Report of the Legislative Budget Committee to the 2020 Kansas Legislature

Chairperson: Representative Troy Waymaster

Vice-chairperson: Senator Carolyn McGinn

Ranking Minority Member: Representative Kathy Wolfe Moore

Other Members: Senators Rick Billinger, Tom Hawk, and Anthony Hensley (substituting for Senator Hawk, December 13); and Representatives Will Carpenter, Kyle Hoffman, and Ken Rahjes (substituting for Representative Carpenter, November 19)

Charge

State Budget Issues

The Committee is statutorily directed to compile fiscal information and study and make recommendations on the state budget, revenues, and expenditures, the organization and functions of the state, its departments, subdivisions, and agencies with a view of reducing the cost of state government and increasing efficiency and economy.

In addition to its statutory duties, the Committee is to:

- Department of Transportation—Receive an update on T-Works projects and the use of the additional funds provided in FY 2019 and FY 2020;
- Department for Children and Families—Review plans for the Family First Prevention Services Act programs, receive an update on the progress on filling the new approved social worker positions, and review the plan for expenditures from the evidence-based initiative account (2017 SB 367) in coordination with the Department of Corrections and other agencies;

- Department of Corrections—Review the use and impact of additional funding for prisons;

- Board of Regents—Review the impact of additional state funding and the need for tuition increases;

- Safe and secure schools—Review the distributions and use of the additional funding by school districts;

- Department of Agriculture—Review the implementation of new or expanded water programs and an update on the impacts of flooding and federal tariffs;

- State hospitals—Review the ongoing mix of state and federal funding, future plans for Osawatomie State Hospital, and plans to reduce vacant positions at Larned State Hospital; and

- Community and technical colleges—Review and discuss topics including:
  - How the institutions are funded and how the funding is distributed;
  - Mission of the colleges;
  - Transfer of credits to state universities;
  - The efficiencies and effectiveness of the colleges; and
  - Whether the colleges are meeting the needs of Kansas residents.

Legislative Budget Committee

Annual Report

Conclusions and Recommendations

Following its review and discussion, the Legislative Budget Committee makes the following recommendations and requests for reports.

Recommendations

- The Kansas Department of Agriculture and the Department of Commerce work together to aid industrial hemp growers to market and sell industrial hemp. The initiative should aid growers in identifying businesses interested in purchasing and distributing industrial hemp grown in Kansas;
- The Legislature review the statutory obligation to transfer $6.0 million from the State General Fund (SGF) and $2.0 million from the Economic Development Initiatives Fund (EDIF) to the State Water Plan Fund (SWPF);
- The Legislature make a decision regarding the preservation, demolition, or selective deconstruction of the Docking State Office Building on or before June 30, 2020;
- Encourage the Office of Information Technology Services to complete the migration of state data centers to its cloud-based solution on or before June 30, 2020;
- The Legislature thoroughly review State Highway Fund (SHF) transfers, limiting transfers being made, and, if possible, cessation of any extraordinary transfers from the SHF that are based upon the portion of sales and compensating use tax that the SHF receives to provide funding for the next transportation plan;
- The House Committee on Appropriations, Senate Committee on Ways and Means, House Committee on Taxation, and Senate Committee on Assessment and Taxation consider restoring and revising statutory language to reinstate local government demand transfers for local property tax relief, particularly the Local *Ad Valorem* Tax Reduction Fund. The Committee requests restoration be structured to ensure disbursements to local units of government provide a measurable decrease in local property taxes for constituents of each government unit receiving local aid from the state;
- The House Committee on Appropriations and the Senate Committee on Ways and Means review the current status of inpatient mental health services for children to determine the costs and requirements to restore acute care beds for children in Hays as well as in other underserved areas of the State;
- The Compensation Commission, as authorized in KSA 46-3101, convene a meeting during the 2020 Interim, after the November 3, 2020, general election, to consider the information included in the Legislative Division of Post Audit (LPA) study on legislative pay and make recommendations for any adjustments; and
- The Legislature examine whether the Kansas Department for Aging and Disability Services (KDADS) and the state hospitals are applying for and utilizing all potential federal grants to assist with funding for the state hospitals and whether the agencies could pursue additional grant funds.

Reports

- The House Committee on Appropriations and the Senate Committee on Ways and Means receive a report from the Kansas Department of Transportation (KDOT) during the 2020 Legislative Session on outstanding debt by transportation program by year;
- The Senate Committee on Ways and Means and House Committee on Appropriations receive a report from the Kansas Department of Corrections detailing implementation of fiscal year 2020 pay increases, construction and financing of the new Lansing Correctional Facility, hepatitis C treatment among inmate populations, and inmate outsourcing to county jails and a private prison in Arizona during the 2020 Legislative Session. The Committee seeks clarity regarding the population size of inmates infected with hepatitis C, methods for treatment, and anticipated costs of future treatment. The Committee notes its concern regarding the Department's process for soliciting outsourced beds at county jails in Kansas prior to utilization of an out-of-state facility in Arizona;
- The Legislature receive a report during the 2020 Legislative Session from KDADS on the current state of the buildings of the former Larned Juvenile Correctional Facility and examine the feasibility of using these structures for other purposes in the future;
- The Legislature receive a report during the 2020 Legislative Session from KDADS on salaries and turnover of state hospital employees, including pay disparity between employees at those facilities and the amounts in salaries provided by other employers for similar positions, and consider the amount of funding needed to make state hospital employee salaries consistent with salaries of similar employees;
- The House Committee on Appropriations and Senate Committee on Ways and Means receive a report from the LPA on the five remaining Alvarez and Marsal recommendations that are being implemented during the 2020 Legislative Session; and
- The House Committee on Appropriations and Senate Committee on Ways and Means receive a report from the Kansas Legislative Research Department on the status of performance-based budgeting during the 2020 Legislative Session.

Notations and Commendations

The Committee also makes the following observations:

- Notes revenue from the lottery ticket vending machines was not receipted in the time frame of the original projections and encourages the Legislature in the future to not implement any programs based on new and unproven revenue streams;
- Notes the popularity of KDOT's cost-share program and that many local units of government have already approached KDOT with their individual project plans and matching funds, hoping to find a way to progress forward with their projects; and
- Commends the agencies involved in fire suppression activities around the state, and notes it will take all those agencies working together as a team to prepare and implement suppression strategies in order to be successful.

Proposed Legislation: None

Background

The Legislative Budget Committee is statutorily directed in KSA 46-1208 to compile fiscal information. It is also directed to study and make recommendations on the state budget, revenues, and expenditures, and on the organization and functions of the State, its departments, subdivisions, and agencies with a view of reducing the cost of state government and increasing efficiency and economy.

Committee Activities

The Legislative Coordinating Council authorized seven meeting days for the Committee during the interim. The Committee met six times during the interim on the following days: August 13, October 2, November 19 and 20, and December 13, 2019, and January 9, 2020.

On August 13, the Committee received an update on the status of the Kansas budget, reviewed the federal Family First Prevention Services Act; received an update on staffing at the Department for Children and Families (DCF); reviewed expenditures from the Evidence-based Initiatives Account in the Kansas Department of Corrections (KDOC); received an update on T-Works projects, as well as the use of additional transportation funding provided by the 2019 Legislature; and received an update from the Department of Corrections on the use of additional funds provided by the 2019 Legislature and the status of the construction of the Lansing Correctional Facility.

On October 2, the Committee received briefings from the Department of Agriculture, Kansas Water Office, and Kansas Department of Health and Environment (KDHE) on federal tariffs, flooding, and new and expanded water programs. The Committee also received briefings on the Safe and Secure Schools Program and industrial hemp cultivation and reviewed the findings of the Fall 2019 Mental Health Bus Tour.

On November 19 and 20, the Committee reviewed the revised human services consensus caseload, education, and consensus revenue estimates. [*Note:* The revised human services caseload estimate reduced State General Fund (SGF) expenditures by $15.3 million in fiscal year (FY) 2020. The education estimate reduced SGF expenditures by $38.6 million in FY 2020. The SGF consensus revenue estimate included an increase of $525.5 million, including $220.4 million in FY 2020 and $305.1 million in FY 2021.] The Committee also received updates on the Statehouse Snack Bar, Kansas higher education funding, fire suppression efforts, the Cyber and Financial Crimes Unit of the Kansas Bureau of Investigation, abandoned well plugging, elected officials' pay, the use of the Economic Development Initiatives Fund, the Main Street Program in the Department of Commerce, lottery ticket vending machine revenue, T-Works projects, Memorial Bridge designations, and the Docking State Office Building.

On December 13, the Committee received an update from the Office of Information Technology Services on the Information Technology Modernization Plan, reviewed selected agency budget requests for FY 2020 and FY 2021, received a report on the availability of psychiatric inpatient beds at KVC Health Systems, reviewed the implementation of the 2016 Alvarez and Marsal Efficiency Study recommendations, and received an update on the Veterans Claims Assistance Program.

On January 9, the Committee received an update on SGF receipts through December 2019, a report on statutory local government transfers, and the Job Creation Program Fund of the Department of Commerce. The Committee also made recommendations to the 2020 Legislature.

Specific information about each topic follows.

State Revenue and Expenditure Updates

Overview of SGF consensus revenue estimate. At the November 19, 2019, meeting, the principal economist from the Kansas Legislative Research Department (KLRD) presented information on the SGF revenue estimates for FY 2020 and FY 2021. The Consensus Estimating Group met November 7, 2019. The overall estimate for FY 2020 and FY 2021 reflects an increase of $525.5 million. Total taxes increased by $510.0 million and by $15.5 million from other revenue sources. The economic forecast for Kansas reflects modest growth. The Kansas personal income growth projection was reduced from 3.9 percent to 3.6 percent. The Kansas Department of Labor reports 20,700 non-farm jobs were added, primarily in the leisure and hospitality sector, and with professional and business services. The trade, transportation, and utilities sector experienced a decrease of 400 jobs. Nominal hourly earnings were up 5.9 percent and the Kansas unemployment rate was 3.4 percent. Net farm income has experienced modest growth attributable to the federal market facilitation payment program. For most of the state, weather conditions were favorable this growing season; wheat and soybeans acreage will be low, as many farmers chose to plant corn. The energy sector continues to experience declines in oil and natural gas production and price, which reflect decreased severance tax receipts, and taxable crude and taxable natural gas prices.

The Consumer Price Index is expected to remain at moderate levels and current interest rates of 2.35 percent on the SGF portfolio are projected to decrease to 1.75 percent for FY 2020 and 1.25 percent for FY 2021. Four key revenue sources are individual income, corporation income, retail sales and compensating use taxes. The revised estimates for SGF receipts reflect an increase of $220.4 million for FY 2020 and $305.1 million for FY 2021. Non-tax sources estimates reflect a decrease of $21.0 million in FY 2020 and $30.7 million in FY 2021.

The KLRD principal economist noted estimates will be adjusted in mid-April prior to the conclusion of the 2020 Legislative Session. Consensus revenue estimates are based on current federal and state laws. Pending litigation that may involve payment of back taxes and interest is estimated to cost $60 million, to date. Other areas of uncertainty include foreign trade, health and tax policies, and the volatility in both global and domestic markets.

The KLRD principal economist further stated discontinuation of the federal market facilitation payment program would impact the agriculture sector in Kansas as this program has been responsible for half of the growth in farm income for the past two years.

At the December 13, 2019, meeting, the Director of Legislative Research (KLRD Director) provided an update on SGF receipts after the consensus revenue estimates and a SGF profile. The total receipts for November was $15.1 million, or 0.5 percent, above the revised estimate. The component of SGF receipts from taxes only was $12.2 million, or 0.4 percent, above the revised estimate. Tax sources that exceeded the estimate by more than $1.0 million included retail sales at $6.5 million, insurance premium tax at $4.2 million, and individual income taxes at $2.2 million. The KLRD Director stated November tends to be a quiet month, while December and January receipts reflect holiday shopping and estimated taxes. Corporation income tax estimated payments are due in December and individual income tax estimated payments are due in January.

At the January 9, 2020, meeting, the KLRD principal economist provided an update on the SGF receipts through December 2019: they were $53.9 million, or 1.5 percent, above the revised estimate. The component of SGF receipts from taxes only was $50.9 million, or 1.4 percent, above the revised estimate. Total receipts through November 2019 had been $15.1 million, or 0.5 percent, above the revised estimate, and taxes only were $12.2 million, or 0.4 percent, above the revised estimate. He indicated the Kansas economy was growing at 2.8 percent—0.2 percent faster than estimated.

Five-year profile. At the December 13, 2019, meeting, the KLRD Director presented the five-year SGF profile projections. The Five-year SGF Profile indicates the SGF ending balance may decrease from $945.5 million with the FY 2020 approved budget expenditures to $5.5 million at the end of FY 2024. The projection includes returning to the statutory determined transfers from the SGF to various funds, including $54.0 million to the Local *Ad Valorem* Tax Reduction Fund (LAVTRF), $78.1 million to the County and City Revenue Sharing Fund (CCRSF), a $33.5 million cap on the transfer to the Job Creation Fund, and $13.0 million to the Special City and County Highway Fund (SCCHF). These transfers have been suspended or not approved since 2003 or 2004. This profile also assumes no transfers are made from the State Highway Fund (SHF) to the SGF starting in FY 2021.

Overview of Consensus Human Services Caseload Estimates. At the meeting on November

19, 2019, the KLRD Assistant Director for Fiscal Affairs (KLRD Assistant Director) presented an overview of the Fall 2019 Human Services Consensus Caseload Estimates for FY 2020 and FY 2021. The estimates are for entitlement services in the human services area only, and do not include all expenditures in the KanCare program. She stated the FY 2020 estimate reflects a decrease of $24.7 million from all funding sources, attributable to reappropriation of money not expended in FY 2019. The Temporary Assistance for Needy Families (TANF) estimate reflects an increase of $1.6 million. The Foster Care program estimate reflects an increase of $3.5 million from all funding sources. The KanCare Medical estimate reflects a decrease of $20.4 million from all funding sources, primarily attributable to decreased estimated population growth, which is partially offset by new high-cost drug expenditures and the delivery system reform incentive payment.

The Kansas Department for Aging and Disability Services (KDADS) non-KanCare estimate reflects a decrease of $9.4 million from all funding sources, primarily attributable to decreased expenditures on fee-for-service payments and medical expenditures for the Program for All-inclusive Care for the Elderly. For FY 2021, the estimate reflects an all funds increase of $482.7 million. The TANF estimate is the same as FY 2020. The Foster Care program estimate is an increase of $13.7 million from all funding sources, attributable to an increased number of children served. The KanCare Medical estimate is an all funds increase of $468.0 million from all funding sources, which includes a change in the Medicaid matching rate, and includes a decrease in the required state share of approximately $34.5 million.

A review of the Medicaid disproportionate share hospital allotment followed. Kansas is estimated to realize an allotment decrease from $48.6 million to $32.8 million and the caseload estimate was reduced to match the estimated decrease. Estimates include $42.0 million to provide rebasing for the nursing facilities reimbursement rates and a decrease of $66.7 million due to the sunsetting of the nursing facility provider assessment. The KDADS non-KanCare estimate reflects an increase of $1.0 million, primarily attributable to increasing population growth. The combined estimate for FY 2020 and FY 2021 is an all funds increase of $458.0 million and a SGF increase of $65.2 million.

The KLRD Assistant Director stated the federal medical assistance percentages reimbursement formula is calculated each year with a three-year look-back period. Rates are determined by both Kansas and national economic indicators. The nursing facility provider assessment is scheduled to sunset July 1, 2020. If the Legislature does not take any action to extend the assessment, the rates the nursing facilities receive for Medicaid payments would be reduced and the revenue the State receives would go away. As such, nursing homes with Medicaid patients would experience a decrease in their reimbursement rates.

Education consensus update. The Fall 2019 Education Consensus Estimates, presented to the Committee by KLRD staff on November 19, 2019, include major categories of state aid to school districts and Kansas Public Employees Retirement System employer contributions. The estimates include revised estimates for FY 2020 and FY 2021, along with an initial estimate for FY 2022. [*Note:* The 2019 Legislature appropriated funding for the major categories of state aid to school districts for FY 2021; therefore, the revised estimate for FY 2021 is described as a change from the approved budget.] The FY 2020 revised estimate is $4.9 billion, including $3.9 billion from the SGF. This is a decrease of $40.5 million, including $32.9 million from the SGF, below the FY 2020 approved amount. The FY 2021 revised estimate is $5.1 billion, including $4.0 billion from the SGF. This is a decrease of $67.5 million, including $38.6 million from the SGF, below the FY 2021 approved amount. The changes for FY 2020 and FY 2021 are primarily attributable to decreased estimates for weighted full-time equivalent (FTE) enrollment, particularly due to the phase-out of new facilities weighting. The initial estimate for FY 2022 is $5.2 billion, including $4.1 billion from the SGF. This is an increase of $137.0 million, including $111.8 million from the SGF, above the FY 2021 revised estimate. The increase is primarily attributable to the additional funding for K-12 education approved by the 2018 and 2019 Legislatures.

Review of FY 2020 and FY 2021 agency budget requests. At the December 13, 2019, meeting, KLRD staff presented an overview of FY 2020 and FY 2021 agency budget requests and the budget supplementals and enhancements. The FY 2020 approved budget has been increased by $110.2 million, all from the SGF, for reappropriations from FY 2019 and FY 2020. The majority of the reappropriations are from the KDOC, KDADS, and KDHE. After adjusting for reappropriations, the FY 2020 revised estimate is an all funds increase of $230.2 million, or 1.2 percent, and a SGF increase of $16.4 million, or 0.4 percent, above the FY 2020 approved budget.

KLRD staff highlighted the requests for FY 2021 by function of government. He noted the FY 2021 budget is not yet approved. For SGF expenditures, General Government agencies requested $386.9 million; Education agencies requested $5.1 billion; Human Services agencies requested $2.1 billion; Agriculture agencies requested $19.0 million; and Public Safety agencies requested $540.7 million. The Kansas Department of Transportation (KDOT) budget request does not include SGF expenditures, although the agency requested $1.6 billion from the SHF and other special revenue funds for FY 2021. For FY 2021, the agency request is an increase of $277.9 million above the FY 2020 revised estimate.

KLRD staff stated KDADS had requested funding for a new electronic medical records and patient management system for the four state hospitals in previous years, but the funds were not approved. For FY 2021, $4.8 million is requested for a new system integrating the four state hospitals, including $2.0 million in yearly recurring support and maintenance costs. KLRD staff stated the agency request includes $4.6 million to renovate a building for additional patient beds, not to build a new structure at Osawatomie State Hospital (OSH). In January 2019, the agency provided a report indicating which buildings could be renovated and which buildings should be razed.

The Secretary for Children and Families and Aging and Disability Services confirmed the renovation at OSH would be for 26 licensed beds, but these beds would not be Medicaid-certified beds. The renovation request is part of a larger plan that is being developed. The concept is to get the federal moratorium on admissions to OSH lifted and to help with enhancement of regional beds so the State can better serve individuals closer to their home communities. KDADS will present the full plan during the 2020 Legislative Session.

Fiscal year-to-date spending. KLRD staff discussed FY 2020 SGF year-to-date spending. The purpose of the report is to identify agencies that are either spending substantially less than anticipated or more than anticipated for FY 2020. The report found 37 agencies were spending below the 2019 rate and 17 agencies were spending above the 2019 rate. He stated the report indicated no major concerns for 2020.

Review of local government transfers. At the January 9, 2020, meeting, KLRD staff provided information and background on the suspension of local demand transfers to local units of government. No transfers have been made from the SGF to the LAVTRF or the CCRSF since FY 2004. The State has not made any transfers from the SGF to the SCCHF since FY 2010. Historically, the transfers to the LAVTRF and CCRSF have been made to reduce the burden on local governments, particularly cities and counties, for property tax assessments for their constituents. The CCRSF has primarily been utilized for repair, maintenance, and construction of streets and highways. Before complete suspension of the transfers, the State had reduced or limited the transfers to these funds due to state budgetary concerns. In recent years, these demand transfers have been treated as revenue transfers so these funds cease to be SGF expenditures and are no longer subject to the ending balance requirement.

Current statutes require 3.63 percent of sales and use taxes received by the State to be distributed to cities, counties, and other eligible jurisdictions from the LAVTRF; 2.823 percent of sales and use taxes received by the State to be distributed to cities and counties *via* the CCRSF; and 33.63 percent of motor-vehicle fuel taxes and all motor carrier vehicle taxes or annual commercial vehicle fee revenue to be distributed to cities and counties *via* the SCCHF. The LAVTRF, CCRSF, and SCCHF include distributions generally based on 65 percent based on population and 35 percent apportioned on the basis of equalized assessed tangible valuations on tax rolls. The KLRD chief economist indicated that while property tax reduction is the purpose for LAVTRF and CCRSF, there is no requirement that each taxing authority receiving local aid show a real dollar decrease in the payable property tax amount for everyone within its jurisdiction.

Human Services Updates

Review of Family First Prevention Services Act. At the August 13, 2019, meeting, the KLRD Assistant Director provided an overview of the federal Family First Prevention Services Act (FFPSA). The FFPSA was signed into law in 2018. It focused on funding state programs to support children at risk of entering the foster care system and prevent their entry. The Act requires that states implement an electronic interstate foster-care system; eliminates time limit for family reunification; provides a 50 percent reimbursement rate through 2026 for qualifying prevention services and in 2027 it goes to the federal medical assistance percentage (commonly known as FMAP) rate (for FY 2020, the state match is 41.4 percent); defines qualifying services as those that are trauma-informed, evidence-based, and provided by a qualified clinician; requires 50 percent of federal funds to a state be for prevention services categorized as "well-supported" by the national clearinghouse; sets maintenance of effort for foster care expenditures at FY 2014 expenditure amounts; and permits the use of Social Services Act Title IV-B and E funding for prevention services.

HB 2103 (2019) amended the Revised Kansas Code for Care of Children to implement the FFPSA and defined qualified residential treatment programs (QRTPs) and related steps. The 2019 Legislature approved $6.9 million from the SGF, and $13.5 million total funds (including matching federal funds) for FY 2020. The DCF released a request for proposal (RFP) for FFPSA grant funding on May 31, 2019.

The Deputy Secretary for Children and Families provided an overview of the steps DCF was taking to implement the FFPSA, an update on the filling of new positions approved by the 2019 Legislature, and a review of the plan for expenditures from the evidence-based initiative account.

Under the FFPSA, the two key priorities are qualifying prevention services and assuring family-based placement. The DCF reached out to six communities (Dodge City, Hays, Olathe, Pittsburg, Salina, and Wichita) plus Topeka regarding the opportunities provided by the FFPSA. These conversations created a state-level and six regional advisory groups to guide this process. In addition to informing the community about the FFPSA, DCF has been refreshing DCF staff on eligibility and available services so they can be a bridge between the families and community organizations.

While the national clearinghouse is still sending monthly updates categorizing programs as either promising, supported, or well-supported, DCF initiated RFPs for FFPSA funding for evidence-based programs for mental health, substance abuse, parent skill building, and kinship navigation in May. DCF received 55 distinct responses (60 total), the most (26) of which were focused on parent skill building. These grants are for one year, with the option of renewing three times.

The FFPSA also created a new category and standard of service for congregated care: QRTPs. To receive federal funding in this category, the center must be accredited, have a trauma-informed treatment model, have a licensed nursing staff, involve the family in the child's treatment, and provide discharge and aftercare support. DCF communicated with existing partners to determine whether meeting these requirements was possible, and five or six organizations were considering going forward with this accreditation so Kansas can draw down the federal match for that. DCF estimates 120 beds would be required. Some are already accredited, but DCF is providing technical assistance to those that are not. DCF established the daily QRTP rate at $250. DCF also has a rate for those centers in progress of becoming QRTPs. DCF worked with KDADS to get an RFP out for an independent assessor to screen the youth.

Update on staffing new positions at DCF. The Deputy Secretary for Children and Families provided an update on the 42 new positions approved by the 2019 Legislature. As of the first week of August 2019, 95 percent were filled. The two positions not filled were in the Central Program and the West Region. The Deputy

Secretary reported DCF was working on recruitment efforts, including new job advertisements on Indeed and partnering with the universities. Out of these partnerships, DCF is looking to expand the practicum and cultivating students who can enter DCF upon graduation.

Plans for expenditures from the Evidence-Based Initiative Account at KDOC. The Deputy Secretary for Children and Families provided an update on DCF plans for the Evidence-Based Initiative Account following 2016 SB 367 comprehensive juvenile justice reform and definitions for the fund. She reported DCF and KDOC were collaborating to learn more about crossover youth, or those youth involved with both the DCF and KDOC. In Spring 2019, a budget proviso group looked at all the data sets and definitions of that and, in the fall, a budget proviso group was expected to take a deeper dive in the information on crossover youth. In June 2019, the Secretary for Children and Families outlined some opportunities to serve youth with juvenile offender behaviors, services that could use funds from the Evidence-Based Initiative Account. DCF is not requesting any funds, but merely submitted a letter outlining opportunities that could use those funds.

The Deputy Secretary of Juvenile and Adult Community-Based Services, KDOC, provided a further update on allocation of funds. KDOC has obligated $2.0 million annually to crisis centers, and DCF is included as part of the memorandum of understanding. DCF has requested just under $3.0 million of the reinvestment funds. The Reinvestment Subcommittee determines whether the request meets the definition set out and whether it is evidence-based. The Oversight Committee votes and the KDOC will then allocate.

In June 2019, the Oversight Committee approved more than 20 initiatives and services, including the Georgetown Youth Practices Model, which will place a position with the DCF and one with KDOC to allow all the entities to work together with the youth under best practices to establish what system will work best for that judicial district. Juvenile correctional advisory boards were expected to provide information to the subcommittee in October 2019, and would be included in the implementation going forward.

Mental Health Bus Tour. At the October 2, 2019, meeting, KLRD staff presented an overview of the Legislative Mental Health Bus Tour (Tour), which took place September 9, 10, and 11, 2019. KLRD staff explained the purpose of the Tour was to tour facilities providing mental health services in order to inform legislators about issues within the state. Invited members of the Tour included members of the Senate Committee on Ways and Means, the House Committee on Appropriations, the Legislative Coordinating Council, and the Joint Committee on State Building Construction. KLRD staff noted those on the Tour traveled 632 miles, visiting facilities providing mental health services in El Dorado, Hays, Hutchinson, Larned, Manhattan, Newton, Salina, and Wichita. He provided a summary of the facilities visited and entities providing information during the Tour.

The Executive Director for the Association of Community Mental Health Centers provided testimony including an overview of the Kansas community mental health system. The Executive Director further discussed the role that community mental health centers (CMHCs) serve in Kansas, a history of mental health reform, and current challenges under the current system, as well as opportunities for improvement. The Executive Director also summarized several options that could be pursued at the state and federal levels to increase mental health services.

The Executive Director for High Plains Mental Health Center (High Plains) provided testimony including descriptions of services provided by High Plains. The Executive Director discussed challenges such as the cost of uncompensated care, traveling significant distances to provide services, and competition from other potential employers in retaining and recruiting staff. The Executive Director discussed efforts to overcome challenges, such as through increased utilization of telepsychiatry and telebehavioral health and encouraging enhanced mobile broadband in Western Kansas. The Executive Director also presented testimony on KVC Hospitals Hays recently closing certain inpatient psychiatric beds for youth after communications with KDADS. The Executive Director further noted concern about the distance children would have to travel for services, as those beds were moved to Wichita. The Commissioner for Behavioral Health Services (BHS), KDADS, (BHS Commissioner) answered questions from Committee members concerning the timeline of changes for KVC Hospitals Hays and the reasons that certain acute care beds for youth were moved to Wichita. The BHS Commissioner indicated KDADS received a letter from the federal Centers for Medicare and Medicaid Services (CMS) noting KVC could not have a facility licensed for both acute care beds and psychiatric residential treatment facility (PRTF) beds, where the children were co-mingled. To provide necessary separation, a change was made to have separate wings and not co-mingle the youth. The BHS Commissioner indicated KVC Hospitals Hays made the decision to close the acute care beds and convert the facility to being exclusively PRTF beds. The BHS Commissioner indicated some youth experienced injuries during the co-mingling time period.

The Executive Director of Central Kansas Mental Health Center (CKMHC) provided testimony on services provided by CKMHC and the Legislative School Mental Health Initiative Pilot (Pilot) authorized by the 2018 Legislature. The Executive Director reported CKMHC had been part of the Pilot since 2018 and had worked to fill gaps in the system at a low cost. The CKMHC Executive Director indicated the Pilot has led to students in rural towns receiving better access to mental health services in their own communities, which has resulted in students avoiding missed classroom time and other transportation barriers to receiving services. The Executive Director noted, due to the success of the initial Pilot, several more school districts requested services for the 2019-2020 school year. She reported CKMHC had an on-site therapist at 23 schools and provided emotional skill building in 17 schools. The CKMHC Executive Director indicated services are also offered when school is over for the day and during summer and holiday breaks. The CKMHC Executive Director reported current challenges include low Medicaid reimbursement rates for behavioral health services and that more therapists and psychiatrists are needed in Kansas.

The State Hospital Commissioner and Special Counsel for KDADS presented testimony concerning the Tour's visit to Larned State Hospital (LSH). She provided an overview of the state hospital, including details on the services and patients receiving treatment in the Psychiatric Services Program, the State Security Program, and the Sexual Predator Treatment Program. The State Hospital Commissioner identified challenges for the facility, including competition from other potential employers in retaining and recruiting staff, wage disparity for certain positions compared to similar positions at other agencies, mandated overtime, and safety concerns for patients and staff. She provided information on a new electronic health records patient management system for LSH and the other three state hospitals, noting KDADS identified one-time funding to begin to develop and implement the system, but there would be additional significant costs to maintain and support the system.

The Chairperson of the Department of Social Work for Fort Hays State University provided testimony on the Bachelor of Social Work (BSW) program and the Masters of Social Work program at Fort Hays State University. He noted the programs' goal of providing improved access to health and mental health care for residents of undeserved areas. The Chairperson provided information on strategies to educate practitioners, including online coursework and face-to-face clinical training. The Chairperson further reported the cohort programs were designed to be delivered in the local community so nontraditional students and students who were established and committed to a community could complete the degree and maintain their roots in the community. He further noted the first three Garden City cohort classes graduated 30 BSW students and these former students made up more than half of the licensed BSW social workers in the county; 14 students graduated from the Dodge City cohort in May 2019 and 24 students began in Fall 2019; the Liberal cohort program has 8 students; and the Colby cohort launched in Fall 2019 with 14 students.

The Deputy Secretary of Facilities Management, KDOC, provided testimony concerning the tour of El Dorado Correctional Facility and the mental health services that were described during the tour. The Deputy Secretary noted the correctional system is the largest provider of residence-based mental health services in Kansas, serving approximately 4,150 incarcerated persons diagnosed with mental illness. Challenges identified include treating a high volume of individuals, safety concerns for inmates and staff, the transition process from incarceration back to a home community, and access to appropriate housing and mental health treatment upon release.

Representatives of Behavioral Health Community Collaborating for Sedgwick County, and COMCARE of Sedgwick County, provided information on mental health treatment and substance abuse, including formation of the Mental Health and Substance Abuse Coalition (Coalition). The representative of COMCARE provided information on the efforts to coordinate services among COMCARE, local hospitals, district attorneys involved in cases in which individuals have a mental health or substance use disorder, and detention facilities. The representative of COMCARE further discussed some of the current challenges, such as workforce issues, funding uncertainty, gaps in service, and logistical concerns about the ability to expand the program to meet needs due to space constraints. The representative of COMCARE shared future plans for the Coalition, including increased communication with shareholders to review research findings and receive input, finalizing a strategic plan, and working to define the role of mental health and substance abuse committees around strategic initiatives.

Update on psychiatric bed availability at KVC Health Systems. At the December 13, 2019, meeting, the President of KVC Hospitals (KVC) presented testimony to the Committee concerning the transition of KVC Hospitals in Hays from a facility with both acute care beds for children and PRTF beds for youth to a facility offering exclusively PRTF beds. The KVC representative provided background on the difference between acute care beds providing shorter-term treatment and stabilization for youth, with an average length of stay of 5 to 7 days, compared to PRTF beds in which youth receive intensive clinical services in a structured, home-like environment, for a longer term to practice skills, with an average length of stay of 60 to 90 days. He stated KVC was created as a dual-licensed facility beginning in 2010 for both short-term acute and longer-term residential patients. The KVC representative stated this allowed the facility to combine staff and operating costs between the two separate treatment programs, but same-gender youth within appropriate age ranges were able to share bedrooms at night.

In 2017, Kansas notified KVC that CMS might discontinue permitting dual licensing. The KVC representative noted KVC expressed concern to KDADS and stakeholders, if regulations were changed, KVC would not be able to sustain a stand-alone unit. In February 2019, KVC was informed by KDADS that CMS would require the facility to operate separate units by April 1, 2019. Costs for required building upgrades would exceed \$1.0 million and KVC would need continued funding to sustain overhead costs. As of October 21, 2019, KVC had operated as a PRTF-only facility. The KVC representative noted KVC opened a psychiatric hospital for children in Wichita, which included 54 acute beds. Additionally, the transition in Hays includes plans to add beds for a total of 50 PRTF beds. Between the opening of KVC Hospitals Wichita and adding PRTF beds in Hays, KVC will have added 42 new beds for acute care and 38 PRTF beds in the state.

Committee members asked whether KVC had experienced problems due to the mixed populations over the years KVC was operating a dual-licensed facility. The KVC representative stated across the ten years the facility operated as a dual-licensed facility, he did not recall any significant issues due to the mixed populations. Committee members asked whether KVC ever received documentation from CMS that it was discontinuing the policy allowing dual-licensed facilities, and the representative indicated he did not receive anything from CMS on this subject. Responding to Committee member questions on where children needing acute care services were being served after those beds were closed in Hays, the KVC representative indicated some were served in Wichita and some were served in Kansas City. Committee members asked for clarification on the \$1.0 million in structural improvements needed for the facility. The KVC representative stated State Fire Marshal regulations would require, if the facility were to have acute care and PRTF beds, the entire building to meet certain standards, even though the dual-licensed unit was using only one wing on the third floor. Committee members asked whether KVC had considered relocating to another building in Hays, and the KVC representative indicated this could be possible, but additional funding would be needed.

Committee members asked about the impact on the effectiveness of treatment if a child is placed far from family. The KVC representative indicated that including necessary individuals in-person is always preferred, but recent improvements in technology, including telehealth, have helped with this issue.

The Secretary for Aging and Disability Services stated KVC has been a “fantastic” partner for the State and she would like nothing more than for this facility to continue operating as they had prior to the change. However, she noted that the blending of the populations at night was unacceptable and KDADS could not put the State at risk of violating CMS requirements leading to dis-allowances or having federal funds recouped. The Secretary provided a map of acute care hospitals serving children in Kansas, noting many areas lack services. The Secretary informed the Committee it would be meeting with facilities in Dodge City, Garden City, and Hays in January and February 2020 concerning locations for children’s acute care beds and crisis services. The Secretary noted her goal is to identify at least one site for acute care services, while also looking at the utilization of telemedicine through the University of Kansas. The Secretary indicated she planned to report back to the Committee by March 2020.

Committee members noted the map showing acute care hospitals for children and expressed concern about the lack of services in the western areas of the state and a lack of a transition plan after the beds were closed in Hays. Committee members asked for clarification of CMS requirements that expressly prohibit dual-licensed facilities. The Secretary stated the requirements did not allow KVC to function the way it did, noting that a dual-licensed facility was possible, but blending the populations at night was not permitted.

The State Fire Marshal responded to questions from Committee members regarding building requirements for dual-licensed facilities. The Fire Marshal indicated he had conversations with CMS officials and noted CMS has different standards for PRTF facilities and acute care facilities. He further noted, if the acute care beds are in a hospital, the requirements fall under certain guidelines, but if the beds are in a building with separate facilities, such as offices, the requirements are different. The Fire Marshal stated it was originally believed the entire building would need to be protected by sprinklers but, after further conversations with CMS, the office of the Fire Marshal did not believe that standard applied because it is not attached to an actual hospital setting. The Fire Marshal indicated he had received the architectural drawings for the new KVC acute care facility and there were plans to inspect the facility in the following week. The Fire Marshal stated there was a possibility the facility could be cleared for operations around the beginning of 2020, but he could not address federal reimbursement eligibility or timeline.

At the January 9, 2020, meeting, KDADS provided written testimony stating if the KVC hospital was to lose its certification, between $1.8 million and $2.0 million in federal funds annually would be at risk.

State hospital records system update. At the January 9, 2020, meeting, KDADS provided a written update on the costs to update the state hospital records system. The agency estimated the potential costs of a new electronic health record by conducting a request for information from potential vendors in 2018. The estimate includes an estimated $5 million to cover start-up costs and up to $2 million in ongoing costs to bring in a vendor. The agency planned to allocate a portion of re-appropriated funds for the purposes of the vendor start-up costs.

The agency also identified one-time facility infrastructure modernization costs of $2.7 million across the hospitals to ensure the hospitals could properly host a new system. These estimates were derived by hospital and agency staff.

Summary of lottery ticket vending machine revenues for human services. At the November 20, 2019, KLRD staff presented an overview of the implementation of lottery ticket vending machines authorized by 2018 Sub. for HB 2194. The bill directed the net profits from lottery ticket vending machines to be transferred to KDADS, split 75.0 percent for community crisis stabilization centers and 25.0 percent for clubhouse model programs. The bill limited aggregate transfers to KDADS to $4.0 million for FY 2019 and $8.0 million for FY 2020 and each fiscal year thereafter. KLRD staff noted it was originally anticipated the lottery ticket vending machines would be operational for one half of FY 2019 and each full year thereafter; however, there were delays in the implementation of the program. According to the Kansas Lottery, the first batch of machines was ordered in Fall 2018 and received in May 2019, and machines began to be tested in June and July 2019. Machine installation in grocery stores and other locations statewide continued.

KLRD staff indicated transfers to KDADS totaled $35,017 in September, $53,785 in October, and $54,891 in November. He summarized funding for crisis centers and clubhouse model programs within the KDADS budget. Representatives of KDADS provided written testimony showing the planned amounts of expenditures for crisis centers and clubhouse model programs for FY 2020 and FY 2021; they estimated revenue from lottery ticket vending machines totaling $352,000 in both FY 2020 and FY 2021. The Director of Finance, Kansas Lottery, responded to questions from Committee members concerning which facilities would house the lottery ticket vending machines and the mechanics of the machines. The Director of Finance stated he anticipates the revenue from the lottery ticket vending machines would exceed the estimate provided by KDADS. The Director of Operations, KDADS, answered Committee member questions concerning agency plans if lottery ticket vending machine revenue is lower than previously estimated.

Veterans Claims Assistance Program statutory update. At the December 13, 2019, meeting, the Deputy Director, Kansas Commission on Veterans Affairs' Office, provided testimony on the Veterans' Claims Assistance Program (VCAP), which assists Kansas residents in obtaining veteran and survivor benefits from the state and federal governments. The Deputy Director stated VCAP provides service grants to eligible veteran service organizations, used by the organizations to hire service officers through the program. From 2006 to 2013, the amount of grants distributed through VCAP totaled $500,000 annually. This amount was increased to $600,000 for FY 2014 through FY 2019. Beginning in FY 2020, annual VCAP funding totals $650,0000. The Deputy Director provided a table with the FY 2019 VCAP expenditures broken out by category of expenditure, as well as a table showing total dollars awarded to veterans and family members who were assisted by the grant participants over the previous five years.

Responding to Committee member questions on why the amount of claims fluctuates significantly year to year, the Deputy Director stated the variability can involve changes in eligibility for U.S. Department of Veterans Affairs benefits, such as when a certain disease is added as a presumptive condition for certain benefits. The Deputy Director noted when changes in conditions or eligible benefits are made at the federal level, the agency attempts to contact eligible Kansas veterans to seek those benefits. Responding to a question from Committee members on the requested increase of $50,000 in VCAP funding for FY 2021, the Deputy Director stated the increase was being sought primarily to help cover inflationary costs. Responding to a question, the Deputy Director indicated the total number of claims by female veterans had been increasing recently.

Transportation Updates

T-Works projects updates. At the August 13, 2019, meeting, the Deputy Secretary of Transportation (Deputy Secretary) presented an update on each of the delayed expansion and modernization projects planned for the Transportation Works for Kansas (T-Works) program and their status. The Deputy Secretary reviewed the additional funding for projects as approved by the Legislature and Governor in 2019. Of the $166.0 million from reduced SHF transfers, $50.0 million for highway preservation adds 200 miles of preservation work and heavier preservation actions; 5 delayed T-Works projects were moved forward, costing $86.4 million; $5.0 million was allocated for local bridge improvements; $11.0 million was allocated for the new Cost-Share Program for State/Local Partnerships; $10.0 million was allocated for an Enhanced Safety Program; $2.0 million was allocated for an increase from $3,000 to $5,000 per lane mile of maintenance payments to cities for city connecting links; and $2.0 million was allocated for the Statewide Bike and Pedestrian Plan and infrastructure improvements. A review of the seven delayed T-Works projects scheduled for FY 2019 and FY 2020 and a review of the list of remaining delayed T-Works projects followed.

The 2019 Legislature provided a one-time $50.0 million transfer from the SGF to the SHF in FY 2019, as approved by the Governor and Legislature, for funding transportation projects with city and county providing a 25.0 percent match. The Deputy Secretary stated regional priorities were being reviewed for further T-Works projects, as identified by the 2018 Joint Legislative Transportation Vision Task Force, and she further emphasized the need to safeguard preservation work projects at an estimated cost of $500.0 million annually, as opposed to the $200.0 million allocated.

At the November 20, 2019, meeting, KLRD staff provided an overview of the components of 2010 T-Works transportation legislation as originally enacted in 2010 Senate Sub. for Senate Sub. for HB 2650, and actions that led to the delay of 25 announced T-Works modernization and expansion projects.

The KDOT Director of Policy updated the Committee at the November 20 meeting on the status of the 25 delayed projects, noting that 7 of those projects had been rescheduled and were to be let in FY 2019 and FY 2020. He also provided an update on projects announced as selected to receive matching funds provided as part of the transfer of $50.0 million from the SGF to the SHF in 2019 House Sub. for SB 25, which required a 25.0 percent local match. He also provided the committee with a listing of all state memorial highway and bridge designations.

Agriculture and Water Issues

Review of programs in the Kansas Water Office. At the October 2, 2019, meeting, the Acting Director of the Kansas Water Office, the Director of the Division of Environment, KDHE, and the Executive Director of the Division of Conservation of the Department of Agriculture reviewed new and expanded water management programs in FY 2020 and for FY 2021, which include:

- Information technology (IT) enhancement for the Kansas Water Office;
- Reservoir operation and maintenance;
- Technical assistance to water users;
- Watershed conservation practice implementation;
- Water injection dredging;
- The Arbuckle Study;
- The Drinking Water Protection Program;
- Watershed dam construction;
- Conservation Reserve Enhancement Program;
- Water Resources Cost-Share Program;
- Streambank stabilization;
- Real-time water management telemetry; and
- Water supply restoration.

Updates from the Department of Agriculture on tariffs and flooding. At the October 2, 2019, meeting, the Secretary of Agriculture provided an update on the impacts of federal tariffs on Kansas agriculture. In 2018, Kansas exports totaled $3.8 billion, with Mexico, Japan, and Canada as the leading trade partners. In response to foreign tariffs, the U.S. Department of Agriculture (USDA) was providing Market Facilitation Program (MFP) payments to assist producers of non-specialty crops, dairy, hogs, and specialty crops impacted by the tariffs. He reported Kansas farmers received $500 million in the first round of MFP payments in CY 2018.

The Secretary of Agriculture also provided an update on the impacts of flooding on Kansas agriculture. Many reservoirs have received damage; the cost of repairs should be covered by the reservoirs' maintenance or repair funds. Damage to agricultural land is more difficult to calculate. The USDA was expected to release information on crop insurance claims that would aid in quantifying the impacts. The Kansas Department of Agriculture (KDA) hopes to partner with KDHE to use satellite imagery to track the daily impact of flooding in the future.

Update from the Kansas Corporation Commission on plugging of abandoned wells. At the October 2, 2019, meeting, the Director of the Conservation Division of the Kansas Corporation

Commission (KCC) provided information on funding to plug abandoned oil and gas wells and the KCC plan to combine its Abandoned Oil and Gas Well Fund and its Well Plugging Assurance Fund, which provide funding for plugging wells drilled prior to and after July 1, 1996, respectively. The majority of wells that require plugging were drilled prior to July 1, 1996, and therefore require more funding.

At the October 2, 2019, meeting, the chairman of the Kansas Independent Oil and Gas Association (KIOGA) provided information on funding to plug abandoned oil and gas wells. He stated KIOGA supports the KCC's plan to combine the Abandoned Oil and Gas Well Fund and the Well Plugging Assurance Fund and combining the funds will delay raising fees on the oil and gas industries.

Review of regulation and status update on industrial hemp cultivation. At the October 2, 2019, meeting, KLRD staff provided an overview of legislation relating to industrial hemp.

She reviewed two pieces of federal legislation that affect how industrial hemp may be handled at the state level. The 2014 Farm Bill legitimized industrial hemp research and allowed state departments of agriculture and institutions of higher education to grow hemp for research purposes. This legislation defined industrial hemp as a part of the *Cannabis sativa L.* plant that contains no more than 0.3 percent tetrahydrocannabinol (THC) concentration on a dry weight basis. The 2018 Farm Bill removed industrial hemp from regulation under the Controlled Substances Act and allows states and tribes to submit plans to the USDA to regulate industrial hemp within their territories.

KLRD staff also reviewed two bills passed by the Kansas Legislature: 2018 SB 263 (the Alternative Crop Research Act) and 2019 Senate Sub. for HB 2167 (the Commercial Industrial Hemp Act). The Alternative Crop Research Act allowed the KDA, either alone or in coordination with a state institution of higher education, to create an industrial hemp pilot program to grow and cultivate industrial hemp and promote the research and development of industrial hemp in accordance with federal law. The Commercial Industrial Hemp Act requires the KDA, in consultation with the Governor and Attorney General, to submit a plan to the USDA for the KDA to monitor and regulate the production of industrial hemp in Kansas.

A representative of the KDA provided an update on Kansas' Industrial Hemp Research Program (created by the Alternative Crop Research Act). The KDA representative stated there were 260 total active licenses for the 2019 growing season, and 196 of those were grower licenses. He stated 2,376 acres of industrial hemp were planted in 57 Kansas counties. He discussed challenges faced by these growers, including difficulty obtaining seed and inability to plant or harvest due to flooding. He stated six total pre-harvest inspections found industrial hemp testing above the limit of 0.3 percent THC concentration.

The KDA representative also discussed the commercial program currently being developed by the KDA. He stated the KDA was in the process of formally adopting program regulations, which might be adopted in February 2020.

The representative explained the USDA had not yet released its interim final rules for commercial industrial hemp. [*Note:* The USDA subsequently published the interim rule on October 31, 2019.] The representative stated the KDA plans to submit the Kansas plan to the USDA at the same time it is adopting the program regulations in Kansas. The representative stated the KDA plans to have the commercial program in place for the 2020 growing season.

The KDA representative stated the beginning cash balance of the Commercial Industrial Hemp Act Licensing Fee Fund (Fund) was $451,464 on July 1, 2019. He explained the relatively high carryover balance was due to the timing of revenue in (from license fees) and the expenses of the program. He explained this carryover balance should fund an anticipated deficit in the Fund for six to seven years.

A representative of Mechanized Concepts, a product design and consultancy firm that opened a hemp product manufacturing plant in Russell, Kansas, provided information on the plant's expected effects on the community. She stated the company intends the plant as a rural revitalization effort through public private partnerships. She stated at the time of the meeting, the company had 26 employees and hoped to have 50 employees by the end of 2019. The estimated cost of the plant is roughly $500,000 for the required machinery.

In response to another question on the potential economic benefit of hemp to Kansas, the Mechanized Concepts representative stated Russell County sales tax revenue tripled as a result of the plant. She stated the company expects the property tax in the area to expand as more people relocate to Russell for employment at the plant. and she hopes there will be 100 employees at the Russell plant in 10 years. She stated the company hopes to partner with schools to promote the Rural Opportunity Zone program for teachers (so more teachers will move to the area and their spouses can work for the company).

Education Reports and Updates

Department of Education, Safe and Secure Schools Initiative. The Committee received an update from a representative of the Kansas State Department of Education (KSDE) on the Safe and Secure Schools grants. The 2019 Legislature appropriated $5.0 million from the SGF for the grants for FY 2020 and required the grants be used for specific security improvements, including the installation of security cameras, other monitoring equipment, and securing any entrances to school facilities. For FY 2020, the State Board of Education awarded grants to 169 of the state's 286 school districts. The average grant was $29,585. The smallest grant was awarded to Moscow (USD 209) for $670 and the largest was awarded to Wichita (USD 259) for $921,475. The representative of KSDE also provided information on specific school safety projects in Ashland (USD 220), Salina (USD 305), and Kansas City (USD 500).

K-12 education funding used for salary increases. At the January 9, 2020, meeting, KLRD staff presented a memorandum regarding K-12 education funding, addressing a Committee request from its December 13, 2019, meeting for information on what portion of the increased funding for K-12 education is being used by school districts for salaries and benefits. Based on the Fall 2019 Education Consensus Estimates, State Foundation Aid payments are projected to increase by $160.9 million from school year (SY) 2018-2019 to SY 2019-2020.

According to the KSDE, school districts planned to use approximately 77.3 percent of increased funding, or $124.4 million of the increased State Foundation Aid, on salaries and benefits. This includes salaries and benefits for the following:

- Continuing licensed personnel (*e.g.*, teachers, school psychologists, social workers): 41.9 percent;
- New licensed personnel: 12.1 percent;
- Continuing non-licensed, classified personnel (*e.g.*, janitors, food service bus drivers): 15.2 percent;
- New non-licensed, classified personnel: 4.1 percent; and
- Administration personnel: 4.0 percent.

Community technical colleges and state higher education institution funding. The President and Chief Executive Officer of the Kansas Board of Regents (President) spoke about the Board's new strategic plan that will focus on Kansas families, businesses, and improving economic prosperity. The President also spoke about the systemwide transfer of credits between colleges and universities. The largest portion of the discussion was around the cost of education, tuition increases, and the decrease in state funding of the universities over the years. He reported the Board of Regents has enhancement requests exceeding $93.0 million for FY 2021. The President also discussed state funding of the community and technical colleges within the state.

The Executive Director of the Kansas Association of Community Colleges discussed the cost model and other funding sources for the community colleges. She stated the cost model was not intended to cover the full cost of college operations and provided a pie chart for college expenditures.

A representative from the technical colleges discussed college funding and the success of the Excel in Career Technical Education Program. The representative also discussed the vocational capital outlay funding, which has increased only $500,000 since it was established in 1977, as well as the return on investment of the students who graduate from technical colleges.

General Government and Capital Improvements

Update on the Statehouse Snack Bar. At the November 19, 2019, meeting, a representative from the Department of Administration's Office of Facilities and Property Management provided an update on the status of the Statehouse Snack Bar (Capitol Café). The contract for the Capitol Café was awarded to Kelly Construction of Topeka for $147,000. The representative indicated construction began September 3, 2019, and was scheduled to be completed by November 22, 2019. The representative further indicated the DCF Business Enterprise Program will be responsible for the equipment, setup, and management of the Capitol Café, following completion of construction.

A representative from the Business Enterprise Program provided an overview of the program, indicating federal requirements restrict bids to individuals who meet the definition of blindness established by the Social Security Administration, and reviewed state laws with the right of refusal to the program in state, county, and municipal buildings. The representative also indicated that vendor agreements are typically long-term commitments and that applications are processed through the open vendor rehabilitation case, which helps fund training, initial stock, and supplies, including food service kiosks and vending machines. Responding to questions, the representative indicated there are no special disability requirements for employees, just for the vendor.

Docking State Office Building. At the November 19, 2019, meeting, a representative of the Department of Administration provided an update on the Docking State Office Building (Docking Building). The representative indicated, as directed by the Joint Committee on State Building Construction, the Department of Administration enlisted the services of the Clark Huesemann consulting firm to conduct an analysis and prepare a report regarding budget proviso requirements for the Docking Building. The Department of Administration representative reviewed overall space utilization of the building, tenant surveys conducted in Shawnee County, and business use and needs for the next three to five years for state agencies around and within the Capitol Complex. The representative also indicated the Department's recommendation would be completed by November and its final report would be submitted to the Committee by January 1, 2020. [*Note:* It is now anticipated the report will be received by the end of January 2020.]

A representative from the Department of Administration's Office of Facilities and Property Management responded to questions regarding the utility plant in the Docking Building. The representative indicated the Clark Huesemann findings analyze the utility plant's footprint and space, potential operating loads, and costs associated with resizing the building. The representative also indicated decisions need to be made on which parts can be improved upon, heat recovery chillers, savings realized through increased energy efficiency, and what can be used and planned over time.

Office of Information Technology Services update. At the December 13, 2019, meeting, the Executive Branch Chief Information Technology Officer (CITO) from the Office of Information Technology Services (OITS) provided a summary of IT activity in state agencies, including network and staffing capabilities. The CITO indicated the top five challenges to state agencies are technology obsolescence, budget constraints, security, recruitment and retention, and resource constraints. The CITO also indicated OITS continued to work on the data center migration and was about 20.0 percent complete. Speaking on the Statewide Cost Allocation Plan (SWCAP), the representative indicated federal officials had determined the State overcharged for IT rates in FY 2016 and had until FY 2019 to take corrective action. The matter remained unresolved, and the CITO indicated a percentage of the $5.6 million excess amount will be charged to OITS as a penalty. Lastly, the OITS representative indicated a dispute with Legislative Administrative Services regarding a historical arrangement with OITS for services continued.

Report on the Job Creation Program Fund. At the January 9, 2020, meeting, a representative of the Department of Commerce briefed the Committee on the Job Creation Program Fund (JCPF) and the Economic Incentives Database. The agency representative indicated the JCPF is the deal-closing fund for the State. It was created in 2011 by combining Investments in Major Projects and Comprehensive Training (known as IMPACT) and the Kansas Economic Opportunities Initiatives Fund. Between 2.0 percent and 4.0 percent of projects handled by the Department of Commerce annually receive JCPF moneys. JCPF awards are structured in two ways: milestone payments dispersed over five years upon goal completion or as an upfront cash payment in the form of a forgivable loan. The Department of Commerce representative also provided a list of JCPF awards from FY 2014 through FY 2019.

KSA 74-50,224 authorizes the Department of Commerce to use job creation moneys for projects related to any one of eight purposes:

- Major expansion of an existing Kansas commercial enterprise;
- Potential location in Kansas of the operations of a major employer;
- Award of a significant federal- or private-sector grant that has a financial matching requirement;
- Potential departure from Kansas or the substantial reduction of the operations of a major Kansas employer;
- Training or retraining activities for employees in Kansas companies;
- Potential closure or substantial reduction of the operations of a major state or federal institution;
- Projects in counties with at least a 10 percent population decline during the period from 2000 to 2010; or
- Other unique economic development opportunities.

Report on the Economic Incentives Database. At the January 9, 2020, meeting, a representative of the Department of Commerce briefed the Committee on the Economic Incentives Database. HB 2223 (2019) required the formation of an incentive database to be housed with the Department of Commerce. The agency representative stated the goal of this database is to create a more transparent government by sharing incentive data with the public including metrics on economic development incentive programs. The database went online on the day of the briefing.

Public Safety

Review of the implementation of the Cyber Crimes and Financial Integrity Unit. At the November 19, 2019, meeting, the Director of the Kansas Bureau of Investigation (KBI) provided information and background on the Cyber Crimes Unit (CCU). House Sub. for SB 25 (2019) provided $1.0 million from the SGF and 8.0 FTE positions for a cyber and financial crimes initiative for FY 2020. The agency's initial budget request included $1.9 million and 15.0 FTE positions. However, after discussion with legislators and local law enforcement, the agency determined that amount received would exclusively be focused on the CCU to conduct cyber-related investigations and gather cyber-related intelligence in the state.

The KBI Director explained the new 8.0 FTE positions will include 6.0 FTE special agents, a 1.0 FTE criminal intelligence analyst, and a 1.0 FTE supervisor position, all organized within the agency's Field Investigations Division. The agency has assigned an Assistant Special Agent in Charge to manage the CCU and its personnel and transferred two special agents to the CCU. The agency was in the process of hiring additional staff and all candidates were expected to have IT background or education.

The headquarters for the CCU will be in the Wichita Regional Office in Kechi with two special agents stationed in the KBI Kansas City office (in Lenexa) and two in the Garden City office. The KBI Director described staff to be situated in Kansas City as essential to the CCU's operations because they will be assigned to the Federal Bureau of Investigation Cyber Crimes Task Force and the U.S. Secret Service Cyber Task Force. This will allow staff to work with federal partners if contacts and information are needed outside of the KBI's jurisdiction. The agency expects that casework can begin to be accepted in July 2020 with the special agents assigned to the federal task forces in November 2021.

The KBI Director stated the agency was focused on training personnel, obtaining the necessary equipment, and identifying the most serious threats in the cyber crimes environment. The Director noted the agency does not currently know how many cases it will be engaged in as this will be primarily determined by requests from local law enforcement and prosecutors. He stated the current cyber crimes capabilities in the state are provided primarily by the state's federal partners, who have a monetary threshold before they are involved. The KBI believes it can address crimes involving smaller amounts, but it will likely have the resources to focus only on business-related crimes rather than on crimes against individuals.

Prison funding and Lansing Correctional Facility construction. At the August 13, 2019, meeting, the Acting Secretary of Corrections provided updates on the use of additional funding for prisons and the Lansing Correctional Facility construction.

The 2019 Legislature approved additional funding for correctional and parole officer pay increases, contract beds, hepatitis C treatment, safety equipment, and increased prison capacity for female inmates. The Acting Secretary of Corrections stated correctional officer pay increases had successfully reduced vacancies and improved retention at all facilities; however, overtime remains elevated until new employees complete training. The emergency staffing declaration at the El Dorado Correctional Facility was scheduled to end in October 2019 as a result of vacancy reductions. Parole officer turnover remained unchanged due to continued retention challenges.

The Acting Secretary of Corrections stated the Kansas Sentencing Commission projects inmate population exceeding KDOC capacity in FY 2020. The 2019 Legislature appropriated $9.9 million for contract beds to house inmates at non-state facilities. To date, KDOC had contracted with county jails for approximately 130 beds. KDOC entered a contract with CoreCivic in August 2019 for 360 medium- and maximum-security beds at the Saguaro Correctional Center, a private prison in Eloy, Arizona. The contract cost is $74.76 per inmate per day, which compares to the KDOC rate of $72.35. Even with inmate outsourcing, a need for 200 beds remains. Efforts to repurpose in-state facilities are being considered.

The Acting Secretary of Corrections noted an additional $4.5 million was appropriated for treatment of hepatitis C among inmates in FY 2020, which supplements funding already built into the medical contract, for a total of $8.5 million. This funding allows for the treatment of 567 patients. As of the Committee's August 13 meeting date, 647 inmates required treatment and an estimated 528 new admissions were expected to require treatment in FY 2021.

Funding in the amount of $344,400 was appropriated for safety equipment that included stab vests, used by tactical teams, and ballistic vests, used by correctional and parole officers for perimeter security and transport of offenders. A total of 574 vests were expected to arrive in early September 2019.

The Acting Secretary of Corrections stated an additional $241,600 was appropriated for the replacement of 11 high-mileage vehicles deemed unreliable for offender transport. He anticipated orders would be placed in September 2019.

The female inmate population has exceeded capacity at the Topeka Correctional Facility, the state's only female facility, the Acting Secretary of Corrections noted. To address this, $3.0 million was appropriated for renovation of an underutilized housing unit at the Kansas Juvenile Correctional Complex in Topeka to provide 120 beds. A proviso in 2019 House Sub. for SB 25 states funds may be used only for renovation; however, minimal renovations are required and funds are instead needed for operations. Progress on the project had halted pending adjustments to the proviso language.

The Acting Secretary of Corrections stated construction of the Lansing Correctional Facility was estimated to be completed by January 2020. In January 2018, a lease agreement was signed with CoreCivic for partial demolition of existing structures and construction of two sites with a total capacity of 1,920 inmates. The first site is a maximum- and medium-security facility including two cell houses with 896 beds and a support building with infirmary, kitchen, and dining rooms. The second site is a minimum-security facility including one building with 512 beds and support space for medical and food services, a visiting area, and staff offices. Once complete, the facility will have a net gain of 27 beds.

Update on fire suppression funding. The Adjutant General updated the Committee at its November 19, 2019, meeting on the $155,500 in SGF moneys provided by the 2019 Legislature for wildland firefighting equipment in FY 2020. Expenditures were to provide for the purchase of seven wildland engine skid tank units, two helicopter dip tanks, 60 sets of personal protective equipment, and skid tank unit maintenance. The Adjutant General reported the agency had been able to purchase 60 sets of personal protective equipment and a pump for a helicopter dip tank, and anticipated being able to purchase the dip tanks and skid units in early calendar year 2020.

The Director for Extension, Kansas State University Research and Extension, addressed the Committee on expenditures made by the Kansas Forest Service from the wildfire suppression account created by 2019 House Sub. for SB 25. Of the $650,000 appropriated, $37,500 had been spent to date.

Reports and Updates from Kansas Legislative Division of Post Audit

Elected Official Pay Study. At the November 20, 2019, meeting, Legislative Division of Post Audit (LPA) staff presented a review of LPA's study on legislative compensation. According to the 2019 data collected on salaries and per diem amounts, Kansas legislators' annual base pay is an average of $21,900, based on a 92-day legislative session length. The report combined statutory base salary with the statutory per diem amounts into one number for comparison purposes. Kansas legislative pay is lower than that of 8 of the 14 states reviewed. According to the study, Kansas is in the mid-range for part-time legislatures and lower than most nearby states with hybrid legislatures. Legislative leadership position salaries increase above the base by approximately $14,000. LPA staff noted salaries for judges and district magistrate judges are lower than in most other states; however, Kansas does not require a district magistrate judge to have a law degree.

LPA staff stated the Kansas Lieutenant Governor's annual salary was $54,000 in 2018 and increased to $76,300 in 2019. It was noted historically the salary for this position varies based on extra responsibilities above those in statutes that establish base pay for the position. A review of leadership pay followed. It was noted the budget of the leadership staff would fall under the Legislative Coordinating Council and was not included in this data.

Reports on the Economic Development Initiatives Fund. At the November 20, 2019, meeting, a LPA principal auditor presented the *Economic Development Initiatives Fund (EDIF): Evaluating the State's Accountability of the Use of EDIF Funding* audit report. He reviewed the history of creation of the EDIF by the Legislature.

In FY 2018, the State spent $42.3 million of these funds, which were transferred to other funds. The principal auditor stated the audit indicates the State does not design and award EDIF funds according to the best practices as identified, and the State does not track EDIF recipients or performance or evaluate EDIF effectiveness. Approximately $7.8 million of FY 2018 EDIF funds went to programs consistent with specific legislative intent. He stated approximately $14.4 million in EDIF spending in FY 2018 related to economic development and $20.1 million of EDIF spending in FY 2018 did not relate to economic development. Additionally, auditors found no tracking mechanisms in place to identify whether EDIF funds are disbursed across Kansas as required by law. The principal auditor stated three EDIF accounts specified in state law have not been used in recent years. Audit recommendations for the Legislature include the creation of an oversight body to ensure EDIF funds are used according to legislative intent and best practices and utilization of the three EDIF accounts in state law or amending state law.

Committee members discussed the lack of knowledge related to the specific uses of EDIF dollars, looking into the spending of EDIF moneys to ensure the funds are used according to the 1986 legislative intent, and whether amending the statute is required. It was stated EDIF funds transferred to the SGF are not tracked to ensure the dollars are used in accordance with law.

A review of the distribution of lottery receipts followed. It was noted approximately $49 million was transferred to the EDIF and approximately

$46 million was transferred to the SGF from lottery receipts in FY 2019. A review of the EDIF by the House Committee on Appropriations and the Senate Committee on Ways and Means was recommended.

Progress Report on the 2016 Alvarez and Marsal Efficiency Recommendations. At the December 13, 2019, meeting, LPA staff provided a Progress Report on the 2016 Alvarez and Marsal Efficiency Recommendations. The Alvarez and Marsal report contained 105 recommendations. LPA staff stated LPA reaches out to state agencies annually to self-report on recommendations that had not already been addressed. Of the remaining recommendations, 42 were rejected, 43 were implemented, and 5 were in progress. LPA staff stated the 43 implemented recommendations had saved an estimated $60 million across all agencies.

Conclusions and Recommendations

Following its review and discussion, the Committee makes the following recommendations, requests for reports, and notations and commendations.

Recommendations:

- The KDA and the Department of Commerce work together to aid industrial hemp growers to market and sell industrial hemp. The initiative should aid growers in identifying businesses interested in purchasing and distributing industrial hemp grown in Kansas;
- The Legislature review the statutory obligation to transfer $6.0 million from the SGF and $2.0 million from the EDIF to the State Water Plan Fund (SWPF);
- The Legislature make a decision regarding the preservation, demolition, or selective deconstruction of the Docking Building on or before June 30, 2020;
- Encourage OITS to complete the migration of state data centers to its cloud-based solution on or before June 30, 2020;
- The Legislature thoroughly review SHF transfers, limiting transfers being made, and, if possible, cessation of any extraordinary transfers from the SHF that are based upon the portion of sales and compensating use tax that the SHF receives to provide funding for the next transportation plan;
- The House Committee on Appropriations, Senate Committee on Ways and Means, House Committee on Taxation, and Senate Committee on Assessment and Taxation consider restoring and revising statutory language to reinstate local government demand transfers for local property tax relief, particularly the LAVTRF. The Committee requests that restoration be structured to ensure disbursements to local units of government provide a measurable decrease in local property taxes for constituents of each government unit receiving local aid from the State;
- The House Committee on Appropriations and the Senate Committee on Ways and Means review the current status of inpatient mental health services for children to determine the costs and requirements to restore acute care beds for children in Hays, as well as in other underserved areas of the state;
- The Compensation Commission as authorized in KSA 46-3101 convene a meeting during the 2020 Interim, after the November 3, 2020, general election, to consider the information included in the LPA study on legislative pay and make recommendations for any adjustments; and
- The Legislature examine whether KDADS and the state hospitals are applying for and utilizing all potential federal grants to assist with funding for the state hospitals and whether the agencies could pursue additional grant funds.

Requests for reports:

- The House Committee on Appropriations and the Senate Committee on Ways and Means receive a report from KDOT during the 2020 Legislative Session on outstanding debt by transportation program by year;

- The Senate Committee on Ways and Means and House Committee on Appropriations receive a report from the Kansas Department of Corrections detailing implementation of fiscal year 2020 pay increases, construction and financing of the new Lansing Correctional Facility, hepatitis C treatment among inmate populations, and inmate outsourcing to county jails and a private prison in Arizona during the 2020 Legislative Session. The Committee seeks clarity regarding the number of inmates infected with hepatitis C, methods for treatment, and anticipated costs of future treatment. The Committee notes its concern regarding the Department's process for soliciting outsourced beds at county jails in Kansas prior to utilization of an out-of-state facility in Arizona;

- The Legislature receive a report during the 2020 Legislative Session from KDADS on the current state of the buildings of the former Larned Juvenile Correctional Facility and examine the feasibility of using these structures for other purposes in the future;

- The Legislature receive a report during the 2020 Legislative Session from KDADS on salaries and turnover of state hospital employees, including pay disparity between employees at those facilities and employees of other employers for similar positions, and consider the amount of funding needed to make state hospital employee salaries consistent with similar employees;

- The House Committee on Appropriations and Senate Committee on Ways and Means receive a report from LPA on the five remaining Alvarez and Marsal recommendations being implemented during the 2020 Legislative Session; and

- The House Committee on Appropriations and Senate Committee on Ways and Means receive a report from KLRD on the status of performance-based budgeting during the 2020 Legislative Session.

Notations and commendations:

- Notes revenue from the lottery ticket vending machines was not receipted in the time frame of the original projections and encourages the Legislature in the future to not implement any programs based on new and unproven revenue streams;

- Notes the popularity of KDOT's cost share program and that many local units of government have already approached KDOT with their individual project plans, matching funds, hoping to find a way to progress forward with their projects; and

- Commends the agencies involved in fire suppression activities around the state, and notes it will take all those agencies working together as a team to prepare and implement suppression strategies in order to be successful.