

# Report of the Legislative Budget Committee to the 2022 Kansas Legislature

**CHAIRPERSON:** Representative Troy Waymaster

**VICE-CHAIRPERSON:** Senator Rick Billinger

**OTHER MEMBERS:** Senators J.R. Claeys and Tom Hawk; and Representatives Kyle Hoffman, Steven Johnson, William Sutton (substitute member), and Kathy Wolfe Moore

**CHARGE**

## *State Budget Issues*

The Legislative Budget Committee is statutorily directed to:

- Compile fiscal information and study and make recommendations on the state budget, revenues, and expenditures and 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 these statutory duties, the Committee will review and discuss during the 2021 Interim:

- COVID-19 pandemic relief funding and expenditures, specifically in the context of receiving updates on federal funding and expenditures made by state agencies related to the COVID-19 pandemic.



# Legislative Budget Committee

## ANNUAL REPORT

### Conclusions and Recommendations

The Legislative Budget Committee makes the following recommendations:

The House Committee on Appropriations and the Senate Committee on Ways and Means should receive updates on the following items:

- The status of the foster care system and implementation of the Family First Prevention Services grants (from the Department for Children and Families);
- A report from the Kansas Housing Resources Corporation on the use of federal housing funds and a possible first-time home buyers program;
- The impact of the loss of federal COVID-19 pandemic relief funds on the state budget and avoidance of creating a “fiscal cliff”;
- The possibility of salary enhancements for community corrections officers relative to adjustments made to salaries for positions in the Kansas Department of Corrections;
- Review of the temporary salary increase created by the Governor’s Executive Directive 21-547 to avoid the creation of a “spiral,” with the state competing with itself for employees;
- The timeline for eliminating the moratorium on voluntary admissions to Osawatomic State Hospital and the status of youth mental health inpatient beds in Hays (from the Kansas Department for Aging and Disability Services);
- Bonded indebtedness of the State with consideration of what debt might be advantageous to be retired early (from the Kansas Development Finance Authority);
- Deferred maintenance at the state postsecondary institutions;
- The impact of the waiver application regarding maintenance of effort requirements in federal COVID-19 pandemic relief legislation on K-12 and Higher Education budgets;
- The possible addition of funding to the Budget Stabilization Fund; and
- The possible addition of funding to the Kansas Public Employees Retirement System (KPERs) to decrease unfunded actuarial liability.

The Committee also recommends the The Strengthening People and Revitalizing Kansas (SPARK) Taskforce Efficiency and Modernization Advisory Panel receive an update on Statehouse technology needs.

The Committee further recommends the Senate Committee on Utilities receive an update on the status of the litigation regarding natural gas rates during the 2021 Extreme Winter Weather Event from the Attorney General.

**Proposed Legislation:** None.

## BACKGROUND

The Legislative Budget Committee (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, including 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 six meeting days for the Committee during the 2021 Interim. The Committee met five times during the 2021 Interim on the following days: August 31, October 8, November 5, and December 20 and 21.

### State General Fund Consensus Revenue Estimates and Monthly Receipts

At the August 31 meeting, the Director of Legislative Research, Kansas Legislative Research Department (KLRD), presented information on State General Fund (SGF) receipts in FY 2021 and provided an update on SGF receipts for the first two months of FY 2022.

In FY 2021, total receipts to the SGF were \$766.1 million, or 9.5 percent, above the final adjusted estimate. This increase is attributable to increases above the final consensus estimates for individual income tax receipts, corporation income tax receipts, and sales tax revenues.

Total receipts for FY 2022 through July 2021 were \$59.1 million, or 11.0 percent, above the estimate. This is due to increased receipts for individual income tax, corporation income tax, insurance premium tax, and total sales and use

taxes. This was the first report for FY 2022 receipts based on the April 2021 consensus revenue estimate adjusted for legislation. It was also the fourth month in a row that receipts had been above the adjusted April estimate.

At the October 8 meeting, the Director of Legislative Research presented information on SGF receipts from July through September. Total receipts through September totaled \$335.8 million, or 19.5 percent, above the estimate.

At the November 5 meeting, KLRD staff reported on SGF receipts from July through October. Total receipts through October were \$438.3 million, or 18.9 percent, above the estimate. Committee discussion focused on the impact of inflation and increased sales taxes as related to increased tax receipts.

At the December 21 meeting, the Director of Legislative Research provided an update on SGF revenues and receipts. FY 2021 actual receipts were \$776.0 million above the April estimates. The overall estimate for FY 2022 was increased by \$1.308 billion during the November consensus revenue estimates. Of this amount, the estimate for total taxes was increased by \$1.298 billion, while the estimate for other revenues was increased by \$10.1 million.

### Quarterly Economic Indicators

At the August 31 meeting, the Committee received information from the Senior Economist, KLRD, concerning economic indicators and the current state of the economy. The Senior Economist detailed plans to publish certain economic indicators on a quarterly basis in conjunction with the monthly SGF receipts information. The Committee discussed recent inflationary pressures, specifically those in the housing and automobile markets. The Committee also discussed labor force participation rates in

relation to job growth and the economy's recovery from the COVID-19 pandemic.

At the December 21 meeting, the Senior Economist reviewed the Quarterly Economic Indicators Report, which provides graphs regarding economic output and inflation, jobs and unemployment, and Kansas private sector hours worked and wages. For the third quarter of 2021, inflation was the most noteworthy economic issue for the nation and Kansas. The Senior Economist said energy prices were a primary driver of inflation, with national year-over-year amounts exceeding 23.0 percent for each month in the quarter.

### **COVID-19 Expenditures Updates**

At the August 31 meeting, a representative of the Office of Recovery provided an update on COVID-19 expenditures. Background information was provided regarding the Office of Recovery, which was created in response to the federal moneys allocated to the State of Kansas and received through both the federal Consolidated Appropriations Act and the American Rescue Plan Act (ARPA). Approximately \$28.0 billion in federal funds, received through the major federal COVID-19 relief bills, provides financial support to state agencies, cities, counties, municipalities, and other smaller units of local government, as well as other governmental entities.

The Office of Recovery conferee noted Kansas received \$18.1 billion from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes direct payments to entities and citizens within the state. The Strengthening People and Revitalizing Kansas (SPARK) Taskforce allocated approximately \$1.0 billion of the State Coronavirus Relief Fund (CRF). In the first round of allocation, \$400.0 million was expended to the counties. In the second round, \$333.0 million was expended for public health, education, economic development, and connectivity. In the third round, \$271.0 million was expended for other COVID-19 relief priorities. Approximately 96.0 percent was allocated or expended at the time of the report, with a spending deadline of December 2021.

The Committee expressed concerns regarding federal relief money that has been expended without State Finance Council authority, which is

outside of the guidelines specified in 2021 HB 2007. It was noted no ARPA discretionary dollars allocated to the State have been spent, except those required by law to be moved to the Unemployment Insurance Trust Fund. Discussion continued by Committee members regarding the non-entitlement units of local government (NEU) certification process and discretionary fund allocation.

At the October 8 meeting, KLRD fiscal staff provided an update on federal COVID-19 funding allocated to the Kansas State Department of Education (KSDE). A spreadsheet detailing total Elementary and Secondary School Emergency Relief (ESSER) amounts by school district was provided. The spreadsheet included the amounts drawn down to date with amounts still available to spend.

At the November 5 meeting, the Committee received updates from a representative of the Office of Recovery and the SPARK Executive Committee. The Committee was provided an overview of the SPARK Advisory Panel chairs and vice-chairs, followed by an explanation of the role of the Project Coordinator, who will administer the Advisory Panel process. After a review of the regional SPARK Committee meetings in Wichita and Dodge City, discussion moved to the Frontline Health Care Workers' Hospital Initiative. Of the 122 eligible facilities, 118 facilities applied, and funds would be distributed within two weeks.

The Committee discussed the timeline of the ARPA fund distribution for the program, and it was noted that \$5.0 million has already been distributed through the Frontline Health Care Workers' Hospital Initiative. The Committee received information regarding the program's design and eligibility requirements.

At the December 20 meeting, the Secretary of Administration introduced the new SPARK Project Director and provided information on recent approved expenditures from the federal ARPA discretionary fund. Expenditures included \$27.1 million for COVID-19 testing program extension and \$30.3 million for state 24/7 facility staff salary increases. The Secretary also provided an update on proposed, but not yet State Finance Council approved, ARPA discretionary fund expenditures,

including \$100.0 million for economic development infrastructure, \$50.0 million for education learning loss grants, and \$4.0 million to install broadband for school districts.

A representative of the League of Kansas Municipalities provided information on the expected uses of COVID-19 federal funds by municipalities. Allowable uses include responding to a public health emergency, premium pay for certain employees under certain conditions, and investment in water, sewer, and broadband projects. Municipalities had primarily used funds for water and sewer projects. Other projects including replenishing supplies for COVID-19 testing and personal protective equipment. Municipalities had been encouraged to expend funds slowly while information on guidelines and additional federal funds are received.

### **Performance Based Budgeting**

At the August 31 meeting, KLRD fiscal staff provided an overview of the performance based budgeting template provided to agencies with FY 2022 budget instructions. The updated template was prepared to detail outcome, output, and efficiency performance measures.

At the December 20 meeting, representatives of the Behavioral Sciences Regulatory Board, the Department for Children and Families, the Kansas Board of Nursing, the Kansas Department of Agriculture, and the Kansas Sentencing Commission reviewed their submissions of the new performance based budgeting template. Agencies presented an array of performance measures and answered questions on specific measures and the overall process of completing the template.

### **Reopening Status of Kansas Department of Revenue Driver's License Offices**

At the August 31 meeting, a representative of the Kansas Department of Revenue (KDOR) presented an update on reopening driver's license offices. The KDOR conferee noted KDOR partners with Kansas counties to provide driver's license services in 117 offices located in 104 Kansas counties. Of these 117 offices, 40 are state offices and 77 are county offices. State examiners travel to seven county-run offices located in

Doniphan, Harper, Kingman, Kiowa, Morris, Republic, and Russell counties to assist with more complex services not otherwise offered by those counties. All county driver's license offices offer noncommercial driver's license renewal services, and five county offices in western Kansas provide commercial driver's license renewals. Travel to county offices was temporarily suspended due to the COVID-19 pandemic, primarily due to a lack of staff available for travel. The Committee expressed concern regarding the availability of commercial license renewal.

At the December 21 meeting, a representative of KDOR provided an update on driver's licenses services offices, most of which are operated by counties. The representative noted that all but one county office has reopened and that one office remains closed due to staffing issues. Kansas drivers also appear to be utilizing online services more, including online commercial driver's license renewals.

### **Kansas Highway Patrol Training Implementation**

At the August 31 meeting, a representative of the Kansas Highway Patrol (KHP) provided an overview and update of training efforts for personnel within the KHP Training Academy, as well as usage of the Kansas Law Enforcement Training Center, regarding the language contained in 2021 HB 2007 Sec. 121(h), which requires the training of KHP law enforcement officers at the KHP Training Academy during FY 2021. The KHP Training Academy provides continuing education and serves as the academy for Recruit Troopers. KHP also oversees the Kansas Capitol Police Troop K, which is headquartered in the Docking State Office Building. KHP training entails 1,047 hours, while Capitol Police are required to complete 560 hours of training. All full-time Capitol Police positions are currently filled.

### **KPERS Pension Obligation Bond Update**

At the August 31 meeting, a representative of the Kansas Development Finance Authority (K DFA) provided an update on the sale of up to \$500.0 million in bonds, plus the cost of issuance, approved by the State Finance Council. Proceeds from those bonds must be applied to the unfunded

actuarial pension liability (UAL) of the Kansas Public Employees Retirement System (KPERS), and the interest rate of those bonds may not exceed 4.3 percent. The KDFA representative stated the bond purchase agreement was executed on August 17, 2021, at an all-inclusive cost of 2.65 percent. The agreement closed, and \$500.0 million in proceeds were deposited to KPERS on August 26, 2021. The debt service schedule for these bonds includes \$504.5 million in principal and \$220.8 million in interest, both over a 30-year period. The Committee and the KDFA representative discussed updated credit ratings from Standard & Poor's and Moody's Investor Services.

The Executive Director of KPERS also testified on the funding impact of the bonds on the KPERS Trust Fund portfolio, stating the actuarial funded ratio of the State/School group would increase from 73.3 percent to 75.6 percent. Additionally, the Executive Director stated the State/School employer contribution rate is projected to decline from about 13.3 percent in FY 2022 to approximately 11.5 percent. The Committee and the Executive Director discussed overall investment performance and the legacy UAL timeline.

### **Governor's Commission on Racial Equity and Justice**

At the August 31 meeting, Co-chairpersons of the Governor's Commission on Racial Equity and Justice (Commission) presented the recommendations of the Commission. The Commission presented an initial report to the Governor on December 21, 2020, focusing on law enforcement and policing, which included recommendations that legislation be passed to prohibit the hiring of law enforcement officers previously fired for egregious offenses and amend statute to allow citizenship requirements for law enforcement officers to align with U.S. military standards. The Commission presented a subsequent report to the Governor on July 21, 2021, which made recommendations on improving racial equity by addressing the social determinants of health.

The presentation focused on recommendations for action by the Legislature, which included implementation of a refundable food sales income

tax credit to offset state and local tax paid on groceries by low-income households, expansion of the Kansas Child Day Care Assistance Tax Credit program, and continued support of the Kansas Promise Scholarship Act of 2021. In response to the COVID-19 pandemic, the Commission recommended that culturally competent messaging be utilized regarding vaccination and health equity be considered when distributing federal funds provided through ARPA.

### **Natural Gas Recovery Litigation Request for Proposals**

At the August 31 meeting, a representative of the Office of the Attorney General presented a proposal to issue a request for proposal (RFP) seeking outside counsel for litigation related to natural gas prices during the cold weather event in 2021. The Attorney General sought competitive proposals from attorneys and law firms interested in assisting in the representation of the State of Kansas in potential civil litigation in which the State seeks to recover funds charged to the State, its political subdivisions, or its citizens by natural gas generators, suppliers, wholesalers, or natural gas pipelines, or any other entity during a winter storm in February 2021.

The Office of the Attorney General representative noted the Professional Services Sunshine Act (KSA 75-37,130 through 75-37,135) requires that prior to entering contracts for legal services, where the amount of fees paid to an attorney or firm of attorneys reasonably may exceed \$1.0 million, the Director of Purchases, Department of Administration, must submit the proposed RFP to the Committee. If the Committee makes no suggested changes to the proposed RFP, or fails to report any suggested changes within 60 days of the submission of the proposed RFP to the Committee, the Director of Purchases may release the RFP. The Office of the Attorney General reasonably believed the contract for legal services may exceed \$1.0 million, and therefore, presented the RFP to the Committee. The Committee did not make any changes to the RFP.

### **KPERS Request for Legal Services**

At the December 20 meeting, the Executive Director of KPERS presented an RFP for the agency to retain counsel for class action lawsuits.

The Executive Director noted this position has not been needed in the last 15 years, but legal counsel would be necessary should a class action suit be filed.

### **Kansas Legislative Research Department Budget Analysis Update**

At the August 31 meeting, KLRD fiscal staff provided a proposed update to KLRD's Budget Analysis publication prepared annually for the Legislature, which includes actual, approved, and proposed expenditures for state agencies and the Governor, Judicial Branch, and Legislature. The proposed update would be implemented during the 2022 Legislative Session, incorporating modern fiscal analysis and communication techniques to better inform legislators and other stakeholders about the state budget. Identified improvements include dedicated performance based budgeting detail, more clearly displayed relationships between budgetary items and policy decisions, reduced use of technical language, and an increased use of data visualizations. As a result, the proposed Budget Analysis update utilizes graphs, color, and lists more robustly than the current document.

### **Maintenance of Effort and Federal Funds**

At the October 8 meeting, the Director of the Budget discussed the state submission of a request for a waiver of the maintenance of effort (MOE) requirements to the U.S. Department of Education on September, 15, 2021. Information presented by the Director of the Budget noted the U.S. Department of Education is working with the State, and it was undetermined when a decision would be made regarding the possible MOE payment requirement.

The Director of the Budget provided a spreadsheet with language from appropriations bills that could allow the use of federal funds for specific programs. A summary was provided to the Committee regarding which agencies have been able to expend federal funds and for what programs federal funds were not available.

The Deputy Commissioner and Director of Fiscal Services, KSDE, provided information to the Committee on 2021 HB 2134 and the approved State Plan for the federal ESSER funding. A

spreadsheet was available with the three separate ESSER distributions and how long the funding is available for use. A presentation was made on the COVID-19 funding and remote learning. The presentation reviewed the multiple ESSER funding distributions along with what the funding has been or will be used for, including the formula for funding if the students are going to school remotely.

### **Distribution of Higher Education Funds from the 2021 Session**

At the October 8 meeting, the President and CEO of the Kansas Board of Regents presented the Committee with the distribution of state funds from the 2021 appropriations bills to meet the MOE required by the federal government to receive certain federal COVID-19 pandemic relief funds. The Committee discussed how and why certain decisions were made on the distribution of such funds.

### **K-12 Vaccination and Testing Plans**

At the October 8 meeting, a representative from the Kansas Department of Health and Environment (KDHE) provided the Committee with information on school testing policies and programs. The three major testing objectives were discussed: 1) Test to know; 2) Test to stay and learn; and 3) Test to stay, play, and participate. Testing data was provided as well as the youth vaccination rate.

### **Educational Building Fund and Deferred Maintenance**

At the October 8 meeting, KLRD fiscal staff provided a history of the Educational Building Fund (EBF) and current laws on maintenance of higher education buildings.

The information included the history of changes over the 80 years the EBF has been law, including increases or decreases in the mill levy, how the EBF has been distributed, and the current changes of the EBF as a "no limit" fund in the Kansas Board of Regents budget. The new Kansas Board of Regents policy for deferred maintenance on the university campuses was provided to the Committee.

## **Job Creation Fund**

At the October 8 meeting, a KLRD fiscal staff member outlined the current Job Creation Fund balance and obligations for the Fund.

## **Kansas Emergency Rental Assistance Program**

At the October 8 meeting, the Director of the Kansas Housing Resources Corporation presented the Kansas Emergency Rental Assistance program update to the Committee. The Director indicated the program helps keep Kansans in their homes during the COVID-19 pandemic by providing assistance for rent, past-due utility bills, and internet costs.

## **Human Services Caseloads**

At the November 5 meeting, KLRD fiscal staff provided updates on the human services consensus caseload estimates. The revised estimate for all human service caseloads in FY 2022 is \$4.0 billion from all funding sources, including \$1.1 billion SGF. This an all funds decrease of \$72.5 million, including \$173.2 million SGF, below the approved budget.

The FY 2023 estimate is \$4.1 billion from all funding sources, including \$1.3 billion SGF. The estimate is an all funds increase of \$92.9 million, including \$170.0 million SGF, above the FY 2022 revised estimate.

## **Medicaid 1115 Waiver Budget Neutrality**

At the November 5 meeting, the Committee received an update from a representative of KDHE on budget neutrality of the Medicaid 1115 waiver. The federal government pays approximately 59.0 percent of Medicaid medical costs through matching federal funds. The current federal match rate is approximately 65.0 percent, due to pandemic relief of an additional 6.2 percent federal match. Due to federal Centers for Medicare and Medicaid Services (CMS) calculations of Kansas budget neutrality, some expected costs were not included in the cap, which included an increased managed care organization privilege fee reducing the State's cap by \$234.0 million, and the Adults and Children group cap was \$139.5 million lower than the amount KDHE calculated.

The KDHE representative indicated the agency is submitting a proposal to CMS to correct these issues to more accurately project the State's budget neutrality cushion throughout the life of the waiver.

Discussion centered around about possible alternatives to the 1115 waiver and any implications that would result from early termination of the program.

## **Federal Medical Assistance Percentage Adjustments**

At the November 5 meeting, the Committee received a presentation from a representative of the Kansas Department for Aging and Disability Services (KDADS) on the Federal Medicaid Assistance Percentage (FMAP) adjustments. Section 9817 of ARPA provides an opportunity for enhanced federal funding for one-time funding for Medicaid Home and Community Based Services (HCBS) programs to enhance, expand, or strengthen HCBS under the Medicaid program, with a timeline through March 2024. Kansas would be required to use state funds equivalent to the amount of federal funds attributable to increased FMAP for implementation. The joint FMAP Enhancement spending plan was submitted to CMS in July 2021 for approval. If approved, KDADS is expected to draw down approximately \$80.3 million, and KDHE is expected to draw down approximately \$4.9 million in additional federal match dollars.

The Committee discussed opportunities to grow the HCBS workforce, hiring retired KPERs participants to supplement the workforce, and the issue of waitlists for HCBS services.

## **Update on IKE Transportation Plan**

At the November 5 meeting, the Committee received a presentation from the Secretary of Transportation on the status of the IKE Transportation Plan. The first managed lane will be added in Johnson County as a toll lane. Work-related injuries have declined, with a realized workers' compensation savings of \$200,000 in 2020.

The Secretary noted the Kansas Department of Transportation (KDOT) was experiencing

employee recruitment difficulties, with an estimated 30 percent staffing shortage of snowplow operators for the season.

The Committee received a review of the FY 2022 Approved Extraordinary Transfers. The total amount is \$97.2 million in Extraordinary Transfers, and approximately \$110.0 million in ordinary transfers were included in KDOT's budget.

The Committee discussed the status of the Heartland Flyer train and other projects, including Charge UP Kansas (with \$3.2 million from the Volkswagen settlement); the Midwest Road Usage Charge Study (RUC); and HOME, a pilot project for broadband data analytics. KDOT was commended for the success of the IKE program.

### **Review of Governor's Executive Order on the Office of the Child Advocate**

At the November 5 meeting, the Chief Counsel of the Office of the Governor reviewed Executive Order No. 21-28, which established the Division of the Child Advocate within the Department of Administration. There was a review of the credentials and duties of the position. Additionally, an annual report would be submitted to the Governor, Legislature, the Chief Justice, and other key players in the child welfare system.

The Committee discussed funding and staffing needs for the office and a request for information related to the number of children sleeping on office floors and the number of foster parents needed.

### **Update on Statehouse Technology Needs**

At the November 5 meeting, the Legislative Chief Information Technology Officer, Kansas Legislative Office of Information Services, presented an update on technology needs for the Statehouse. The presentation explained the process for implementing video conferencing, the State's data network, new audio system and streaming services, implementation of closed-caption text on video streaming, virtual voting in the House Chamber to accommodate social distancing for representatives, new voting board video displays for the 2022 Legislative Session in the House Chamber, updates to the data center, email system

and Rubrik backup system, and training on the use of the video conference systems. Project funding sources included federal CARES Act funds, as approved by the SPARK Committee and State Finance Council. Total expenditures for the update project were \$4.73 million.

### **Board of Indigents' Defense Services Caseloads**

At the November 5 meeting, KLRD fiscal staff provided an update on the Board of Indigents' Defense Services assigned counsel consensus caseload estimates. For FY 2022, the revised estimate is \$16.5 million, all SGF. For FY 2023, the estimate is \$16.5 million, all SGF, and is the same as the FY 2022 revised estimate. SB 159 (2021), the Omnibus Appropriations Bill, appropriated an additional \$3.6 million SGF for assigned counsel expenditures and included proviso language increasing the hourly rate for assigned counsel up to \$100 per hour for FY 2022.

### **Docking State Office Building and KDHE Laboratory Recommendations**

At the November 5 meeting, KLRD fiscal staff provided an update on the Joint Committee on State Building Construction (JCSBC) report regarding the recommendations for the Docking State Office Building and the KDHE laboratory. SB 159 (2021), the Omnibus Appropriations bill, tasked the JCSBC to review proposals for the KDHE Laboratory and provide recommendations to the State Finance Council. The JCSBC recommended the KDHE Laboratory be located at the Kansas Neurological Institute site, and the renovation or construction of a three-story event center at the Docking State Office Building site. Discussion occurred regarding utilizing the Docking State Office Building as an event center rather than office space for state agencies.

### **State Hospital Moratorium Update**

At the December 20 meeting, the Secretary for Aging and Disability Services and the Deputy Secretary of Hospital and Facilities, KDADS, provided an update on the state hospital moratorium on voluntary admissions. The agency plans to lift the moratorium on January 3, 2022. The Secretary noted lifting the moratorium includes increasing bed capacity at Osawatomic

State Hospital as well as increasing the number of state institution alternative beds to allow individuals to remain closer to home during treatment and to reduce the burden on state hospitals. The Deputy Secretary reviewed the plan to increase the number of beds at Osawatimie State Hospital through remodeling of the Biddle Building. State institution alternatives include changing rules and regulations to create crisis intervention centers to accept involuntary admissions.

The Deputy Secretary also noted efforts to increase recruitment and retention, including raising base pay for mental health disability technicians; adding contracts for nurses, aids, and social workers; and appreciation events for long-term employees.

### **24/7 State Facility Staff Salary Increases Executive Initiative**

At the December 20 meeting, the Director of the Budget reviewed the Governor's initiative to increase salaries for staff at 24/7 state facilities, including the Kansas Department of Corrections facilities, the KDADS state hospitals, and the Kansas Commission on Veterans Affairs Office veterans' homes. The SPARK Taskforce recommended the use of COVID-19 federal funds for these increases on December 10, 2021. The recommendation was approved by the State Finance Council on December 17, 2021. The plan provides both long-term and temporary pay increases, including permanent base pay increases and temporary pay differentials, such as premium pay for employees during times of staff shortages. The Director of the Budget provided examples of how specific positions would be affected by the pay initiative.

### **State Indebtedness**

At the December 20 meeting, a representative from Kansas Development Finance Authority (KDFFA) provided an overview of SGF, State Highway Fund, and user fee-supported debt. Committee discussion and questions included which bond series potentially could be paid off early and the effects on the SGF of paying off certain bonds. A representative of the Kansas Bureau of Investigation answered questions on the

bonds for the construction of the agency's forensic laboratory.

### **Fiscal Year Spending to Date**

At the December 20 meeting, KLRD fiscal staff provided an update on SGF spending to date for FY 2022. Compared to spending in FY 2018 and FY 2019, FY 2022 spending to date closely matches historic expenditure patterns. Some decreases in typical spending patterns were driven by carryover funding in FY 2022, including expenditures for assigned counsel caseloads for the Board of Indigents' Defense Services and the substance abuse treatment program in the Kansas Sentencing Commission. Increases in spending were generally due to increased receipt of funds, including funding for operating expenditures for the Kansas State Fair and for various programs in the Kansas Board of Regents.

### **Legislative Session Staff Pay**

At the December 20 meeting, the Director of Legislative Administrative Services provided an overview of legislative session staff pay. The Director noted each employee is assigned a position and a salary range based on workload. These salary ranges are approved yearly by the Legislative Coordinating Council. If a position receives a higher workload than originally anticipated, the salary may be increased for that position during the legislative session, with approval from Legislative Administrative Services.

### **Wind and Wildfires Damage**

At the December 20 meeting, the Adjutant General provided an update on damage caused by wildfires, including approximate numbers of customers without power, residential structures burned, and head of cattle lost. The Kansas Department of Emergency Management was assessing damage to provide a report to the Federal Emergency Management Agency (FEMA) in order to receive reimbursement for repairs; however, FEMA will not cover any damage that is insurable.

The Deputy Secretary of Agriculture provided information on the Kansas Department of Agriculture's work to assist producers and farmers

who have experienced damage. The Deputy Secretary noted that not only was immediate damage to infrastructure and cattle loss a concern, but also future profit loss from crop damage was a concern for local farmers. Farmers can receive mental health support at [KansasAgStress.org](http://KansasAgStress.org).

### **Foster Care**

At the December 21 meeting, a Deputy Secretary, Department for Children and Families, provided an overview of the foster care system in Kansas, including the number of children in foster care, finalized adoptions in FY 2021, the number of foster homes per county, and the current number of missing children. Types of out-of-home placements include relative placement, family foster homes, and residential facilities. The Deputy Secretary also discussed potential situations in which a child might experience a failure to place or must be temporarily housed in a case management provider office. The Deputy Secretary also reviewed some of the agency's performance measures and the foster care program budget.

### **Education Caseloads**

At the December 21 meeting, KLRD fiscal staff provided an overview of education caseload estimates. FY 2022 all funds revised estimates decreased by \$77.7 million, including SGF revised estimates decreasing by \$88.0 million, primarily caused by decreases in state foundation aid and KPERS school expenditures. State foundation aid decreases were driven by decreases in at-risk weighting.

### **Unemployment Compensation Modernization and Improvement Council**

At the December 21, 2021, meeting, the KLRD Senior Economist provided an overview of the work of the Unemployment Compensation Modernization and Improvement Council. The Council has monitored the procurement process for the Kansas Department of Labor Unemployment Compensation System Modernization Project through updates from Kansas Department of Labor, the Department of Administration, and prerecorded video

presentations from the final four vendors being considered for the project.

The Council has also produced an RFP and chosen a vendor for an audit of fraudulent and improper payments from the Unemployment Insurance Trust Fund throughout the COVID-19 pandemic.

## **CONCLUSIONS AND RECOMMENDATIONS**

Following its review and discussion, the Committee made the following recommendations:

The Committee recommends that various legislative committees receive further updates on issues reviewed by the Committee during the 2021 Interim.

Specifically, the Committee recommends the House Committee on Appropriations and the Senate Committee on Ways and Means receive updates on the following items:

- The status of the foster care system and implementation of the Family First Prevention Services grants (from the Kansas Department for Children and Families);
- A report from the Kansas Housing Resources Corporation on the use of federal housing funds and a possible first-time home buyers program;
- The impact of the loss of federal COVID-19 pandemic relief funds on the state budget and avoidance of creating a "fiscal cliff";
- The possibility of salary enhancements for community corrections officers relative to adjustments made to salaries in the Kansas Department of Corrections;
- Review of the temporary salary increase created by the Governor's Executive Directive 21-547 to avoid the creation of a "spiral," with the state competing with itself for employees;

- The timeline for eliminating the moratorium on voluntary admission to Osawatomie State Hospital and the status of youth mental health inpatient beds in Hays (from KDADS);
- Bonded indebtedness of the State with consideration of what debt might be advantageous to be retired early (from KDEFA);
- Deferred maintenance at the state postsecondary institutions;
- The impact of the waiver application regarding maintenance of effort requirements in federal COVID-19

pandemic relief legislation on K-12 and Higher Education budgets;

- The possible addition of funding to the Budget Stabilization Fund; and
- The possible addition of funding to KPERS to decrease unfunded actuarial liability.

The Committee also recommends the SPARK Efficiency and Modernization Advisory Panel receive an update on Statehouse technology needs. The Committee further recommends the Senate Committee on Utilities receive an update on the status of the litigation regarding natural gas rates during the 2021 Extreme Winter Weather Event from the Attorney General.