, including \$768.0 million from the State General Fund, \$7.1 million from the Children's Initiatives Fund, and \$1.8 million from the State Water Plan Fund. The request is an all funds increase of \$5.0 million, or 0.2 percent, above, a State General Fund decrease of \$1.4 million, or 0.2 percent, and a Children's Initiatives Fund decrease of \$930, or less than 0.1 percent, below the FY 2015 agency request. The all funds increase is largely due to an increase in other assistance for

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of \$2.6 billion, including \$868.0 million from the State General Fund, \$7.1 million from the Children's Initiatives Fund, and \$1.8 million from the State Water Plan Fund. The recommendation is an all funds increase of \$168.0 million, or 7.0 percent, a State General Fund increase of \$100.0 million, or 13.0 percent, a State Water Plan Fund decrease of \$5,727 or 0.3 percent, from the agency request. The Children's Initiatives Fund recommendation is the same as the agency request.

The increase is largely attributable the addition of \$162.7 million, including \$86.4 million from the State General Fund to fully fund the November Human Services Consensus Caseload estimates; the addition of \$64.4 million, including \$28.2 million from the State General Fund, as a result of the Managed Care Organization (MCO) privilege fee increasing from 1.0 percent to 5.5 percent; and an increase of \$12.0 million, all from the State General Fund, to replace the Medical Program Fee Fund transfer to the State General Fund in FY 2015 as part of the Governor allotment plan.

The increases are partially offset by the reduction of \$57.0 million, including \$25.0 million from the State General Fund, for

medical programs and an increase in contractual services expenditures. The State General Fund decrease is due to a reduction in agency operating expenditures in contractual services, commodities and capital outlay. The budget includes 635.6 FTE positions, a decrease of 12.3 FTE positions below, and 416.0 non-FTE unclassified positions, an increase of 6.1 non-FTE unclassified positions above, the FY 2015 agency request.

reduced expenditures due to policy changes in the KanCare Medical Program and the reduction of \$1.3 million, all from the State General Fund, to continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor FY 2015 allotment.

The Governor issued Executive Reorganization Order (ERO) No. 43 to transfer the responsibility for Medicaid eligibility determination and associated employees from the Department for Children and Families to the Department of Health and Environment effective January 1, 2016. The Governor indicates this reorganization is anticipated to increase accuracy in Medicaid eligibility determination and reduce program expenditures partially through uniform implementation of policy and processing changes. These associated savings will be split between this Department and the Department for Aging and Disability Services. In addition, ERO No. 43 will transfer foster care licensing responsibilities from the Department of Health and Environment to the Department for Children and Families effective July 1, 2015. The Governor indicates this reorganization is anticipated to streamline the licensing process.

FY 2017 Agency Request

The **agency** requests operating expenditures for FY 2017 of \$2.4 billion, including \$768.5 million from the State General Fund, \$7.1 million from the Children's Initiatives Fund, and \$1.8 million from the State Water Plan Fund. The request is an all funds decrease of \$11.8 million, or 0.5 percent, a State General Fund increase of \$456,166, or 0.1 percent, a SWPF increase of \$15,546, or 0.9 percent, from the FY 2016 agency request. The Children's Initiatives Fund request is the same as the FY 2016 agency request. The all funds decrease is largely due to a reduction in contractual services expenditures partially offset by

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of \$2.5 billion, including \$888.7 million from the State General Fund, \$7.1 million from the Children's Initiatives Fund, and \$1.8 million from the State Water Plan Fund. The recommendation is an all funds increase of \$142.9 million, or 6.0 percent, a State General Fund increase of \$120.2 million, or 15.6 percent, a State Water Plan Fund decrease of \$5,842, or 0.3 percent, from the agency request. The Children's Initiatives Fund recommendation is the same as the agency request.

The increase is largely attributable the addition of \$164.7 million, including \$109.6 million from the State General Fund to fully fund the November Human Services Consensus Caseload estimates; addition of \$66.6 million, including \$29.3 million from the State General Fund, as a result of the Managed Care Organization (MCO) privilege fee increasing from 1.0 percent to 5.5 percent; and an increase of \$21.0 million, all from the State General Fund, to replace the Medical Program Fee Fund transfer to the State General Fund in FY 2015 as part of the Governor allotment plan.

an increase in other assistance for medical program expenditures. The request also reflects an increase in salaries and wages due to the 27th payroll expenditure which occurs in FY 2017. The State General Fund increase is due to an increase in salary and wages and contractual services expenditures partially offset by a decrease in expenditures for capital outlay. The budget includes 634.6 FTE positions, a decrease of 1.0 FTE positions below, and 416.8 non-FTE unclassified positions, an increase of 0.8 non-FTE unclassified positions above, the FY 2016 agency request.

The increases are partially offset by the reduction of \$57.0 million including \$25.0 million from the State General Fund for reduced expenditures due to policy changes in the KanCare Medical Program; decrease of \$1.3 million, all from the State General Fund, for operating expenses to continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor FY 2015 allotment; and the reduction of \$29.5 million, including \$13.0 million from the State General Fund, for an anticipated reduced payment error rate and associated savings.

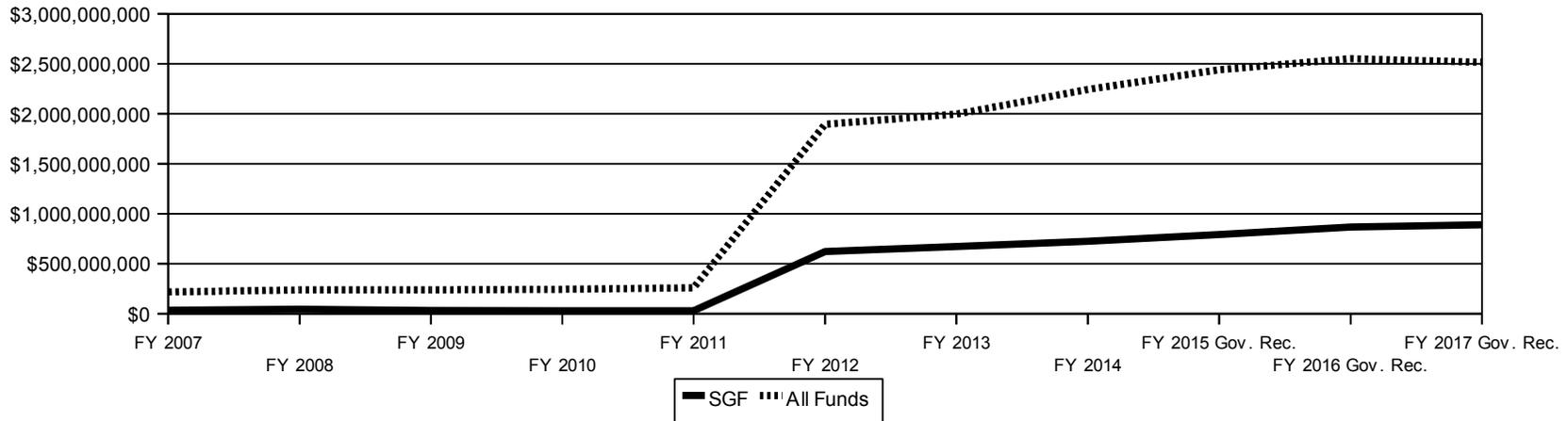
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between this Department and the Department for Aging and Disability Services. In addition, ERO No. 43 will transfer foster care licensing responsibilities from the Department of Health

and Environment to the Department for Children and Families effective July 1, 2015. The Governor indicates this reorganization is anticipated to streamline the licensing process.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2007 – FY 2017



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	\$ 34,385,739	12.0 %	\$ 218,263,772	3.3 %	878.4
2008	44,848,297	30.4	238,609,374	9.3	884.4
2009	33,950,133	(24.3)	238,989,295	0.2	884.1
2010	30,909,024	(9.0)	244,635,937	2.4	789.6
2011	30,729,451	(0.6)	259,937,352	6.3	932.7
2012	623,295,158	1,928.3	1,895,723,904	629.3	927.3
2013	673,845,298	8.1	1,997,106,319	5.3	818.3
2014	725,058,164	7.6	2,244,135,298	12.4	757.0
2015 Gov. Rec.	792,546,610	9.3	2,441,033,635	8.8	677.6
2016 Gov. Rec.	868,024,537	9.5	2,552,516,235	4.6	677.1
2017 Gov. Rec.	888,734,653	2.4	2,515,548,876	(1.4)	676.1
Eleven-Year Change	\$ 854,348,914	2,484.6 %	\$ 2,297,285,104	1,052.5 %	(202.3)

The large change in expenditures from FY 2011 to FY 2012 is due to Executive Reorganization Order No. 38 in FY 2012 which transferred the duties and responsibilities for the Kansas Health Policy Authority, including the State Employee Health Plan, to the Kansas Department of Health and Environment as the Division of Health Care Finance.

Summary of Operating Budget FY 2014 - FY 2016

	Actual 2014	Agency Estimate				Governor's Recommendation			
		Estimate FY 2015	Request FY 2016	Dollar Change from FY 15	Percent Change from FY 15	Rec. FY 2015	Rec. FY 2016	Dollar Change from FY 15	Percent Change from FY 15
By Program:									
Administration	\$ 17,769,988	\$ 17,769,912	\$ 18,904,971	\$ 1,135,059	6.4 %	\$ 17,555,579	\$ 18,444,738	\$ 889,159	5.1 %
Public Health	146,707,886	145,703,077	142,279,761	(3,423,316)	(2.3)	144,987,655	141,574,778	(3,412,877)	(2.4)
Health Care Finance	2,019,383,840	2,153,349,608	2,163,888,809	10,539,201	0.5	2,216,169,647	2,333,394,650	117,225,003	5.3
Environment	60,273,584	62,628,304	59,404,444	(3,223,860)	(5.1)	62,320,754	59,102,069	(3,218,685)	(5.2)
TOTAL	\$ 2,244,135,298	\$ 2,379,450,901	\$ 2,384,477,985	\$ 5,027,084	0.2 %	\$ 2,441,033,635	\$ 2,552,516,235	\$ 111,482,600	4.6 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 63,755,128	\$ 71,511,788	\$ 72,049,313	\$ 537,525	0.8 %	\$ 70,769,623	\$ 71,287,898	\$ 518,275	0.7 %
Contractual Services	178,598,760	167,402,866	170,682,388	3,279,522	2.0	166,882,668	169,714,218	2,831,550	1.7
Commodities	6,104,628	5,276,015	4,893,127	(382,888)	(7.3)	5,175,112	4,893,127	(281,985)	(5.4)
Capital Outlay	2,609,102	2,024,776	2,134,929	110,153	5.4	2,024,776	2,134,929	110,153	5.4
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 251,067,618	\$ 246,215,445	\$ 249,759,757	\$ 3,544,312	1.4 %	\$ 244,852,179	\$ 248,030,172	\$ 3,177,993	1.3 %
Aid to Local Units	53,691,877	37,846,076	36,724,610	(1,121,466)	(3.0)	37,846,076	36,724,610	(1,121,466)	(3.0)
Other Assistance	1,939,375,803	2,095,389,380	2,097,993,618	2,604,238	0.1	2,158,335,380	2,267,761,453	109,426,073	5.1
TOTAL	\$ 2,244,135,298	\$ 2,379,450,901	\$ 2,384,477,985	\$ 5,027,084	0.2 %	\$ 2,441,033,635	\$ 2,552,516,235	\$ 111,482,600	4.6 %
Financing:									
State General Fund	\$ 725,058,164	\$ 769,396,615	\$ 768,034,098	\$ (1,362,517)	(0.2) %	\$ 792,546,610	\$ 868,024,537	\$ 75,477,927	9.5 %
State Water Plan Fund	1,959,529	1,827,541	1,826,527	(1,014)	(0.1)	1,821,677	1,820,800	(877)	(0.0)
Children's Initiative Fund	7,028,120	7,129,050	7,128,120	(930)	(0.0)	7,129,050	7,128,120	(930)	(0.0)
Special Revenue Funds	179,974,692	210,752,681	206,562,346	(4,190,335)	(2.0)	205,741,845	185,750,830	(19,991,015)	(9.7)
Federal Funds	1,330,114,793	1,390,345,014	1,400,926,894	10,581,880	0.8	1,433,794,453	1,489,791,948	55,997,495	3.9
TOTAL	\$ 2,244,135,298	\$ 2,379,450,901	\$ 2,384,477,985	\$ 5,027,084	0.2 %	\$ 2,441,033,635	\$ 2,552,516,235	\$ 111,482,600	4.6 %

Summary of Operating Budget FY 2016 - FY 2017

	Agency Estimate				Governor's Recommendation			
	Request FY 2016	Request FY 2017	Dollar Change from FY 16	Percent Change from FY 16	Rec. FY 2016	Rec. FY 2017	Dollar Change from FY 16	Percent Change from FY 16
By Program:								
Administration	\$ 18,904,971	\$ 19,152,614	\$ 247,643	1.3 %	\$ 18,444,738	\$ 18,709,959	\$ 265,221	1.4 %
Public Health	142,279,761	141,763,526	(516,235)	(0.4)	141,574,778	141,018,045	(556,733)	(0.4)
Health Care Finance	2,163,888,809	2,151,809,831	(12,078,978)	(0.6)	2,333,394,650	2,296,203,361	(37,191,289)	(1.6)
Environment	59,404,444	59,925,940	521,496	0.9	59,102,069	59,617,511	515,442	0.9
TOTAL	\$ 2,384,477,985	\$ 2,372,651,911	\$ (11,826,074)	(0.5) %	\$ 2,552,516,235	\$ 2,515,548,876	\$ (36,967,359)	(1.4) %
By Major Object of Expenditure:								
Salaries and Wages	\$ 72,049,313	\$ 75,236,578	\$ 3,187,265	4.4 %	\$ 71,287,898	\$ 74,460,882	\$ 3,172,984	4.5 %
Contractual Services	170,682,388	150,370,998	(20,311,390)	(11.9)	169,714,218	149,385,328	(20,328,890)	(12.0)
Commodities	4,893,127	4,797,198	(95,929)	(2.0)	4,893,127	4,797,198	(95,929)	(2.0)
Capital Outlay	2,134,929	2,136,205	1,276	0.1	2,134,929	2,136,205	1,276	0.1
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 249,759,757	\$ 232,540,979	\$ (17,218,778)	(6.9) %	\$ 248,030,172	\$ 230,779,613	\$ (17,250,559)	(7.0) %
Aid to Local Units	36,724,610	35,909,207	(815,403)	(2.2)	36,724,610	35,909,207	(815,403)	(2.2)
Other Assistance	2,097,993,618	2,104,201,725	6,208,107	0.3	2,267,761,453	2,248,860,056	(18,901,397)	(0.8)
TOTAL	\$ 2,384,477,985	\$ 2,372,651,911	\$ (11,826,074)	(0.5) %	\$ 2,552,516,235	\$ 2,515,548,876	\$ (36,967,359)	(1.4) %
Financing:								
State General Fund	\$ 768,034,098	\$ 768,490,264	\$ 456,166	0.1 %	\$ 868,024,537	\$ 888,734,653	\$ 20,710,116	2.4 %
State Water Plan Fund	1,826,527	1,842,073	15,546	0.9	1,820,800	1,836,231	15,431	0.8
Children's Initiative Fund	7,128,120	7,128,120	0	0.0	7,128,120	7,128,120	0	0.0
Special Revenue Funds	206,562,346	206,555,486	(6,860)	(0.0)	185,750,830	172,147,123	(13,603,707)	(7.3)
Federal Funds	1,400,926,894	1,388,635,968	(12,290,926)	(0.9)	1,489,791,948	1,445,702,749	(44,089,199)	(3.0)
TOTAL	\$ 2,384,477,985	\$ 2,372,651,911	\$ (11,826,074)	(0.5) %	\$ 2,552,516,235	\$ 2,515,548,876	\$ (36,967,359)	(1.4) %

BUDGET OVERVIEW

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of \$769.0 million for the Department of Health and Environment in FY 2015. Several adjustments have subsequently been made to that amount. These adjustments change the current year approved amount without any legislative action required. For this agency, the following adjustments have been made.

- An increase of \$370,326, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.

- A reduction of \$1,034,093, as the result of the Governor’s December 9th State General Fund allotment.

These adjustments change the FY approved State General Fund to \$768,699,269. That amount is reflected in the table below as the currently approved FY State General Fund amount.

	CHANGE FROM APPROVED BUDGET				
	Legislative Approved FY 2015	Agency Estimate FY 2015	Agency Change from Approved	Governor Rec. FY 2015	Governor Change from Approved
State General Fund	\$ 768,699,269	\$ 769,396,615	\$ 697,346	\$ 792,546,610	\$ 23,847,341
All Other Funds	1,601,835,322	1,610,054,286	8,218,964	1,648,487,025	46,651,703
TOTAL	<u>\$ 2,370,534,591</u>	<u>\$ 2,379,450,901</u>	<u>\$ 8,916,310</u>	<u>\$ 2,441,033,635</u>	<u>\$ 70,499,044</u>
FTE Positions	757.0	689.4	(67.6)	677.6	(79.4)

The **agency estimates** operating expenditures for FY 2015 of \$2.4 billion, including \$769.4 million from the State General Fund. The request also includes Children’s Initiatives Fund

expenditures of \$7.1 million and State Water Plan Fund expenditures of \$1.8 million. The request includes \$17.8 million for the Administration Function, \$145.7 million for the Health

Function, \$2.2 billion for the Health Care Finance Function, and \$62.6 million for the Environment Function. The budget includes 647.9 FTE positions, a decrease of 109.1 FTE positions below, and 409.9 non-FTE unclassified positions, an increase of 87.7 non-FTE unclassified positions above, the approved FY 2015 number. The agency states that due to the nature of its grant and federal funding it is replacing classified positions with non-FTE unclassified positions.

The request is an all funds increase of \$8.9 million, or 0.4 percent, a State General Fund increase of \$697,346, or 0.1 percent, a Children's Initiatives Fund (CIF) increase of \$930, or 0.1 percent, and a State Water Plan Fund (SWPF) increase of \$142,545, or 8.4 percent, above the amount approved by the 2014 Legislature. The all funds increase is largely due to an increase in other assistance for medical programs partially offset by a reduction in agency operating expenditures for contractual services. The SWPF increase was due entirely to a appropriation of money that was not spent in FY 2014 and shifted to FY 2015.

The Governor's December allotment, which was applied after the agency submitted its budget request, reduced the agency's FY 2015 approved amount for State General Fund by \$1,034,093 in the agency operating expenditures for administration (\$642,928), aid to locals for Primary Care - Safety Net Clinics (\$254,000), PKU Treatment Program \$(100,903), the office of the Inspector General (\$36,262), and salaries and wages (\$33,688).

The request includes the following funding sources.

- **State General Fund** expenditures of 769.4 million, an increase of \$697,346, or 0.1 percent, above the approved amount due to an increase

in contractual services funding off set by a decrease in funding for salaries and wages.

- **Children's Initiatives Fund (CIF)** expenditures of \$7.1 million, an increase of \$930, or less than 0.1 percent, above the FY 2015 approved amount.
- **State Water Plan Fund (SWPF)** expenditures of \$1.8 million, an increase of \$136,681, or 8.1 percent, above the FY 2015 approved amount. The SWPF increase was due entirely to a appropriation of money that was not spent in FY 2014 and shifted to FY 2015. The SWPF reappropriated funding will be largely used for contamination remediation, total maximum daily load, nonpoint source pollution, and watershed restoration and protection.
- **Federal Funds** expenditures of \$1.4 million, an increase of \$12.3 million, or 0.9 percent, above the FY 2015 approved amount largely for medical program expenditures.

Category of expenditures in the request are detailed below.

- **Salaries and Wages** expenditures of \$71.5 million for salaries and wages, an increase of \$2.0 million, or 2.9 percent, above the approved amount. A bigger portion of salaries and wages is funded with federal funds in FY 2015 due to more funding for the federal Immunization Grant and Medicaid. The Governor's allotment decreased salaries and wages by \$122,730 from the State General Fund for the KPERS rate reduction.

- **Contractual Services** expenditures of \$167.4 million, a decrease of \$10.5 million, or 5.9 percent, below the approved amount. These expenditures includes rents and capital surcharge, financial management system fees, and Enterprise Application fees. Along with professional services and contracts, this request provides for printing public health materials and enrollment packets, communication expenditures, limited travel and contracts with local health entities. The request has \$6.2 million for the purchase of software to support the change to the existing contract for KEES and \$1.6 million to increase analysis and contract oversight for MCOs and provide funding for MMIS contract procurement technical assistance. This request includes \$38.2 million to start the transition of the fiscal agent contractor. In addition, \$19 million all funds is included for provider incentive payments to upgrade and install new systems to provide electronic health records.
- **Commodities** expenditures of \$5.3 million, an increase of \$548,226, or 11.6 percent above the FY 2015 approved amount. These expenditures include office supplies; scientific supplies and materials necessary for conducting inspections, collecting samples, investigating food borne illnesses and educating the public regarding various public health programs such as, Breast & Cervical Cancer program, tobacco use prevention, nutrition resources; and disability prevention. Other scientific supplies are purchased such as surgery and ostomy supplies, drugs, prosthesis, orthotics, hearing aids,

orthopedic shoes, and other items for individuals with disabilities. Expenses also include drugs and pharmaceuticals for migrant farm workers and their families and the purchase of STD and TB drugs as well as PKU treatment products and vaccine purchases.

- **Capital Outlay** expenditures of \$2.0 million, an increase of \$320,717, or 18.8 percent, above the FY 2015 approved amount. The largest expenditures in this category are for projected replacements of technology items as well as system upgrades. It also includes durable medical equipment (DME) such as wheelchairs and braces purchased for Special Health Services (SHS) program eligible youth.
- **Aid to Local** expenditures of \$37.8 million, an increase of \$1.3 million, or 2.7 percent, above the FY 2015 approved amount due largely to a increase in federal aid to locals. Major programs in this area include: General Public Health programs (State Formula Grant) (provides funding to 99 local health departments for development and expansion of their general health programs and WIC Administration), Primary Health (provides affordable, family-oriented primary care for low income and medically underserved Kansans), Family Planning programs (promote optimal reproductive health for men and women through basic preventive and primary health care with treatment and follow-up of identified health problems), Infant-Toddler (Tiny-K) Services (\$2.4 million provides early intervention services at the local level through a statewide service system for

infants and toddlers birth through age two with developmental delays), Mothers and Infant Health (promotes positive pregnancy outcomes and health status for mothers and infants and early entry into and compliance with prenatal and pediatric care), Childcare Licensure Inspection Program (provides reimbursements to counties for inspection services). Children's Initiative Funds are used to continue implementation of a comprehensive tobacco use prevention program (\$727,728) and other programs within the Division such as Healthy Start (\$227,043), and the direct assistance portion of the Infant Toddler program (\$1.6 million). The Governor's allotments decreased the State General Fund amount by \$254,000 for aid to locals in the Primary Care - Safety Net Clinics.

- **Other Assistance** expenditures of \$2.1 billion, an increase of \$19.7 million, or 1.0 percent, above the FY 2015 approved amount due to an increase in expenditures for medical programs. The major expenditures in this category are the medical programs. It also includes the Women, Infants and Children (WIC), Primary Care, and the Infant-Toddler Services IDEA Part C programs.

The **Governor** recommends FY 2015 operating expenditures of \$2.4 billion, including \$792.5 million from the State General Fund, \$7.1 million from the Children's Initiatives Fund, and \$1.8 million from the State Water Plan Fund. The recommendation is an all funds increase of \$74.0 million or 3.1 percent, a State General Fund increase of \$23.5 million, or 3.1 percent, a State Water Plan Fund increase of \$130,817 or 7.7 percent, above the agency's revised estimate. The Children's Initiatives Fund is the same as the agency's revised estimate.

The **Governor** concurs with the agency's FY 2015 revised estimate with the following exceptions.

- Addition of \$63.2 million, including \$24.2 million from the State General Fund, to fully fund the November Human Services Consensus Caseload estimates.
- Reduction of \$12,015, all from the State General Fund, to decrease the reappropriation to the Office of the Inspector General.
- Reduction on \$137,165, all from the State General Fund, to decrease the reappropriation to the PKU Treatment Program (\$100,903) and the office of the Inspector General (\$36,262).
- Reduction of \$730,150, including \$122,730 from the State General Fund and \$5,864 from the State Water Plan Fund (SWPF), as a result of the Governor's allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.
- Reduction of \$774,198, as a result of the Governor's State General Fund allotment of 4.0 percent to Cabinet and other State General Funded agencies in FY 2015.
- Transfer of \$3.0 million from the UST Redevelopment Fund to the State General Fund.

Governor's Allotments

The consensus revenue estimating process was completed on November 10, 2014 subsequent to agencies submitting budgets with revised expenditures for the current fiscal year. The results of the new consensus revenue estimates identified a \$278.7 million State General Fund shortfall for FY 2015. This prompted the Governor to address the shortfall with an allotment plan totaling \$280.0 million which reduced

expenditures by \$60.1 million. The allotment plan also included recommendations to transfer funds and adjust Non-State General Fund expenditures an additional \$219.9 million. The adjustments included in the \$219.9 million will require legislative approval to implement. The allotments shown in the table below reflect only those allotments which have already taken place.

GOVERNOR'S ALLOTMENTS			
Allotment	SGF	All Funds	FTE
December Allotment			
Reduce KPERs Contribution Rate	\$ 122,730	\$ 122,730	0.0
Lapse Reappropriations	137,165	137,165	0.0
4.0 percent reduction for Cabinet Agencies	774,198	774,198	0.0
TOTAL	\$ 1,034,093	\$ 1,034,093	0.0

Kansas Public Employees Retirement System (KPERs) Reduction:

A reduction of \$122,730 from the State General Fund as a result of the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERs Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. This allotment will have no impact on the agency operations, but is reflective of a reduction of expenditures. An additional \$607,402 from special revenue funds is reduced in the Governor's budget recommendation resulting in a total reduction of \$730,150.

Reappropriations Lapse:

A reduction of \$137,165 as a result of the Governor's State General Fund reappropriation allotment. This is a reduction to the total FY 2015 State General Fund reappropriation of \$370,326 for the agency. This allotment will decrease available funding in the office of the inspector General (\$36,262) and for the PKU Treatment Program (\$100,903).

4.0 percent reduction to Cabinet-level and other SGF funded agencies

A reduction of \$774,198 as a result of the Governor's State General Fund allotment of 4.0 percent over the last six months

or 2.0 percent for the whole fiscal year to Cabinet and other State General Funded agencies in FY 2015. This allotment will be managed by a reducing the agency operating expenditures

for administration (\$520,198) and aid to locals for Primary Care - Safety Net Clinics (\$254,000).

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 2,384,477,985	\$ 2,552,516,235	\$ 168,038,250
FTE Positions	677.1	677.1	0.0
<i>Change from FY 2015:</i>			
<i>Dollar Change:</i>			
State General Fund	\$ (1,362,517)	\$ 75,477,927	
All Other Funds	6,389,601	36,004,673	
TOTAL	<u>\$ 5,027,084</u>	<u>\$ 111,482,600</u>	
<i>Percent Change:</i>			
State General Fund	(0.2) %	9.5 %	
All Other Funds	0.4	2.2	
TOTAL	<u>0.2 %</u>	<u>4.6 %</u>	
Change in FTE Positions	(12.3)	(0.5)	

The **agency** requests operating expenditures for FY 2016 of \$2.4 billion, including \$768.0 million from the State General Fund. The request also includes Children’s Initiatives Fund expenditures of \$7.1 million and State Water Plan Fund

expenditures of \$1.8 million. The request includes \$18.9 million for the Administration Function, \$142.3 million for the Health Function, \$2.2 billion for the Health Care Finance Function, and \$59.4 million for the Environment Function. The budget includes

635.6 FTE positions, a decrease of 12.3 FTE positions below, and 416.0 non-FTE unclassified positions, an increase of 6.1 non-FTE unclassified positions above, the FY 2015 agency request.

The request is an all funds increase of \$5.0 million, or 0.2 percent, above the FY 2015 agency request. The all funds increase is largely due to an increase in other assistance for medical programs and an increase in contractual services expenditures due to rising rent costs.

The request includes the following funding sources of note.

- **State General Fund** expenditures of \$768.0 million, a decrease of \$1.4 million, or 0.2 percent, below the FY 2015 agency request due to a reduction in agency operating expenditures in contractual services, commodities and capital outlay expenditures.
- **Children's Initiatives Fund** expenditures of \$7.1 million, a decrease of \$930, or less than 0.1 percent, below the FY 2015 agency request.
- **State Water Plan Fund** expenditures of \$1.8 million, a decrease of \$1,014, or 0.1 percent, below the FY 2015 agency request.
- **Federal Funds** expenditures of \$1.4 million, an increase of \$10.6 million, or 0.8 percent, above the FY 2015 agency request largely due to medical program cost increases.

Category of expenditures in the request are detailed below.

- **Salaries and Wages** expenditures of \$72.0 million, an increase of \$537,525, or 0.8 percent, above the FY 2015 agency request primarily due to additional fringe costs.
- **Contractual Services** expenditures of \$170.7 million, an increase of \$3.3 million, or 2.0 percent, above the FY 2015 agency request. These expenditures includes rents and capital surcharge, financial management system fees, and Enterprise Application fees. Along with professional services and contracts, this request provides for printing public health materials and enrollment packets, communication expenditures, limited travel and contracts with local health entities. It provides funding for MMIS contract procurement technical assistance and \$52.9 million all funds is budgeted to complete the transition of fiscal agent contractor. An additional \$16 million all funds is requested for provider incentive payments to upgrade and install new systems to provide electronic health records.
- **Commodities** expenditures, largely for office supplies, of \$4.9 million, a decrease of \$382,888, or 7.3 percent below the FY 2015 agency request. These expenditures include office supplies; scientific supplies and materials necessary for conducting inspections, collecting samples, investigating food borne illnesses and educating the public regarding various public health programs such as, Breast & Cervical Cancer program, tobacco use prevention, nutrition resources; and disability prevention. Other scientific supplies are purchased such as

surgery and ostomy supplies, drugs, prosthesis, orthotics, hearing aids, orthopedic shoes, and other items for individuals with disabilities. Expenses also include drugs and pharmaceuticals for migrant farm workers and their families and the purchase of STD and TB drugs as well as PKU treatment products and vaccine purchases.

- **Capital Outlay** expenditures of \$2.1 million, an increase of \$110,153, or 5.4 percent, above the FY 2015 agency request. The largest expenditures in this category are for projected replacements of technology items as well as system upgrades. It also includes durable medical equipment (DME) such as wheelchairs and braces purchased for Special Health Services (SHS) program eligible youth.
- **Aid to Local** expenditures of \$36.7 million, a decrease of \$1.1 million, or 3.0 percent, below the FY 2015 agency request due largely to a decrease in federal aid to locals. Major programs in this area include: General Public Health programs (State Formula Grant) (provides funding to 99 local health departments for development and expansion of their general health programs and WIC Administration), Primary Health (provides affordable, family-oriented primary care for low income and medically underserved Kansans), Family Planning programs (promote optimal reproductive health for men and women through basic preventive and primary health care with treatment and follow-up of identified health problems), Infant-Toddler (Tiny-K) Services (\$2.4

million provides early intervention services at the local level through a statewide service system for infants and toddlers birth through age two with developmental delays), Mothers and Infant Health (promotes positive pregnancy outcomes and health status for mothers and infants and early entry into and compliance with prenatal and pediatric care), Childcare Licensure Inspection Program (provides reimbursements to counties for inspection services). Children's Initiative Funds are used to continue implementation of a comprehensive tobacco use prevention program (\$727,728) and other programs within the Division such as Healthy Start (\$227,043), and the direct assistance portion of the Infant Toddler program (\$1.6 million).

- **Other Assistance** expenditures of \$2.1 billion, an increase of \$2.6 million, or 0.1 percent, above the FY 2015 agency request due to an increase in expenditures for medical programs. The major expenditures in this category are the medical programs. It also includes the Women, Infants and Children (WIC), Primary Care, and the Infant-Toddler Services IDEA Part C programs.

The **Governor** recommends FY 2016 operating expenditures of \$2.6 billion, including \$868.0 million from the State General Fund, \$7.1 million from the Children's Initiatives Fund, and \$1.8 million from the State Water Plan Fund. The recommendation is an all funds increase of \$168.0 million, or 7.0 percent, a State General Fund increase of \$100.0 million or 13.0 percent, and a State Water Plan Fund decrease of \$5,727 or 0.3 percent, from the agency request. The Children's Initiatives Fund recommendation is the same as the agency request.

The **Governor** concurs with the FY 2016 agency request with the following exceptions.

- Addition of \$63.2 million, including \$24.2 million from the State General Fund, to fully fund the November Human Services Consensus Caseload estimates.
- Reduction of \$1.3 million, all from the State General Fund, to continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor's FY 2015 allotment.
- Addition of \$12.0 million, all from the State General Fund, to replace the Medical Program Fee Fund transfer to the State General Fund in FY 2015 as part of the Governor's allotment plan.
- Reduction of \$57.0 million, including \$25.0 million from the State General Fund, for reduced expenditures due to policy changes in the KanCare Medical Program.

- Addition of \$64.4 million, including \$28.2 million from the State General Fund, as a result of the Managed Care Organization (MCO) privilege fee increasing from 1.0 percent to 5.5 percent.
- Reduction of \$411,625, including \$123,770 from the State General Fund, to reduce employer contributions for state employee health insurance.

The Governor issued Executive Reorganization Order (ERO) No. 43 to transfer the responsibility for Medicaid eligibility determination and associated employees from the Department for Children and Families to the Department of Health and Environment effective January 1, 2016. The Governor indicates this reorganization is anticipated to increase accuracy in Medicaid eligibility determination and reduce program expenditures partially through uniform implementation of policy and processing changes. These associated savings will be split between this Department and the Department for Aging and Disabilities Services. In addition, ERO No. 43 will transfer foster care licensing responsibilities from the Department of Health and Environment to the Department for Children and Families effective July 1, 2015. The Governor indicates this reorganization is anticipated to streamline the licensing process.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 2,372,651,911	\$ 2,515,548,876	\$ 142,896,965
FTE Positions	676.1	676.1	0.0
Change from FY 2016:			
<i>Dollar Change:</i>			
State General Fund	\$ 456,166	\$ 20,710,116	
All Other Funds	(12,282,240)	(57,677,475)	
TOTAL	<u>\$ (11,826,074)</u>	<u>\$ (36,967,359)</u>	
<i>Percent Change:</i>			
State General Fund	0.1 %	2.4 %	
All Other Funds	(0.8)	(3.4)	
TOTAL	<u>(0.5) %</u>	<u>(1.4) %</u>	
Change in FTE Positions	(1.0)	(1.0)	

The **agency** requests operating expenditures for FY 2017 of \$2.4 billion, including \$768.5 million from the State General Fund, \$7.1 million from the Children’s Initiatives Fund, and \$1.8 million from the State Water Plan Fund. The request includes \$19.2 million for the Administration Function, \$141.8 million for the Health Function, \$2.2 billion for the Health Care Finance Function, and \$59.9 million for the Environment Function. The budget includes 634.6 FTE positions, a decrease of 1.0 FTE

positions below, and 416.8 non-FTE unclassified positions, an increase of 0.8 non-FTE unclassified positions above, the FY 2016 agency request.

The request is an all funds decrease of \$11.8 million, or 0.5 percent, below and a State General Fund increase of \$456,166, or 0.1 percent, above the FY 2016 agency request. The request also reflects an increase in salaries and wages due to the 27th

payroll expenses which occur in FY 2017. The all funds decrease is largely due to a reduction in contractual services expenditures partially offset by an increase in other assistance for medical program caseloads expenditures. The State General Fund increase is due to an increase in salaries and wages and contractual services expenditures partially offset by a decrease in expenditures for capital outlay.

The request includes the following funding sources.

- **State General Fund** expenditures of \$768.5 million, an increase of \$456,166, or 0.1 percent, above the FY 2016 agency request due to an increase in salaries and wages, and agency operating expenditures in contractual services offset partially by a reduction in other assistance.
- **State Water Plan Fund** expenditures of \$1.8 million, an increase of \$15,546, or 0.9 percent, above the FY 2016 agency request.
- **Children's Initiatives Fund** expenditures of \$7.1 million, the same amount as the FY 2016 agency request.
- **Federal Funds** expenditures of \$1.4 billion, a decrease of \$12.3 million, or 0.9 percent, below the FY 2016 agency request due to decreases in contractual services, commodities, aid to locals, and other assistance offset partially increases salaries and wages.

Category of expenditures in the request are detailed below.

- **Salaries and Wages** expenditures of \$75.2 million, an increase of \$3.2 million, or 4.4 percent, above the FY 2016 agency request. The request reflects an increase in salaries and wages due to the 27th payroll expenses which occur in FY 2017 and increases in fringe costs namely KPERs and Group Health Insurance.
- **Contractual Services** expenditures of \$150.4 million, a decrease of \$20.3 million, or 11.9 percent, below the FY 2016 agency request for decreased fiscal agent services in the medical programs. The largest expenditures in this category are for rents and security, capital surcharge, financial management system fees, and Enterprise Application fees. Along with professional services and contracts, this request provides for the printing of enrollment packets, communication expenditures, and limited travel. It provides funding for MMIS contract procurement technical assistance. An additional \$14 million all funds is requested for provider incentive payments to upgrade and install new systems to provide electronic health records.
- **Commodities** expenditures of \$4.8 million, a decrease of \$95,929, or 2.0 percent below the FY 2016 agency request. These expenditures include office supplies; scientific supplies and materials necessary for conducting inspections, collecting samples, investigating food borne illnesses and educating the public regarding various public health programs such as, Breast & Cervical Cancer program, Tobacco use prevention, nutrition resources; and disability prevention. Other scientific supplies are

purchased such as surgery and ostomy supplies, drugs, prosthesis, orthotics, hearing aids, orthopedic shoes, and other items for individuals with disabilities. Expenses also include drugs and pharmaceuticals for migrant farm workers and their families and the purchase of STD and TB drugs as well as PKU treatment products and vaccine purchases.

- **Capital Outlay** expenditures of \$2.1 million, an increase of \$1,276, or 0.1 percent, above the FY 2016 agency request. The largest expenditures in this category are for projected replacements of technology items as well as system upgrades. It also includes durable medical equipment (DME) such as wheelchairs and braces purchased for Special Health Services (SHS) program eligible youth.
- **Aid to Local** expenditures of \$35.9 million, a decrease of \$815,403, or 2.2 percent, below the FY 2016 agency request due largely to a decrease in federal aid to locals. Major programs in this area include: General Public Health programs (State Formula Grant) (provides funding to 99 local health departments for development and expansion of their general health programs and WIC Administration), Primary Health (provides affordable, family-oriented primary care for low income and medically underserved Kansans), Family Planning programs (promote optimal reproductive health for men and women through basic preventive and primary health care with treatment and follow-up of identified health problems), Infant-Toddler (Tiny-K) Services (\$2.4

million provides early intervention services at the local level through a statewide service system for infants and toddlers birth through age two with developmental delays), Mothers and Infant Health (promotes positive pregnancy outcomes and health status for mothers and infants and early entry into and compliance with prenatal and pediatric care), Childcare Licensure Inspection Program (provides reimbursements to counties for inspection services). Children's Initiative Funds are used to continue implementation of a comprehensive tobacco use prevention program (\$727,728) and other programs within the Division such as Healthy Start (\$227,043), and the direct assistance portion of the Infant Toddler program (\$1.6 million).

- **Other Assistance** expenditures of \$2.1 billion, an increase of \$6.2 million, or 0.3 percent, above the FY 2016 agency request due to an increase in expenditures for medical programs. The major expenditures in this category are the medical programs. It also includes the Women, Infants and Children (WIC), Primary Care, and the Infant-Toddler Services IDEA Part C programs.

The **Governor** recommends FY 2017 operating expenditures of \$2.5 billion, including \$888.7 million from the State General Fund, \$7.1 million from the Children's Initiatives Fund, and \$1.8 million from the State Water Plan Fund. The recommendation is an all funds increase of \$142.9 million, or 6.0 percent, a State General Fund increase of \$120.2 million, or 15.6 percent, a State Water Plan Fund decrease of \$5,842 or 0.3 percent, from the agency request. The Children's Initiatives Fund recommendation is the same as the agency request.

The **Governor** concurs with the FY 2017 agency request with the following exceptions.

- Addition of \$164.7 million, including \$109.6 million from the State General Fund, to fully fund the November Human Services Consensus Caseload estimates.
- Reduction of \$1.3 million, all from the State General Fund, for operating expenses to continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor's FY 2015 allotment.
- Addition of \$21.0 million, all from the State General Fund, to replace the Medical Program Fee Fund transfer to the State General Fund in FY 2015 as part of the Governor's allotment plan.
- Reduction of \$57.0 million including \$25.0 million from the State General Fund for reduced expenditures due to policy changes in the KanCare Medical Program.
- Reduction of \$29.5 million, including \$13.0 million from the State General Fund, for an anticipated

reduced payment error rate and associated saving.

- Addition of \$66.6 million, including \$29.3 million from the State General Fund, as a result of the Managed Care Organization (MCO) privilege fee increasing from 1.0 percent to 5.5 percent.
- Reduction of \$419,224, including \$125,916 from the State General Fund, to reduce employer contributions for state employee health insurance.

The Governor issued Executive Reorganization Order (ERO) No. 43 to transfer the responsibility for Medicaid eligibility determination and associated employees from the Department for Children and Families to the Department of Health and Environment effective January 1, 2016. The Governor indicates this reorganization is anticipated to increase accuracy in Medicaid eligibility determination and reduce program expenditures partially through uniform implementation of policy and processing changes. These associated savings will be split between this Department and the Department for Aging and Disability Services. In addition, ERO No. 43 will transfer foster care licensing responsibilities from the Department of Health and Environment to the Department for Children and Families effective July 1, 2015. The Governor indicates this reorganization is anticipated to streamline the licensing process.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The 2014 Legislature approved funding of \$11.3 million, including \$4.5 million from the State General Fund, in FY 2015 for a \$250 bonus for all full-time employees except elected officials who were employed on December 6, 2013, and which was paid December 6, 2014. **For this agency, the FY 2015 bonus totals \$327,917, including \$53,718 from the State General Fund, and affects 1,054 employees.**

Longevity Bonus Payments. For FY 2016 and FY 2017, the Governor recommends funding longevity bonus payments for eligible state employees at the statutory rate of \$40 per year of service, with a 10-year minimum (\$400), and a 25-year maximum (\$1,000). Classified employees hired after June 15, 2008 are not eligible for longevity bonus payments. The estimated cost for the recommended FY 2016 payments is \$7.2 million, including \$2.8 million from the State General Fund. For FY 2015, the estimated cost for the payments is \$7.7 million, including \$3.0 million from the State General Fund. **For this agency, FY 2016 longevity payments total \$320,235, including \$52,259 from the State General Fund, and FY 2017 longevity payments total \$341,350, including \$55,558 from the State General Fund.**

Group Health Insurance. The Governor recommends Group Health and Hospitalization employer contributions of \$282.8 million, including \$108.2 million from the State General Fund, for FY 2016 and \$289.2 million, including \$110.7 million from the State General Fund, for FY 2017. For FY 2016 and FY 2017, the Governor recommends reducing the employer contributions for group health insurance by 8.5 percent. **For this agency this is a reduction of \$411,625, including \$123,770 from the State General Fund for FY 2016. This is a reduction of \$419,224, including \$125,916 from the State General Fund, for FY 2017.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2015 employer retirement contribution for KPERs regular and school members was scheduled to be 11.27 percent, an increase of 1.0 percent from 10.27 in FY 2014. The Governor reduced the employer contribution rate from 11.27 percent to 8.65 percent for the second half of FY 2015, for an effective contribution rate of 9.96 percent as part of the Governor's allotment plan. For FY 2016, the Governor recommends the retirement rate increase by 2.41 percent from 9.96 percent to 12.37 percent. For FY 2017, the Governor recommends the retirement rate increase by 1.2 percent from 12.37 percent to 13.57 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund.

In addition, the employer contribution for the KPERs death and disability insurance rate will be increased to 1.0 percent, from 0.85 percent, for FY 2016 and for FY 2017.

The Governor further proposes offering \$1.5 billion in Pension Obligation Bonds, backed by the State General Fund, to be paid back over 30 years and extending the amortization on the current bonds by ten years to 2043. The proceeds of the bonds would be used to help reduce the future employer contribution rates of the State/School Group. The Kansas Public Employee Retirement System estimates this plan could reduce employer contributions by \$68.43 million in FY 2016 and \$132.85 in FY 2017. The Kansas Development Finance Authority estimates that the bond service would be \$90.3 million in FY 2016 through FY 2017, assuming the Kansas credit ratings are not downgraded.

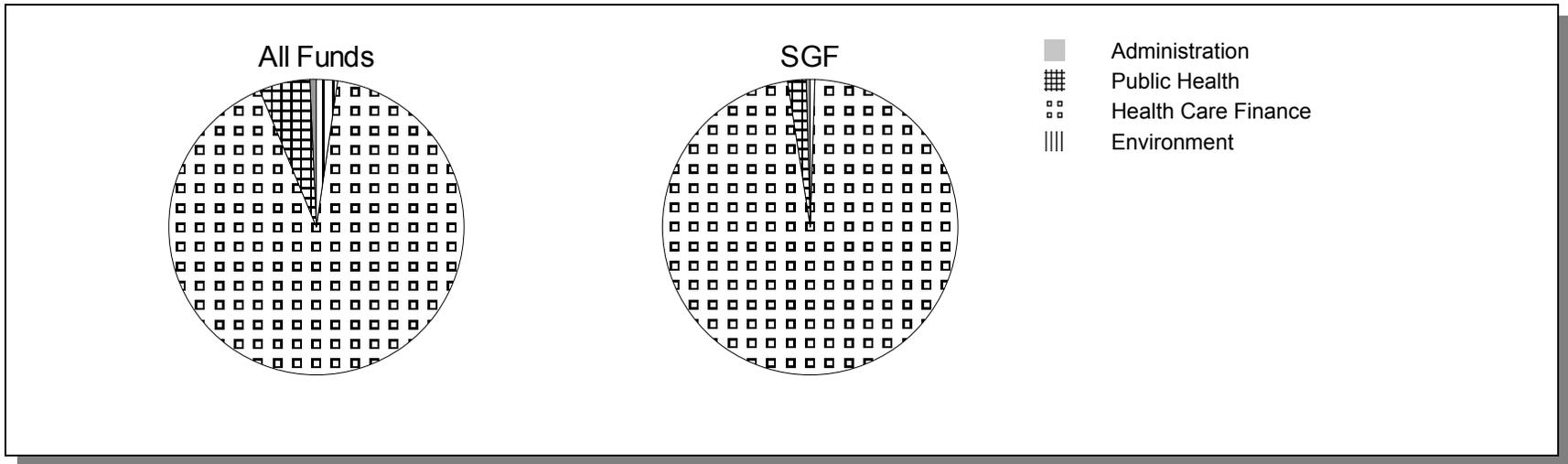
Funding Sources

Funding Source	Agency Req. Percent of Total FY 2016	Gov. Rec. Percent of Total FY 2016	Agency Req. Percent of Total FY 2017	Gov. Rec. Percent of Total FY 2017
State General Fund	32.2 %	34.0 %	32.4 %	35.3 %
State Water Plan Fund	0.1	0.1	0.1	0.1
Children's Initiative Fund	0.3	0.3	0.3	0.3
Special Revenue Funds	8.7	7.3	8.7	6.8
Federal Funds	58.8	58.4	58.5	57.5
TOTAL	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

Note: Percentages may not add due to rounding.

PROGRAM DETAIL

EXPENDITURES BY PROGRAM—GOVERNOR’S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	\$ 18,444,738	0.7 %	\$ 3,877,660	0.4 %
Public Health	141,574,778	5.5	17,569,329	2.0
Health Care Finance	2,333,394,650	91.4	842,235,939	97.0
Environment	59,102,069	2.3	4,341,609	0.5
TOTAL	\$ 2,552,516,235	100.0 %	\$ 868,024,537	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Administration	80.9	56.5	56.5	54.9	54.9	53.9	53.9
Public Health	190.1	157.6	157.6	157.6	157.6	157.6	157.6
Health Care Finance	181.9	181.9	170.1	171.1	171.1	171.1	171.1
Environment	345.6	293.5	293.5	293.5	293.5	293.5	293.5
TOTAL	798.5	689.4	677.6	677.1	677.1	676.1	676.1

A. Administration

The Administration program provides the central management and administrative support functions of KDHE. The program includes the **Secretary's Office**, which sets agency policy and coordinates operations in order to carry out statutory mandates. The **Office of Legal Services** supports all program areas in the enforcement of health and environmental laws and regulations. The **Division of Management and Budget** provides financial and strategic planning support services to all programs in the Department. Financial services include budget development, grant management, maintenance of accounts and reports, central reporting, and execution of all financial transactions. The Division also confers with Human Resource staff from the Department of Administration on all KDHE personnel transactions, such as recruitment and selection, employment management, benefit administration, classification and workforce planning, examination and certification of qualified candidates, employee relations, and Equal Employment Opportunity and affirmative action program implementation.

The **Office of Communications** supplies written, oral, and visual communications services to convey KDHE's program objectives to internal and external audiences. The **Office of Information Technology Services** (OITS) is under the Kansas Executive Chief Information Technology Officer and activities are coordinated through the KDHE OITS staff to maintain agency information technology, from hardware and basic desktop applications to vendor produced or internally produced specialty programming. Internal computer training and network safety are also conducted by OITS. Funding for the OITS staff and technology acquisition and maintenance is represented in the KDHE budget. The **Office of the Inspector General** audits and reviews programs within the Kansas Medicaid program and the State Employee Health Benefit Plan, making recommendations on program operations based on their observations.

**ADMINISTRATION PROGRAM
SUMMARY OF EXPENDITURES FY 2014 – 2017**

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 6,530,556	\$ 7,116,084	\$ 7,043,751	\$ 7,240,742	\$ 7,170,775	\$ 7,512,309	\$ 7,441,876
Contractual Services	10,309,992	10,198,149	10,056,149	11,208,550	10,818,284	11,184,626	10,812,404
Commodities	476,587	70,607	70,607	70,607	70,607	70,607	70,607
Capital Outlay	201,876	169,072	169,072	169,072	169,072	169,072	169,072
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 17,519,011	\$ 17,553,912	\$ 17,339,579	\$ 18,688,971	\$ 18,228,738	\$ 18,936,614	\$ 18,493,959
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	250,977	216,000	216,000	216,000	216,000	216,000	216,000
TOTAL	<u>\$ 17,769,988</u>	<u>\$ 17,769,912</u>	<u>\$ 17,555,579</u>	<u>\$ 18,904,971</u>	<u>\$ 18,444,738</u>	<u>\$ 19,152,614</u>	<u>\$ 18,709,959</u>
Financing:							
State General Fund	\$ 4,701,124	\$ 4,422,575	\$ 4,255,728	\$ 4,291,862	\$ 3,877,660	\$ 4,577,958	\$ 4,181,641
All Other Funds	13,068,864	13,347,337	13,299,851	14,613,109	14,567,078	14,574,656	14,528,318
TOTAL	<u>\$ 17,769,988</u>	<u>\$ 17,769,912</u>	<u>\$ 17,555,579</u>	<u>\$ 18,904,971</u>	<u>\$ 18,444,738</u>	<u>\$ 19,152,614</u>	<u>\$ 18,709,959</u>
FTE Positions	80.9	56.5	56.5	54.9	54.9	53.9	53.9
Non-FTE Uncl. Perm. Pos.	34.0	42.0	42.0	42.0	42.0	42.0	42.0
TOTAL	<u>114.9</u>	<u>98.5</u>	<u>98.5</u>	<u>96.9</u>	<u>96.9</u>	<u>95.9</u>	<u>95.9</u>

The **agency** requests operating expenditures for FY 2016 of \$18.9 million for the Administration Function, including \$4.3 million from the State General Fund. The request is an all funds increase of \$1.1 million, or 6.4 percent, and a State General Fund decrease of \$130,713, or 0.3 percent, from the FY 2015 agency request. The all funds increase is largely due to an increase in agency operating expenditures for contractual services and salaries and wages from special revenue and federal funds while the State General Fund decrease represents

reduced expenditures in contractual services offset slightly by increase in salary and wages. The budget includes 54.9 FTE positions, a decrease of 1.6 FTE positions below, and 42.0 non-FTE unclassified positions, the same as, the FY 2016 agency request.

Category of expenditures in the request are detailed below.

- **Salaries and Wages** expenditures of \$7.2 million, an increase of \$124,658 or 1.8 percent, above the FY 2015 agency request primarily due to additional fringe costs.
- **Contractual Services** expenditures of \$11.2 million, an increase of \$1.0 million, or 9.9 percent, above the FY 2015 agency request due largely to rising rent expenses. The largest expenditures in this category are for rents and security, capital surcharge, financial management system fees, and Enterprise Application fees.
- **Commodities** expenditures, largely for office supplies, of \$70,607, the same as the FY 2015 agency request.
- **Capital Outlay** expenditures of \$169,072, the same as the FY 2015 agency request. The largest expenditures in this category are for projected replacements of technology items and system upgrades.

The **Governor** recommends operating expenditures for FY 2016 of \$18.4 million, including \$3.9 million from the State General Fund. The recommendation represents an all funds decrease of \$460,233, or 2.4 percent, and a State General Fund decrease of \$414,202, or 9.7 percent, below the agency request.

The **Governor** concurs with the FY 2016 agency request with the following exceptions.

- Reduction of \$390,266, all from the State General Fund, for operating expenses to

continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor's FY 2015 allotment.

- Reduction of \$69,967, including \$23,936 from the State General Fund, to reduce employer contributions for state employee health insurance.

The **agency** requests operating expenditures for FY 2017 of \$19.2 million for the Administration Function, including \$4.6 million from the State General Fund. The budget includes 53.9 FTE positions, a decrease of 1.0 FTE positions below, and 42.0 non-FTE unclassified positions, the same as the FY 2016 agency request.

The request reflects an increase in salaries and wages due to the 27th payroll expenses which occur in FY 2017. The request is an all funds increase of \$247,643, or 1.3 percent, and a State General Fund increase of \$286,096, or 6.7 percent, above the FY 2016 agency request.

Category of expenditures in the request are detailed below.

- **Salaries and Wages** expenditures of \$7.5 million, an increase of \$271,567 or 3.8 percent, above the FY 2016 agency request. The increase is primarily due to expenses associated with the 27th payroll.
- **Contractual Services** expenditures of \$11.2 million, a decrease of \$23,924, or 0.2 percent, below the FY 2016 agency. The largest expenditures in this category are for rents and security, capital surcharge, financial management system fees, and Enterprise Application fees.

- **Commodities** expenditures, largely for office supplies, of \$70,607, the same as the FY 2016 agency request.
- **Capital Outlay** expenditures of \$169,072, the same as the FY 2016 agency request. The largest expenditures in this category are for projected replacements of technology items and system upgrades.

The **Governor** recommends operating expenditures for FY 2017 of \$18.7 million, including \$4.2 million from the State General Fund. The recommendation represents an all funds decrease of \$442,655, or 2.3 percent, and a State General Fund decrease of \$396,317, or 8.7 percent, below the agency request.

B. Public Health

The Division of Public Health seeks to promote and protect health and prevent disease and injury among the people of Kansas. Three basic functions are employed to further this mission. Assessment is the systematic collecting, analyzing, and distributing of information on various aspects of health, trends in health, and health-related problems. Policy development utilizes scientific knowledge in making important health policy decisions. Finally, assurances make sure that services are provided to meet the state's health goals. This may be done directly through state or local programs, or indirectly through encouraging others to act.

Office of the Director includes general management functions of the Division as well as the Center for Health Equity (CHE) and the Center for Performance Management (CPM).

Bureau of Oral Health seeks to improve the oral health status of all Kansans through technical support, public

The **Governor** concurs with the FY 2017 agency request with the following exceptions.

- Reduction of \$372,222, all from the State General Fund, for operating expenses to continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor's FY 2015 allotment.
- Reduction of \$70,433, including \$24,095 from the State General Fund, to reduce employer contributions for state employee health insurance.

education, and aid to local partners. Funded primarily through federal grants, current programs include a Dental Professional Workforce program, the School Screening Initiative and a Children with Special Health Care Needs health improvement project. Oral health assessment is another function of the Bureau.

Bureau of Community Health Services combined the management of Local and Rural Health and Public Health Preparedness to facilitate better coordination between programs that are most often in contact with local health professionals and hospitals. This bureau helps communities serve local health needs by providing technical assistance and other resources and to provide leadership for the agency in the health and medical response to all public health emergency situations, whether caused by natural events or acts of terrorism. Kansans who face financial, geographic, or other barriers to accessing health care services are served by programs in Primary Care,

Rural Health, and the State Trauma program. Liaison efforts with local health departments across the state are coordinated in the Bureau of Local and Rural Health, working toward an effective, “seamless” system for public health efforts in Kansas. The Health Facilities program was added to this bureau and licenses or certifies about 850 hospitals, ambulatory surgical centers, home health agencies, and other medical care providers.

Bureau of Disease Control and Prevention concentrates on identifying, preventing and controlling communicable diseases of crucial public health concern. The bureau conducts focused programming in regard to tuberculosis education and prevention, HIV/STD education and prevention, adult viral hepatitis education and prevention, and immunizations for vaccine-preventable diseases among children and adults.

Bureau of Environmental Health is responsible for ensuring safe residential lead levels. The Kansas Childhood Lead Poisoning Prevention program coordinates statewide lead poisoning prevention activities. The Bureau also includes the radiation control program, formerly part of the Bureau of Air and Radiation in the Environment function.

Bureau of Health Promotion focuses on the prevention, early identification, and control of chronic disease and injuries.

Bureau of Family Health supports a statewide system of public health services for the maternal and child health population. In FY 2013 the agency moved the Child Care Program into BFH in order to align all agency programs that focus on children and direct family supports into one bureau.

This bureau is responsible for licensing, and regulating about 11,000 child care facilities and agencies serving 150,000 children under the age of 16. The Children and Families section supports services for pre-conceptual and pregnant women, infants, children and adolescents, including school nursing. The Children with Special Health Care Needs section coordinates medical specialty services and systems for children and youth and newborn metabolic screening. Children’s Developmental Services supports newborn hearing screening, early identification and intervention services for infants, toddlers and their families. Nutrition and WIC Services support nutrition education and supplemental foods for low income pregnant, breastfeeding, and postpartum women and their young children.

Bureau of Epidemiology and Public Health Informatics, under the supervision of the State Epidemiologist, manages the state’s reportable disease surveillance system, responds to outbreaks of disease related to infectious and environmental agents, provides professional staffing to a 24-hour disease response hot line, and conducts a number of special projects and studies related to the control of infectious diseases in Kansas. The bureau also administers the state’s healthcare-associated infections prevention and control program. In addition, this Bureau is a data and information support group for the Kansas Department of Health and Environment as well as other State agencies. This includes vital records acquisition, management and issuance; data and information acquisition; and analysis, distribution, and publication for the public, policymakers, and program managers. Annually, the office registers approximately 100,000 vital records and issues over 320,000 certified copies of documents.

**PUBLIC HEALTH PROGRAM
SUMMARY OF EXPENDITURES FY 2014 – 2017**

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 19,227,120	\$ 21,970,523	\$ 21,747,936	\$ 21,980,139	\$ 21,732,820	\$ 22,957,111	\$ 22,704,838
Contractual Services	20,827,605	18,638,554	18,500,622	17,571,744	17,428,747	17,147,524	16,968,983
Commodities	2,175,962	2,089,611	1,988,708	1,913,843	1,913,843	1,855,984	1,855,984
Capital Outlay	816,859	753,276	753,276	748,650	748,650	728,683	728,683
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operations	\$ 43,047,546	\$ 43,451,964	\$ 42,990,542	\$ 42,214,376	\$ 41,824,060	\$ 42,689,302	\$ 42,258,488
Aid to Local Units	35,227,974	34,198,591	34,198,591	33,242,952	33,242,952	32,733,239	32,733,239
Other Assistance	<u>68,432,366</u>	<u>68,052,522</u>	<u>67,798,522</u>	<u>66,822,433</u>	<u>66,507,766</u>	<u>66,340,985</u>	<u>66,026,318</u>
TOTAL	<u>\$ 146,707,886</u>	<u>\$ 145,703,077</u>	<u>\$ 144,987,655</u>	<u>\$ 142,279,761</u>	<u>\$ 141,574,778</u>	<u>\$ 141,763,526</u>	<u>\$ 141,018,045</u>
Financing:							
State General Fund	\$ 17,105,012	\$ 18,220,213	\$ 17,706,341	\$ 18,290,518	\$ 17,569,329	\$ 18,350,238	\$ 17,593,036
All Other Funds	<u>129,602,874</u>	<u>127,482,864</u>	<u>127,281,314</u>	<u>123,989,243</u>	<u>124,005,449</u>	<u>123,413,288</u>	<u>123,425,009</u>
TOTAL	<u>\$ 146,707,886</u>	<u>\$ 145,703,077</u>	<u>\$ 144,987,655</u>	<u>\$ 142,279,761</u>	<u>\$ 141,574,778</u>	<u>\$ 141,763,526</u>	<u>\$ 141,018,045</u>
FTE Positions	190.1	157.6	157.6	157.6	157.6	157.6	157.6
Non-FTE Uncl. Perm. Pos.	<u>165.4</u>	<u>196.6</u>	<u>196.6</u>	<u>196.6</u>	<u>196.6</u>	<u>197.3</u>	<u>197.3</u>
TOTAL	<u>355.5</u>	<u>354.2</u>	<u>354.2</u>	<u>354.2</u>	<u>354.2</u>	<u>354.9</u>	<u>354.9</u>

The **agency** requests operating expenditures for FY 2016 of \$142.3 million for the Health Function, including \$18.3 million from the State General Fund and \$7.1 million from the Children's Initiatives Fund. The budget includes 157.6 FTE positions, and 196.6 non-FTE unclassified positions, the same as the FY 2015 agency request.

The request is an all funds decrease of \$3.4 million, or 2.3 percent, and a State General Fund increase of \$70,305, or 0.4 percent, and a Children's Initiatives Fund decrease of \$930, or less than 0.1 percent, from the FY 2015 agency request. The all funds decrease is largely due to reduced operating expenditures and a decrease in other assistance and aid to locals expenditures. The State General Fund increase is largely

due to an increase in salaries and wages and other assistance expenditures.

Category of expenditures in the request are detailed below.

- **Salaries and Wages** expenditures of \$22.0 million, an increase of \$9,616, or 0.04 percent, above the FY 2015 agency request. Approximately 70.0 percent of the salary request in FY 2016 is from federal funds. Of the Federal Funds, the three that contribute the most in salaries and wages are the Medicare Grant Fund (\$810,344), the Maternal and Child Health Grant Fund (\$1.3M), and the Federal Homeland Security Preparedness Funds (\$989,585).
- **Contractual Services** expenditures of \$17.6 million, a decrease of \$1.1 million, or 5.7 percent, below the FY 2015 agency request. The largest expenditures in this category are communication and travel for inspection activities and licensure programs, printing of public health materials in multi-language format, contractual obligations with county health departments and community based organizations, Cancer Registry match, contracts to hospital based clinics to provide pediatric diagnostic and treatment services within the Special Health Services section, and services provided to indigent Kansans with tuberculosis.
- **Commodities** expenditures of \$1.9 million, a decrease of \$175,768, or 8.4 percent, below the FY 2015 agency request. These are largely for scientific supplies and materials necessary for conducting inspections, collecting samples, investigating food borne illnesses and educating

the public regarding various public health programs such as, Breast & Cervical Cancer program, tobacco use prevention, nutrition resources, and disability prevention. Other scientific supplies are purchased such as surgery and ostomy supplies, drugs, prosthesis, orthotics, hearing aids, orthopedic shoes, and other items for individuals with disabilities. Expenses also include drugs and pharmaceuticals for migrant farm workers and their families and the purchase of STD and TB drugs as well as PKU treatment products and vaccine purchases.

- **Capital Outlay** expenditures of \$748,650, a decrease of \$4,626, or 0.6 percent, below the FY 2015 agency request. The largest expenditures in this category are for projected replacements of technology items as well as system upgrades. It also includes durable medical equipment (DME) such as wheelchairs and braces purchased for Special Health Services (SHS) program eligible youth.
- **Aid to Local** expenditures of \$33.2 million, a decrease of \$955,639, or 2.8 percent, below the FY 2015 agency request due largely to a decrease in federal aid to locals. Major programs in this area include: General Public Health programs funded by the State Formula Grant (provides funding to 99 local health departments for development and expansion of their general health programs and WIC Administration), Primary Health (provides affordable, family-oriented primary care for low income and medically underserved Kansans), Family Planning programs (promote optimal

reproductive health for men and women through basic preventive and primary health care with treatment and follow-up of identified health problems), Infant-Toddler (Tiny-K) Services (\$2.4 million provides early intervention services at the local level through a statewide service system for infants and toddlers birth through age two with developmental delays), Mothers and Infant Health (promotes positive pregnancy outcomes and health status for mothers and infants and early entry into and compliance with prenatal and pediatric care), Childcare Licensure Inspection Program (provides reimbursements to counties for inspection services). Children's Initiatives Fund dollars are used to continue implementation of a comprehensive tobacco use prevention program (\$727,728) and other programs within the Division such as Healthy Start (\$227,043), and the direct assistance portion of the Infant Toddler program (\$1.6 million).

- **Other Assistance** expenditures of \$66.8 million, a decrease of \$1.2 million, or 1.8 percent, below the FY 2015 agency request. The major expenditure in this category is the Women, Infants and Children (WIC) program (\$48.3 million). It also includes \$7.5 million for Primary Care programs and \$6.5 million for the Infant-Toddler Services IDEA Part C Programs.

The **Governor** recommends FY 2016 operating expenditures of \$141.6 million, including \$17.6 million from the State General Fund, and \$7.1 million from the Children's Initiatives Fund. The recommendation is an all funds decrease of \$704,983, or 0.5 percent, and a State General Fund decrease of \$721,189 or 3.9 percent, below the agency request. The

Children's Initiatives Fund recommendation is the same as the agency request.

The **Governor** concurs with the FY 2016 agency request with the following exceptions.

- Reduction of \$457,664, all from the State General Fund, to continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor's FY 2015 allotment.
- Reduction of \$247,319, including \$24,107 from the State General Fund, to reduce employer contributions for state employee health insurance.

The **agency** requests operating expenditures for FY 2017 of \$141.8 million for the Health Function, including \$18.4 million from the State General Fund and \$7.1 million from the Children's Initiatives Fund. The budget includes 157.6 FTE positions, and 197.3 non-FTE unclassified positions, an increase of 0.8 non-FTE positions.

The request reflects an increase in salaries and wages due to the 27th payroll expenses which occur in FY 2017. The request is an all funds decrease of \$516,235, or 0.4 percent, below, and a State General Fund increase of \$59,720, or 0.3 percent, above, the FY 2016 agency request. The Children's Initiatives Fund is the same as the FY 2016 agency request. The request reflects an increase in salaries and wages due to the 27th payroll expenses which occur in FY 2017. The all funds decrease is largely due to reduced operating expenditures and a decrease in other assistance and aid to locals expenditures offset by the increase in salaries and wages. The State General

Fund increase is largely due to an increase in salaries and wages.

Category of expenditures in the request are detailed below.

- **Salaries and Wages** expenditures of \$23.0 million, an increase of \$976,972, or 4.4 percent, above the FY 2016 agency request. The increase is primarily due to expenses associated with the 27th payroll. Approximately 70.0 percent of the salary request in FY17 are from federal funds. Of the Federal Funds the three that contribute the most in salaries and wages are the Medicare Grant Fund (\$846,972), the Maternal and Child Health Grant Fund (\$1.4 million), and the Federal Homeland Security Preparedness Funds (\$1.0 million).
- **Contractual Services** expenditures of \$17.1 million, a decrease of \$424,220, or 2.4 percent, below the FY 2016 agency request. The largest expenditures in this category are communication and travel for inspection activities and licensure programs, printing of public health materials in multi-language format, contractual obligations with county health departments and community based organizations, Cancer Registry match, contracts to hospital based clinics to provide pediatric diagnostic and treatment services within the Special Health Services section, and services provided to indigent Kansans with tuberculosis.
- **Commodities** expenditures of \$1.9 million, a decrease of \$57,859, or 3.0 percent, below the FY 2016 agency request. These are largely for scientific supplies and materials necessary for

conducting inspections, collecting samples, investigating food borne illnesses and educating the public regarding various public health programs such as, Breast & Cervical Cancer program, Tobacco use prevention, nutrition resources, and disability prevention. Other scientific supplies are purchased such as surgery and ostomy supplies, drugs, prosthesis, orthotics, hearing aids, orthopedic shoes, and other items for individuals with disabilities. Expenses also include drugs and pharmaceuticals for migrant farm workers and their families and the purchase of STD and TB drugs as well as PKU treatment products and vaccine purchases.

- **Capital Outlay** expenditures of \$728,683, a decrease of \$19,967, or 2.7 percent, below the FY 2016 agency request. The largest expenditures in this category are for projected replacements of technology items as well as system upgrades. It also includes durable medical equipment (DME) such as wheelchairs and braces purchased for Special Health Services (SHS) program eligible youth.
- **Aid to Local** expenditures of \$32.7 million, a decrease of \$509,713, or 1.5 percent, below the FY 2016 agency request due largely to a decrease in federal aid to locals. Major programs in this area include: General Public Health programs funded through the State Formula Grant (provides funding to 99 local health departments for development and expansion of their general health programs and WIC Administration), Primary Health (provides affordable, family-oriented primary care for low

income and medically underserved Kansans), Family Planning programs (promote optimal reproductive health for men and women through basic preventive and primary health care with treatment and follow-up of identified health problems), Infant-Toddler (Tiny-K) Services (\$2.4 million provides early intervention services at the local level through a statewide service system for infants and toddlers birth through age two with developmental delays), Mothers and Infant Health (promotes positive pregnancy outcomes and health status for mothers and infants and early entry into and compliance with prenatal and pediatric care), Childcare Licensure Inspection Program (provides reimbursements to counties for inspection services). Children's Initiative Funds are used to continue implementation of a comprehensive tobacco use prevention program (\$727,728) and other programs within the Division such as Healthy Start (\$227,043), and the direct assistance portion of the Infant Toddler program (\$1.6 million).

- **Other Assistance** expenditures of \$66.3 million, a decrease of \$481,448, or 0.7 percent, below the FY 2016 agency request. The major expenditure in this category is the Women, Infants and Children (WIC) program (\$48.3 million). It also includes \$7.5 million for Primary

Care programs and \$6.5 million for the Infant-Toddler Services IDEA Part C Programs.

The **Governor** recommends operating expenditures for FY 2017 of \$141.0 million, including \$17.6 million from the State General Fund, and \$7.1 million from the Children's Initiatives Fund. The recommendation is an all funds decrease of \$745,481, or 0.5 percent, and a State General Fund decrease of \$757,202 or 4.1 percent, below the agency request. The Children's Initiatives Fund recommendation is the same as the agency request.

The **Governor** concurs with the FY 2017 agency request with the following exceptions.

- Reduction of \$493,208, all from the State General Fund, to continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor's FY 2015 allotment.
- Reduction of \$252,273, including \$23,948 from the State General Fund, to reduce employer contributions for state employee health insurance.

The following table reflects requested and recommended Children's Initiatives Fund expenditures for FY 2014 - FY 2017.

CHILDREN'S INITIATIVES FUND -- FY 2014 – 2017
(Reflects Total for Agency)

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Healthy Start Program	\$ 237,914	\$ 237,914	\$ 237,914	\$ 237,914	\$ 237,914	\$ 237,914	\$ 237,914
Infant and Toddler	5,700,000	5,800,000	5,800,000	5,800,000	5,800,000	5,800,000	5,800,000
Smoking Prevention	946,671	946,671	946,671	946,671	946,671	946,671	946,671
SIDS Network Grant	96,374	96,374	96,374	96,374	96,374	96,374	96,374
Newborn Screening *	0	0	0	0	0	0	0
Newborn Hearing Aid Loaner	47,161	48,091	48,091	47,161	47,161	47,161	47,161
TOTAL	\$ 7,028,120	\$ 7,129,050	\$ 7,129,050	\$ 7,128,120	\$ 7,128,120	\$ 7,128,120	\$ 7,128,120

* The Newborn Screening program is no longer funded from Children's Initiative Fund because it is now funded from the Newborn Screening Special Revenue Fund which receives funds from the Health Maintenance Organization privilege fees.

C. Health Care Finance

Executive Reorganization Order No. 38 transferred the duties and responsibilities for the Kansas Health Policy Authority, including the State Employee Health Plan, to the Kansas Department of Health and Environment as the Division of Health Care Finance in FY 2012. With the reorganization, the Division of Health Care Finance is responsible for developing policies, administering and managing programs that fund health care services for persons who qualify for Medicaid (Title XIX), MediKan, and the Children's Health Insurance Program (Title XXI).

Executive Reorganization Order No. 41, effective FY 2013, further delineated the roles and responsibilities for Medicaid by consolidating Medicaid fiscal and contractual management in

the Kansas Department of Health and Environment. The Division of Health Care Finance has primary contract oversight responsibility for KanCare. The Division is responsible for interagency coordination and promoting integrated oversight.

The Division of Health Care Finance includes the Office of Director and three major program areas: Medicaid/KanCare, Program Finance and Informatics, and State Employee Benefits.

Office of the Director oversees the operations and administrative responsibilities of the agency, and is responsible for ensuring the agency's compliance with statutory obligations.

The office is responsible for coordinating all programs established to assist with the mission and vision of the Division.

Medicaid/KanCare

The Medicaid/KanCare, formerly Medicaid and HealthWave, program develops policies and administers and manages programs that fund health care services for persons who qualify for Medicaid, MediKan and the Children's Health Insurance Program (CHIP). Persons served by these programs include: low income children and adults, people with disabilities, and the elderly. In addition to administering cost-effective managed care and fee-for-service purchasing systems, the division contracts with and oversees a fiscal agent that operates the Medicaid Management Information System (MMIS), insures compliance with relevant federal rules and regulations and coordinates health care purchasing and planning among various State agencies.

Medicaid is a federal-state program that provides health and long-term care services to people with low incomes. All states currently participate in the Medicaid program and federal matching funds are available for the costs of these services. As a condition of state participation, each state must agree to cover certain populations (e.g., elderly poor receiving Social Security Income) and certain services (e.g., physician services). These eligibility groups and services are referred to as "mandatory" and are shown below:

Mandatory Populations

- Infants and children up to age 6 whose families earn less than 133 percent of the Federal Poverty Level (FPL);
- Children, age 6 and older, in households with incomes below 100 percent of the FPL;

- Parents whose income is below the state's threshold to receive Temporary Assistance to Families (TAF), roughly 30 percent of the FPL;
- Pregnant women up to 133 percent of the FPL;
- Seniors and individuals with disabilities who receive Supplemental Security Income (SSI) with incomes at or below 74 percent of the FPL;
- Certain working individuals with disabilities; and
- Medicare Buy-In groups: Qualified Medicare Beneficiaries (QMB); Special Low-Income Medicare Beneficiaries (SLMB); and Qualifying Individuals (QI)
- Mandatory Acute Care Benefits
- Physician services;
- Laboratory and x-ray services;
- Inpatient hospital services;
- Outpatient hospital services;
- Early and periodic-screening, diagnostic and treatment (EPSDT) services for individuals under 21;
- Family planning and supplies;
- Federally-qualified health center (FQHC) services;
- Rural health clinic services;
- Nurse midwife services; and
- Certified pediatric and family nurse practitioner services.

Mandatory Long-Term Care Benefits

- Institutional Services: Nursing facility (NF) services for individuals 21 or over.

Nearly all health care services purchased by KDHE are financed through a combination of state and federal matching dollars either through Title XIX (Medicaid) or Title XXI, the State Children's Health Insurance Program (CHIP). Under Title XIX the federal government provides approximately 57.0 percent of the cost of Medicaid services with no upper limit on what the federal government will reimburse the state. The state provides the remaining 43.0 percent of the cost of Medicaid services. Under Title XXI the federal government provides approximately 72.0 percent of the cost up to a maximum allotment, and the state provides the remaining 28.0 percent and any excess spent above the federal allotment. Health care services are purchased through both traditional fee-for-service and managed care models as described below.

As part of the Balanced Budget Act of 1997, Congress created Title XXI, Children's Health Insurance Program (CHIP), to address the growing problem of children without health insurance. The program was designed to expand health insurance to children whose families do not qualify for Medicaid. CHIP is a federal/state partnership similar to Medicaid. The program was designed to provide coverage to "targeted low-income children." A "targeted low-income child" is one who resides in a family with income below 200.0 percent of the Federal Poverty level (FPL) or whose family has an income no more than 50.0 percent higher than the state's Medicaid eligibility threshold. The 2009 Legislature approved and funded an expansion of CHIP to children in families up to 250.0 percent of the 2008 FPL. Kansas provides free or low cost health insurance coverage to children who:

- Are under the age of 19;
- Do not qualify for Medicaid;
- Have family incomes under 250.0 percent of the federal poverty level (2008 FPL standard); and

- Are not covered by State Employees' Health Insurance or other private health insurance.

In FY 2014, the State of Kansas, through the Division of Health Care Finance, spent over \$1.6 billion purchasing health care services for more than 400,000 persons through the Medicaid and HealthWave programs. This makes it the third largest purchaser of health care services and the largest purchaser of children's health care services in Kansas. About 70.0 percent of the people served were low income children and families and the Medicaid program pays for approximately 40.0 percent of the births in the state.

In January 2013, KanCare replaced the existing Medicaid and HealthWave models for Medical Assistance as its plan to reform the State's Medicaid system. The cornerstone of the reform is the integrated care system, called KanCare, which focuses on improving health outcomes for Kansas that is intended to bend the cost curve of Medicaid down over time.

The State of Kansas awarded contracts for the provision of KanCare program services to three managed care organizations: Amerigroup Kansas Inc., Sunflower State Health Plan, and United Healthcare of the Midwest, Inc. Each of the three contracts includes a number of provisions intended to ensure the managed care organizations (MCO's) meet the expectations of the State. Included in the contracts are pay-for-performance measures and requirements that the managed care organizations manage and report on a number of quality measures. The agency notes it expects the program to net significant savings through the improved care coordination and achieving improved outcomes.

The Medicaid/KanCare Division is comprised of the following sections: Strategic Purchasing; Eligibility; Operations; and Interagency Coordination/Contract Monitoring.

Strategic Purchasing oversees health care purchasing and delivery for two primary Medicaid population groups: low income families and the aged, blind, and disabled. The agency purchases health care through three product lines: capitated managed care, Primary Care Case Management (PCCM) and fee-for-service. The Strategic Purchasing Unit has been responsible for managing the contracts with historical managed care organizations (MCO) – Coventry, UniCare Health Plan of Kansas (UC), Cenpatico Behavioral Health (CBH) and Medical Transportation Management (MTM) and monitors the delivery of care through Medicaid fee-for-service and the PCCM program - HealthConnect Kansas (HCK). Beginning in January 2013, all managed care will be delivered through the three KanCare MCOs: Amerigroup Kansas, Sunflower State Health Plan, and United Healthcare of the Midwest.

The Strategic Purchasing Unit also monitors utilization trends and develops policy solutions and quality improvements. The Pharmacy section is responsible for directing the Medicaid fee-for-service pharmacy program. This unit oversees payments and policy development for establishing reimbursement rates and upper payment limits, establishing diagnosis-related groups (DRGs) for Medicaid inpatient services and establishing capitation rates for Medicaid and CHIP managed care. The unit also conducts reviews of cost reports and financial data to determine appropriate payments for providers.

Eligibility has four units that oversee all aspects of Medicaid eligibility. The *Eligibility Policy Unit* is responsible for overseeing all program, policy, training and outreach activities related to beneficiaries and their enrollment into the program. This unit interprets federal and state laws and regulations, issues policies about who is eligible and how eligibility is determined, coordinates issues related to the customer experience and actively works with community partners to develop strategies for enrolling eligible beneficiaries.

The unit is also responsible for developing a statewide training strategy for state eligibility workers as well as community partners who assist with application preparation.

The *Kansas Eligibility Enforcement System (KEES)* project is an eligibility system that will be used to determine eligibility for Medicaid, CHIP, and other medical assistance programs. KDHE is partnering with the Department for Children and Families so eligibility for other human service programs will be included, such as TANF, SNAP, child care assistance, LIEAP, and others. KEES is funded through a combination of state and federal funds and takes advantage of temporary federal spending authority. Through December 31, 2015, CMS has promulgated regulations to allow eligibility and enrollment systems to receive 90.0 percent federal funding (10.0 percent State funding) just as with Medicaid Management Information Systems (MMIS). States may also get 75.0 percent federal (25.0 percent State) funding for ongoing maintenance and operations indefinitely. In addition, the Federal Office of Management and the Budget (OMB) has granted an exception to OMB 87 rules that require cost allocation across any programs that will benefit from the system. This allows Kansas to make extended use of the 90 percent federal funding for an entire Medicaid eligibility system and pay only the incremental costs of adding human service programs at those lower match rates.

Phase 1 implemented the medical assistance online application in July 2012. Phase 2 will implement a full range of medical assistance eligibility and was scheduled to implement in Fall 2014. The agency indicates full KEES has not gone into production yet and it is currently working on a schedule for final testing and bug remediation that will help the agency determine the adjusted date, but that has not been set yet. In spring 2015, Phase 3 is scheduled to implement the human services components.

The *Working Healthy* unit promotes independence and increased self-reliance on the part of individuals with disabilities by incentivizing employment through the Kansas Medicaid Buy-In program, Working Healthy, the personal assistance component of the program, WORK, and other Medical employment initiatives. Program staff is responsible for program policy, outreach, work incentives, education, benefits planning, enrollment facilitation, premium oversight, and management of WORK.

Medicaid Operations is responsible for the procurement, management, and oversight of all contracts that include Medicaid and CHIP funding. It oversees more than 125 contracts valued in excess of \$500 million. It is also responsible for program integrity and the management of third-party liability collections from primary insurance carriers and Medicare. In addition, Medicaid Operations is responsible for claims processing, dispute resolution, fair hearings and implementation of policy changes and federal mandates. Primary responsibility for provider and beneficiary relations and communication about the program are also included in this section.

Interagency Coordination/Contract Monitoring has primary contract oversight responsibility for KanCare. This section is responsible for inter-agency coordination, promoting integrated oversight in cooperation with Kansas Department for Aging and Disability Services. The section also will guide KanCare MCO contract management, including the implementation and monitoring of contract deliverables, amendments, and quality improvement and compliance plans.

Program Finance and Informatics

The Program, Finance and Informatics section provides financial analysis and estimations of the State's Medicaid and Children's Health Insurance Program (CHIP) to all Division of Health Care Finance (DHCF) program areas.

Finance Unit is charged with the fiscal management and accurate financial reporting for the Division. Key finance activities include: managing the budget submission; accurately reporting expenditures and revenues to the federal government; and prudently managing cash balances, receipts and receivables. The Accounting section manages all payables processing, including reconciling contractor pay tapes for provider payments, managing contract encumbrances and developing management reports to guide decision making.

Informatics Unit provides Kansas Department of Health and Environment (KDHE) with information for data driven policy setting and continuous improvement of programs. This is accomplished through the collection of health and health care information from health care claims of the Kansas Medicaid population including programmatic and administrative data as well as market generated data. Also, the unit administers the Kansas Health Insurance Information System (KHIIS), Health Professional Licensure and the Hospital Inpatient Discharge data set which produce standard as well as *ad-hoc* reports. Finally, the unit designs, implements, maintains, and automates dashboards and reports employing state of the art best practices in data visualization/presentation to enhance decision-making by staff and other health industry stakeholders.

Projections Unit is responsible for collaborating with program staff to compute the fiscal impact of proposed policies, forecast caseloads, and provide projections for CMS. The unit is also responsible for assisting with the development of the

Division's budget and estimating interagency expenditures for Medicaid assistance. This unit tracks and evaluates legislative activities that may impact activities of the Division.

Medicaid Eligibility Quality Control (MEQC) is a federally mandated unit that completes in depth analysis of compliance with state and federal regulations surrounding eligibility for Medicaid benefits. MEQC audits both the HealthWave Clearing House and the Kansas Department of Children and Families for Medicaid accuracy. Additionally, MEQC conducts eligibility and payment reviews of Medicaid and CHIP for the Payment Error Rate Measurement (PERM) project.

State Employee Benefit Plan

State Employee Health Benefit Plan (SEHBP) administers health benefits for state employees, retirees, non-state group members, and state employees with worker's compensation claims. The plan is overseen by the Health Care Commission which was statutorily created in 1984 to design and implement a health care benefits program. Coverages included in the plan are medical, prescription drugs, dental and employee health and wellness, and vision.

Total enrollment numbers in the SEHP include active employees, retirees, employees receiving long-term disability payments, employees on leave without pay, non-State public employer groups, qualified beneficiaries on COBRA and other individuals identified in K.A.R. 108-1-1, K.A.R. 108-1-3 and K.A.R. 108-1-4. There are 174 non-State public employers participating in the SEHP. As of July 1, 2014, non-State public employers included 32 school districts; 83 cities, counties or townships; 24 extension offices or libraries; 16 public hospitals; 10 housing authorities, nine miscellaneous local government entities and one rural water district. The number of members in the groups range from one to 600. There are 20 groups who

have more than 200 and 40 have between 100 and 200 members.

ENROLLMENT FIGURES	
Group	Participants
Active State of Kansas employees	34,484
Active entities (education and local units)	6,912
Direct bill/Retiree member	11,449
COBRA member	89
Total	52,934

Note: Total may not add due to rounding.

Currently, 94 percent of active State employees and 97 percent of the non-State public employer population are enrolled. For the active State population, 50 percent are enrolled in single coverage and 50 percent provide coverage for their dependents.

Reportable expenditures for this program represent costs for administering the program as it relates to non-state employee members such as local units of government and school districts. All other expenditures related to the operation of the program are included in the non-reportable section as they are financed by payments from state agencies.

Health Plan Ancillary Services includes the following:

Flexible Spending Accounts (FSA) programs are administered through a third-party administrator. The FSA programs are offered to active State of Kansas employees and include a health care FSA to help employees pay with pre-tax dollars expenses not covered by their health, dental and vision plans and a dependent care FSA to help employees pay day

care expenses for their dependents under age 13 or elder care. Currently there are 7,339 active State employees that participate in these programs.

Premium Billing Administration services are provided for the public employers and direct bill programs offered through the State Employees' Health Plan. The administrator provides invoices to the members, collects premiums and remits premiums back to the State. There are 26,771 members participating in these two programs.

Employee Health and Wellness, or HealthQuest, was instituted in 1988 to provide wellness programs with the goal of improving employee health and reducing health care costs. Program offerings include an annual online health assessment and health screening, health coaching, web-based lifestyle programs, online health resources, condition and disease management programs, employee assistance counseling and referrals, life coaching, a wellness newsletter, a blog and wellness presentations for employee groups across Kansas.

Workers' Compensation Program for state employees is called the State Self Insurance Fund. The Fund was implemented in 1972. It is a self-insured, self-administered program funded by agency rates based on experience rating. The program manages and processes claims for injuries that arise out of and in the course of employment. Medical compensation to treat the employee's injury does not have a cap. Medical payments to providers are based on a fee schedule developed by the Workers' Compensation Division of the Kansas Department of Labor. Additionally, compensation is paid for loss of time, permanent impairment or death. A medical review service is utilized to review claims for medical appropriateness, nurse case management on complex cases and pricing. On average, 282 accident reports are received monthly. In FY 2014, the SSIF spent about \$21.3 million on claims expenses, with about 70.0 percent for medical services and 30.0 percent for indemnity. Payments to injured workers are reflected in the other assistance expenditures in the non-reportable budget.

**HEALTH CARE FINANCE PROGRAM
SUMMARY OF EXPENDITURES FY 2014 – 2017**

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 10,831,364	\$ 12,430,794	\$ 12,291,099	\$ 12,654,029	\$ 12,512,275	\$ 13,224,110	\$ 13,079,549
Contractual Services	124,028,282	118,262,240	118,021,974	121,777,110	121,342,203	102,097,568	101,662,661
Commodities	336,280	42,648	42,648	42,648	42,648	42,648	42,648
Capital Outlay	686,306	302,917	302,917	563,039	563,039	583,717	583,717
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 135,882,232	\$ 131,038,599	\$ 130,658,638	\$ 135,036,826	\$ 134,460,165	\$ 115,948,043	\$ 115,368,575
Aid to Local Units	15,026,476	0	0	0	0	0	0
Other Assistance	1,868,475,132	2,022,311,009	2,085,511,009	2,028,851,983	2,198,934,485	2,035,861,788	2,180,834,786
TOTAL	<u>\$ 2,019,383,840</u>	<u>\$ 2,153,349,608</u>	<u>\$ 2,216,169,647</u>	<u>\$ 2,163,888,809</u>	<u>\$ 2,333,394,650</u>	<u>\$ 2,151,809,831</u>	<u>\$ 2,296,203,361</u>
Financing:							
State General Fund	\$ 698,033,238	\$ 741,540,792	\$ 765,414,704	\$ 741,072,186	\$ 842,235,939	\$ 741,062,621	\$ 862,499,212
All Other Funds	1,321,350,602	1,411,808,816	1,450,754,943	1,422,816,623	1,491,158,711	1,410,747,210	1,433,704,149
TOTAL	<u>\$ 2,019,383,840</u>	<u>\$ 2,153,349,608</u>	<u>\$ 2,216,169,647</u>	<u>\$ 2,163,888,809</u>	<u>\$ 2,333,394,650</u>	<u>\$ 2,151,809,831</u>	<u>\$ 2,296,203,361</u>
FTE Positions	140.4	140.4	140.4	129.7	129.7	129.7	129.7
Non-FTE Uncl. Perm. Pos.	36.4	36.4	36.4	42.4	42.4	42.4	42.4
TOTAL	<u>176.8</u>	<u>176.8</u>	<u>176.8</u>	<u>172.1</u>	<u>172.1</u>	<u>172.1</u>	<u>172.1</u>

The **agency** requests operating expenditures for FY 2016 of \$2.2 billion for the Health Care Finance Function, including \$741.1 million from the State General Fund. The request is an all funds increase of \$10.5 million, or 0.5 percent, above and a State General Fund decrease of \$468,606, or 0.1 percent, below the FY 2015 agency request. The all funds increase is largely due to an increase in other assistance for medical programs and an increase in contractual services expenditures. The budget includes 129.7 FTE positions, a decrease of 10.8

FTE positions below, and 42.4 non-FTE unclassified positions, an increase of 6.1 non-FTE unclassified positions above, the FY 2015 agency request. This Division also has off budget expenditures of \$42.4 million for the Health Benefits and Workers Compensation programs.

Category of expenditures in the request are detailed below.

- **Salaries and Wages** expenditures of \$12.7 million, an increase of \$223,235, or 1.8 percent, above the FY 2015 agency request. The increase is primarily due to rising fringe costs.
- **Contractual Services** expenditures of \$121.8 million, an increase of \$3.5 million, or 3.0 percent, above the FY 2015 agency request. Major expenses in this category are professional and contractual services related to the operation of the Medicaid fiscal agent, Eligibility Clearinghouse, and for Electronic Health Record incentive payments to Medicaid providers. This requests provides funding for MMIS contract procurement technical assistance and \$52.9 million all funds is budgeted to complete the transition of fiscal agent contractor. An additional \$16 million all funds is requested for provider incentive payments to upgrade and install new systems to provide electronic health records.
- **Commodities** expenditures, largely for office supplies, of \$42,648, the same as the FY 2015 agency request.
- **Capital Outlay** expenditures of \$563,039, an increase of \$260,122, or 85.9 percent, above the FY 2015 agency request. The largest expenditures in this category are for projected replacements of technology items as well as system upgrades.
- **Other Assistance** expenditures of \$2.0 billion, an increase of \$6.5 million, or 0.3 percent, above

the FY 2015 agency request due to an increase in expenditures for medical programs.

The **Governor** recommends operating expenditures for FY 2016 of \$2.3 billion, including \$842.2 million from the State General Fund. The recommendation is an all funds increase of \$169.5 million, or 7.8 percent, and a State General Fund increase of \$101.2 million or 13.7 percent, from the agency request.

The **Governor** concurs with the FY 2016 agency request with the following exceptions.

- Addition of \$162.7 million, including 86.4 million from the State General Fund, to fully fund the November Human Services Consensus Caseload estimates.
- Reduction of \$434,907, all from the State General Fund, to continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor's FY 2015 allotment.
- Addition of \$12.0 million, all from the State General Fund, to replace the Medical Program Fee Fund transfer to the State General Fund in FY 2015 as part of the Governor's allotment plan.
- Reduction of \$57.0 million, including \$25.0 million from the State General Fund, for reduced expenditures due to policy changes in the KanCare Medical Program.

- Addition of \$64.4 million, including \$28.2 million from the State General Fund, as a result of the Managed Care Organization (MCO) privilege fee increasing from 1.0 percent to 5.5 percent.
- Reduction of \$141,754, including \$38,432 from the State General Fund, to reduce employer contributions for state employee health insurance.

The **agency** requests operating expenditures for FY 2017 of \$2.2 billion for the Health Care Finance Function, including \$741.1 million from the State General Fund. The budget includes 129.7 FTE positions and 42.4 non-FTE unclassified positions, the same as the FY 2016 agency request. This Division also has off budget expenditures of \$41.1 million for the Health Benefits and Workers Compensation programs.

The request reflects an increase in salaries and wages due to the 27th payroll expenses which occur in FY 2017. The request is an all funds decrease of \$12.1 million, or 0.6 percent, below and a State General Fund decrease of \$9,565, or less than 0.1 percent, below the FY 2016 agency request. The all funds decrease is largely due to a decrease in contractual services expenditures offset slightly by increases in other assistance for medical programs and salaries and wages expenditures.

Category of expenditures in the request are detailed below.

- **Salaries and Wages** expenditures of \$13.2 million, an increase of \$570,081, or 4.5 percent, above the FY 2016 agency request. The increase is primarily due to expenses associated with the 27th payroll.

- **Contractual Services** expenditures of \$102.1 million, a decrease of \$19.7 million, or 16.2 percent, below the FY 2016 agency request. This request provides for printing enrollment packets, communication expenditures, and limited travel and provides funding for MMIS contract procurement technical assistance. Decreases in contractual expenses is partially off set with an additional \$14 million all funds for provider incentive payments to upgrade and install new systems to provide electronic health records.
- **Commodities** expenditures, largely for office supplies, of \$42,648, the same as the FY 2016 agency request.
- **Capital Outlay** expenditures of \$583,717, an increase of \$20,678, or 3.7 percent, above the FY 2016 agency request. The largest expenditures in this category are for projected replacements of technology items as well as system upgrades.
- **Other Assistance** expenditures of \$2.0 billion, an increase of \$7.0 million, or 0.3 percent, above the FY 2016 agency request due to an increase in expenditures for medical programs.

The **Governor** recommends operating expenditures for FY 2017 of \$2.3 billion, including \$862.5 million from the State General Fund. The recommendation is an all funds increase of \$144.4 million, or 6.7 percent, a State General Fund increase of \$121.4 million, or 16.4 percent, above the agency request.

The **Governor** concurs with the FY 2017 agency request with the following exceptions.

- Addition of \$164.7 million, including \$109.6 million from the State General Fund, to fully fund the November Human Services Consensus Caseload estimates.
- Reduction of \$434,907, all from the State General Fund, to continue the 4.0 percent reduction to Cabinet and other State General Funded agencies as part of the Governor's FY 2015 allotment.
- Addition of \$21.0 million, all from the State General Fund, to replace the Medical Program Fee Fund transfer to the State General Fund in FY 2015 as part of the Governor's allotment plan.
- Reduction of \$57.0 million, including \$25.0 million from the State General Fund, for reduced expenditures due to policy changes in the KanCare Medical Program.

D. Environment

The **Division of Environment** protects the environment and public health through compliance, enforcement, and proactive activities. The Division includes the Bureaus of Waste Management, Air, Water, Environmental Remediation, Environmental Field Services (including the Office of the Director of Environment), and the Health and Environment Laboratories.

- Addition of \$66.6 million, including \$29.3 million from the State General Fund, as a result of the Managed Care Organization (MCO) privilege fee increasing from 1.0 percent to 5.5 percent.
- Reduction of \$144,561, including \$39,190 from the State General Fund to reduce employer contributions for state employee health insurance.

The Governor issued Executive Reorganization Order (ERO) No. 43 to transfer the responsibility for Medicaid eligibility determination and associated employees from the Department for Children and Families to the Department of Health and Environment effective January 1, 2016. The Governor indicates this reorganization is anticipated to increase accuracy in Medicaid eligibility determination and reduce program expenditures partially through uniform implementation of policy and processing changes. These associated saving will be split between this Department and the Department for Aging and Disability Services. In addition, ERO No. 43 will transfer foster care licensing responsibilities from the Department of Health and Environment to the Department for Children and Families effective July 1, 2015. The Governor indicates this reorganization is anticipated to streamline the licensing process.

The **Bureau of Waste Management** has primary responsibility for the solid waste, hazardous waste, and waste tire programs which are entirely funded from state fees and federal grants. The Bureau works with the Bureau of Environmental Field Services for inspections and the Bureau of Environmental Remediation for closed city dump remediation and corrective action.

The **Bureau of Air** protects the public from the harmful effects of air pollution and conserves the natural resources of the state by preventing damage to the environment from the releases of air contaminants.

The **Bureau of Water** issues permits for wastewater treatment, control and disposal for municipalities, industries, commercial and livestock entities and is heavily influenced by Federal law and regulation. The Bureau also regulates and permits the construction and operation of public water supplies. The Bureau provides training to system operators, administers two low interest loan programs for water works and wastewater treatment works; administers programs to address non-point sources of pollution; and regulates the storage of natural gas and liquefied petroleum in natural underground salt formations.

The **Bureau of Environmental Remediation** identifies, investigates, and takes appropriate remedial actions when pollution endangers the public health, natural resources, and environment of the state. Responsibilities include investigating pollution sources, designing and overseeing remedial activities at contaminated sites, and negotiating with parties responsible for effective cleanup. The Bureau also utilizes remediation funds to take corrective action at sites where a responsible party cannot be found or is recalcitrant. In addition, the Bureau is also responsible for administering the duties of the Department related to the regulation and clean-up of alleged illegal drug manufacturing sites.

The **Bureau of Environmental Field Services**, which includes the Office of the Director of the Division, administers all environmental program operations at six district offices and provides scientific, technical, and operational support to the programs in the Division. This bureau is also responsible for the stream segment classification program. District and satellite offices provide direct services, inspections, and technical assistance to businesses and industries.

The **Health and Environment Laboratories** provide comprehensive chemical and biological analyses on a large volume of clinical specimens and environmental samples. The Chemistry Laboratory conducts analyses to evaluate environmental water quality, to define radiological hazards, and monitor the use and disposal of chemicals. The Radiochemistry Laboratory performs radiological testing of public drinking water samples, ambient water samples, and samples related to issuance of radioactive material licenses. The Microbiology, Virology, and Serology Laboratories conduct analyses to characterize and diagnose infectious diseases, foodborne epidemics, intestinal illnesses, and sexually transmitted diseases. The Neonatal Chemistry Laboratory tests for potential genetic defects in infants. Laboratory Improvement and Certification evaluates regulated clinical, environmental, and breath alcohol laboratories using established standards to ensure data quality.

**ENVIRONMENT PROGRAM
SUMMARY OF EXPENDITURES FY 2014 – 2017**

Item	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Expenditures:							
Salaries and Wages	\$ 27,166,088	\$ 29,994,387	\$ 29,686,837	\$ 30,174,403	\$ 29,872,028	\$ 31,543,048	\$ 31,234,619
Contractual Services	23,432,881	20,303,923	20,303,923	20,124,984	20,124,984	19,941,280	19,941,280
Commodities	3,115,799	3,073,149	3,073,149	2,866,029	2,866,029	2,827,959	2,827,959
Capital Outlay	904,061	799,511	799,511	654,168	654,168	654,733	654,733
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	\$ 54,618,829	\$ 54,170,970	\$ 53,863,420	\$ 53,819,584	\$ 53,517,209	\$ 54,967,020	\$ 54,658,591
Aid to Local Units	3,437,427	3,647,485	3,647,485	3,481,658	3,481,658	3,175,968	3,175,968
Other Assistance	2,217,328	4,809,849	4,809,849	2,103,202	2,103,202	1,782,952	1,782,952
TOTAL	<u>\$ 60,273,584</u>	<u>\$ 62,628,304</u>	<u>\$ 62,320,754</u>	<u>\$ 59,404,444</u>	<u>\$ 59,102,069</u>	<u>\$ 59,925,940</u>	<u>\$ 59,617,511</u>
Financing:							
State General Fund	\$ 5,218,790	\$ 5,213,035	\$ 5,169,837	\$ 4,379,532	\$ 4,341,609	\$ 4,499,447	\$ 4,460,764
All Other Funds	55,054,794	57,415,269	57,150,917	55,024,912	54,760,460	55,426,493	55,156,747
TOTAL	<u>\$ 60,273,584</u>	<u>\$ 62,628,304</u>	<u>\$ 62,320,754</u>	<u>\$ 59,404,444</u>	<u>\$ 59,102,069</u>	<u>\$ 59,925,940</u>	<u>\$ 59,617,511</u>
FTE Positions	345.6	293.5	293.5	293.5	293.5	293.5	293.5
Non-FTE Uncl. Perm. Pos.	86.5	135.0	135.0	135.0	135.0	135.0	135.0
TOTAL	<u>432.1</u>	<u>428.5</u>	<u>428.5</u>	<u>428.5</u>	<u>428.5</u>	<u>428.5</u>	<u>428.5</u>

The **agency** requests FY 2016 expenditures of \$59.4 million, a decrease of \$3.2 million, or 5.1 percent, below the FY 2015 request. The request includes \$4.4 million from the State General Fund, a decrease of \$833,503, or 16.0 percent, below the FY 2015 request, and \$1.8 million from the State Water Plan Fund, a decrease of \$1,014, or 0.1 percent, below the FY 2015 request. This decrease is largely attributable to decreases in other assistance, though there are decreases in all categories other than salaries and wages.

Category of expenditures in the request are detailed below.

- **Salaries and Wages** expenditures of \$30.2 million, an increase of \$180,016, or 0.6 percent, above the FY 2015 request.
- **Contractual Services** expenditures of \$20.1 million, a decrease of \$178,939, or 0.9 percent,

below the amount requested for FY 2015. This decrease is attributable to decreased expenditures for servicing laboratory equipment and for professional remediation services.

- **Commodities** expenditures of \$2.9 million, a decrease of \$207,120, or 6.7 percent, below the FY 2015 request. This decrease is largely attributable to laboratory supplies such as solvents, glassware, chemical reagents, standards, and media for microbiological assays used during sample preparation and scientific testing procedures.
- **Capital Outlay** expenditures of \$654,168, a decrease of \$145,343, or 18.2 percent, below the FY 2015 request. The decrease is attributable to decreased furniture expenditures.
- **Other Assistance** expenditures of \$2.1 million, a decrease of \$2.7 million, or 56.3 percent, below the FY 2015 request. This decrease is attributable to decreased spending for assessment and remediation of contamination from dry cleaning facilities and for site-specific activities at other contaminated locations.

The **Governor** recommends FY 2016 expenditures of \$59.1 million, a decrease of \$302,375, or 0.5 percent, below the agency request. The recommendation includes \$4.3 million from the State General Fund, a decrease of \$37,923, or 0.9 percent, and \$552,424 from the State Water Plan Fund, a decrease of \$5,727, or 1.0 percent, below the agency request. The recommendation concurs with the agency request with the following exception:

- Reduction of \$302,375, including \$37,923 from the State General Fund, to reduce employer contributions for state employee health insurance.

The **agency** requests FY 2017 expenditures of \$59.9 million, an increase of \$521,496, or 0.9 percent, above the amount requested for FY 2016. The all funds increase is largely attributable to increases in salaries and wages, offset in part by decreases in contractual services, aid to local units, and other assistance.

Category of expenditures in the request are detailed below.

- **Salaries and Wages** expenditures of \$31.5 million, an increase of \$1.4 million, or 4.5 percent, above the FY 2016 request. The increased expenditures for salaries and wages is largely attributable to expenses related to the 27th pay period that occurs for all state agencies in FY 2017.
- **Contractual Services** expenditures of \$19.9 million, a decrease of \$183,704, or 0.9 percent, below the FY 2016 request. The decrease is attributable to decreased expenditures for watershed restoration and protection strategies (WRAPS) and total maximum daily load (TMDL) work in the Water program, as well as for investigations and remedial actions at contaminated sites.
- **Aid to Local Units of Government** expenditures of \$3.2 million, a decrease of \$305,690, or 8.8 percent, below the FY 2016 request. This

decrease is attributable to the solid waste program, which has decreased spending for grants and clean-up work in part due to declining revenue from a landfill tonnage fee.

- **Other Assistance** expenditures of \$1.8 million, a decrease of \$320,250, or 15.2 percent, below the FY 2016 request. This decrease is attributable to decreased spending for site-specific assessment and remediation activities at other contaminated locations funded by the Natural Resources Damages Trust Fund.

The **Governor** recommends FY 2017 expenditures of \$59.6 million, a decrease of \$308,429, or 0.5 percent, below the agency request. The recommendation includes \$4.5 million from the State General Fund, a decrease of \$38,683, or 1.0 percent, and \$572,721 from the State Water Plan Fund, a decrease of \$5,842, or 1.0 percent, below the agency request. The recommendation concurs with the agency request with the following exception.

- Reduction of \$308,429, including \$38,683 from the State General Fund, to reduce employer contributions for state employee health insurance.

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of clients accessing primary health clinics	709,399	704,342	710,000	715,000	720,000
Average number of WIC participants served annually	129600	116,228	131,300	131,800	132,300
Immunization rate for hepatitis B, measles, and DPT	80.0%	83.0%	88.0%	90.0%	90.0%
Number of Children (ages 0-2) receiving services from Infants and Toddlers Program	9,040	8,927	9,150	9,350	9,550
Number of permitted hazardous waste facilities	45	43	45	46	46
Number of public water supplies tested annually	46,000	46,000	46,000	46,000	46,000
Number of new petroleum storage tank trust fund sites approved	20	27	25	25	25
Number of annual inspections at solid waste sites	590	408	590	590	590