

KANSAS HOUSE GOP

Statehouse Observer

A MONTHLY STATEHOUSE NEWS UPDATE

DECEMBER 2011

State Revenue Update: November Revenues

November marked the fifth month of the 2012 Fiscal Year. Tax-only receipts for November totaled \$405.8 million, \$2.5 million (0.6 percent) above the projection of \$403.4 million. November marked the first month revenues were compared to the revised estimates made in early November by the Consensus Revenue Estimating Group. No tax collections fell significantly above or below projections. Through November, tax receipts for FY 2012 total \$2.29 billion, \$144.3 million (6.7 percent) more than tax receipts from the same period in FY 2011.

Governor, Attorney General Voice Concerns on Proposed Farm Labor Rule

Governor Sam Brownback and Attorney General Derek Schmidt have submitted a letter to the U.S. Department of Labor on a proposed rule regarding child labor laws on Kansas family farms. The proposed rule would prohibit 14 and 15 year-old farm workers from operating most power-driven equipment, including farm tractors and riding lawn mowers, and working with certain animals. Brownback and Schmidt are concerned the rule, as written, would have a negative effect on Kansas youth seeking to work in the state's largest industry - agriculture.

In addition, Secretary of Agriculture Dale Rodman, Secretary of Commerce Pat George and Secretary of Labor Karin Brownlee have voiced similar concerns in a separate letter to the U.S. Department of Labor.

Kansas Medicaid Reform

Due to ongoing federal budget issues, reports indicate the Obama administration is considering a \$72 billion cut to Medicaid. Should this happen, Kansas is likely to lose \$1 billion in federal Medicaid funding thus forcing the need to implement massive Medicaid reform in Kansas.

Comprehensive Medicaid reform in Kansas has not occurred in 45 years. State spending on Medicaid alone has increased over \$400 million in just a few years and totals \$2.8 billion when federal dollars are combined with state funds. Currently spread across six cabinet agencies, the program has no common budget or policies and is a mix of fee for service and managed care programs. In short, the Kansas system is outdated, unorganized and wasting money.

After listening to months of public input, Governor Brownback and Lieutenant Governor Colyer, announced the Administration's plan for reforming the state's Medicaid system. The reform plan is based on three criteria - improving quality of care of Kansans receiving Medicaid; controlling costs of the program; and creating long-lasting reforms that improve the quality of health and wellness of Kansans.

The cornerstone of these initiatives is an integrated care system, called KanCare, focused on improving health outcomes for Kansans that will bend the cost curve of Medicaid down over time. KanCare aims to improve coordination of care and services to achieve better outcomes and long-term savings without reducing benefits or eligibility, while safeguarding reimbursement for providers. As part of Medicaid reform, multiple state agencies will be realigned so KanCare can be efficiently integrated and administered. KanCare will provide and implement coordination structures not currently in place.

Reform also includes creating new and strengthening existing programs to better facilitate work opportunities for people with disabilities so they have the opportunity to transition from Medicaid to work and independence. SRS, working with the Department of Commerce are working to implement an innovative program to partner current Medicaid recipients who want to work with resources at Workforce Centers throughout the state.

In addition to Medicaid program reforms, a realignment of state agencies is planned to increase administrative coordination and streamline Kansans' interactions with state government. The realignment will lead to better communication and coordination across services and programs and is expected to involve the following agencies: Kansas Department of Health and Environment (KDHE), Kansas Department on Aging (KDOA), Kansas Department of Social and Rehabilitative Services and the Juvenile Justice Authority.

Administration officials believe Medicaid reform will net significant savings over five years and reduce growth in Kansas Medicaid spending by eight to 10 percent, which equates to a one-third reduction in total Medicaid growth. Based on a conservative baseline of 6.6 percent growth in Medicaid without reforms (the actual historic growth rate over the past decade was 7.4percent), this plan is expected to achieve savings of \$853 million over the next five years. These savings occur without cutting provider rates, throwing people off the system, or reducing essential benefits.

KPERS UPDATE

Last session, one of the most critical issues we faced in the Legislature was addressing our chronically underfunded Kansas Public Employee Retirement System (KPERS). At the beginning of 2011, KPERS has an unfunded liability of \$8 billion dollars. In terms of actuarial solvency, recent studies have shown Kansas to have the second worst state pension system in the United States, falling only behind Illinois. Pension programs nationwide have been hit hard but the stuttering economy has compounded our structural deficiencies within the system and will continue to do so unless substantive reform measures are taken to improve the stability of the pension fund.

The House and Senate both passed legislation to begin the process of repairing the solvency of the KPERS retirement system. A conference committee agreement, reached in the final days of the 2011 session, modifies the KPERS pension plan for current KPERS members and future public employees of the state, school and local groups. The agreement makes a variety of changes, contingent upon specific triggers including future action by the Legislature in 2012 and approval by the IRS to allow tier I and II members the option of choosing alternative benefit and contribution options. These changes are intended to bring the state, school and local groups into balance by the 2019 fiscal year.

Functionally, the bill established a 13 member KPERS study commission to review alternative retirement plans and report its recommendation by January 6, 2012. The bi-partisan commission, comprised of both House and Senate members, has met several times during the interim and is ***expected to make its final recommendations during its final meeting on December 7 and 8***. Their recommendations will be introduced as bills to the House and Senate during the 2012 session. The House and Senate **MUST** vote on each of the bills during the 2012 session.

Once the legislature votes on the respective KPERS bills, the statutory state, school and local employer contribution rate caps of 0.6 percent will be increased for local employers to: 0.9 percent in FY 2014, 1.0 percent in FY 2015, 1.1 percent in FY 2016 and 1.2 percent in FY 2017. Also triggered by the vote are employee contribution adjustments which include adding two options that apply to all active KPERS tier I members. Tier I members have the default option of having an employee contribution increase from 4.0 percent to 6.0 percent and have the multiplier increased from 1.75 to 1.85 for future years of service, if approved by the IRS. Tier I members would have the option of electing to freeze their employee contribution rate at 4.0 percent and reducing their future multiplier from 1.75 percent to 1.4 percent.

Tier II KPERS members would also be impacted through two options that would apply to all active tier II members. Tier II members have the default option of freezing their employee contribution rate at 6.0 percent and foregoing future cost-of-living adjustments (COLA), if permitted by the IRS or to freeze their contribution rate at 6.0 percent and reducing their future multiplier to 1.4 percent from 1.75 percent.

Current KPERS plans are based on a worker's salary and the years of service to the state. If revenues do not keep up with the payout of benefits, the state is required to make up the difference. This has been problematic for a number of years and is something the legislature has needed to address for quite some time. ***The KPERS Study***

Commission will finalize its recommendations which will be turned into legislation at its meeting on December 7 and 8. Our work on repairing the system is far from finished, but this is a productive first step.

Ogallala Aquifer Legislation

Last July an economic summit concerning the future of the Ogallala Aquifer was held to provide a forum for stakeholders to discuss their concerns, ideas and visions for the Aquifer. Following the summit, the Kansas Water Authority (KWA) appointed a 21 member Ogallala Aquifer Advisory Committee (OAAC) to review short term and long term options. As a result the following recommendations have been made to Governor Brownback by the OAAC for water legislation during the 2012 session:

- Amend appropriation act to eliminate “use it or lose it” for groundwater rights in areas closed to new water right development to protect those rights from unintentional forfeiture;
- Support legislation to provide a process for proactive conservation plans (called Local Enhancement Management Plans (LEMAs) that can have mandatory reductions, if supported by the Groundwater Management District, has corrective measures that address conservation needs, and is approved by the Chief Engineer;
- Allow development of additional groundwater Water Banks for a market-based program to relocate water use and provide conservation in water short areas; and
- Amend the multi-year flex accounts to give irrigators expanded capabilities to manage their crop water over a five year period, a useful tool when limited water is available

The Kansas Water Office and Kansas Department of Agriculture staff will hold four public meetings across the state to give stakeholder the opportunity to learn more about the proposals.

- Dec. 8 **Wichita**
REAP Policy Summit
Drury Plaza Broadview Hotel
2:30 to 5:00 p.m.
- Dec. 9 **Topeka**
Topeka and Shawnee County Public Library, Marvin Auditorium
10:00 a.m.
- Dec. 13 **Garden City**
Lee Richardson Zoo, Finnup Center for Conservation Education
9:30 a.m.
- Dec. 13 **Colby**
Colby Community College, Cultural Arts Center/Frahm Theatre
2:00 p.m.

Proposed JJA Move to SRS Causes Concern

As part of the plan to reform the state’s Medicaid programs, the Brownback administration has proposed placing state juvenile justice programs into the Department of Social and Rehabilitative Services (SRS). However, members of the Joint Committee on Corrections and Juvenile Justice voiced their concerns on the proposal during their November meeting and recommended the move be delayed until it was thoroughly studied.

In the late 1990s, juvenile justice programs were removed from SRS because of failure to adequately administer the programs. Opponents are concerned SRS is not properly equipped to handle the new responsibilities, including the intake and assessment of juvenile offenders and administering prevention grants and believe the current system is working as intended. The administration would like to move the Juvenile Justice Authority and related programs so all child and family issues would be under one agency, the Department for Children and Family Services, currently SRS.

2012 Legislative Session: Save the Date

- Tuesday, January 10 – 2012 Legislative Session convenes
- Wednesday, January 11 – State of the State Address
- Wednesday, January 18 – State of the Judiciary Address

- Statehouse 546-S; 9:00 a.m.
Agenda: Review agency information technology projects

• Dec. 15 **Special Claims Against the State**
 Statehouse 546-S; 9:00 a.m.
Agenda: Hearings on claims filed
- Dec. 16 **Capitol Preservation Committee**
 Statehouse 144-S; 10:30 a.m.
Agenda: Statehouse renovation update; *Brown v. Board* Mural Foundation; finalization of mural plans
- Dec. 20 **Senate Ways and Means Committee**
 Statehouse 548-S; TBA
Agenda: Not available

Governor Appointments

The change in administration in the Office of the Governor also prompts many new appointments to reflect the new administration. A significant number of appointments were made during the month of December, please scan the list of appointments provided below to see if any of your friends or neighbors have been appointed to a State Board, Commission or Council. If so, a congratulatory note or phone call is recommended.

- Patricia Sweeney, Abilene, to the Kansas Volunteer Commission
- Steven Gieber, Abilene, to the Kansas State Use Law Committee
- Susan Fout, Topeka, to the Statewide Independent Living Council
- Evie Curtis, Overland Park, to the Statewide Independent Living Council
- Shawn Bryant, Leavenworth, to the Statewide Independent Living Council
- Lou Ann Kibee, Hays, to the Statewide Independent Living Council
- Don Wistuba, Topeka, to the Statewide Independent Living Council
- Janet Stevens, Dodge City, to the Governor's Council on Travel and Tourism
- Donovan Stucky, Salina, to the Governor's Council on Travel and Tourism
- Lynda Fort, Ulysses, to the Governor's Council on Travel and Tourism
- Kenneth Corbet, Topeka, to the Governor's Council on Travel and Tourism;
- Scott Smith, Ozawkie, to the Kansas Humanities Council
- Steve Anderson, Topeka, to the State Employee Pay Plan Oversight Committee
- Teresa Kennalley, Prairie Village, to the Kansas Board of Examiners for Hearing Aids
- Paul Rowden, Wichita, to the Kansas Board of Examiners for Hearing Aids
- Terry Brewster, Wichita, to the Kansas Board of Examiners for Hearing Aids
- Felita Kahrs, Topeka, to the Kansas Supreme Court Nominating Commission
- Jennifer Roth, Lawrence, to the Kansas Sentencing Commission
- Elizabeth Gillespie, Olathe, to the Kansas Sentencing Commission
- Quentin Martin, Topeka, to the Kansas Sentencing Commission
- Connie J. McLean, Wichita, to the Kansas Arts Commission
- Teresa Schwartz, Lawrence, to the State Board of Mortuary Arts
- Catherine Holthaus, Seneca, to the Kansas Commission on Disability Concerns
- Ricky Shellenbarger, Valley Center, to the Kansas Commission on Disability Concerns
- Anne-Marie Hughey, Shawnee, to the Kansas Commission on Disability Concerns
- Stephen Miller, Parsons, to the Kansas Commission on Disability Concerns
- Jaclyn Anderson, Kansas City, to the Kansas Commission on Disability Concerns