

Approved: March 29, 1994
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson August Bogina at 11:00 a.m. on March 22, 1994 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Kathy Porter, Legislative Research Department
Tim Colton, Legislative Research Department
Laura Howard, Legislative Research Department
Julian Efird, Legislative Research Department
Norm Furse, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

HB 2759 -- APPROPRIATIONS FOR FY 95, DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES AND STATE MENTAL HEALTH AND MENTAL RETARDATION INSTITUTIONS

State Mental Retardation Institutions --KNI, Parsons State, Winfield State
Senator Morris presented the FY 94 and FY 95 subcommittee reports (Attachment 1). Attention was called to the systemwide report for the state mental retardation institutions made by the House subcommittee found on pages 9 through 15 of Attachment 1. In answer to the Chairman, staff stated that the House subcommittee regards the automated timekeeping system at Winfield (item 1, Attachment 1-20) as a pilot project. If it generates anticipated savings, automated timekeeping systems can be considered for the remaining institutions. Senator Morris moved, Senator Karr seconded, that the FY 94 and FY 95 subcommittee reports be adopted. The motion carried on a voice vote.

Community Mental Health Services (Attachment 2)

The FY 94 and FY 95 subcommittee reports were reviewed by Senator Morris. In response to the Chairman's question regarding item 1 of the FY 94 House subcommittee report (Attachment 2-3), staff stated that the Governor's recommendation deletes projected savings from community programs based on the delay in client placement and assumes that 60 placements will not take place in FY 94. Funding is provided in FY 95 in the community for those 60 placements. Any placements above 60 will occur only if funding is shifted from the institutions to the communities that provide the placement.

Senator Petty questioned whether more federal dollars could be accessed if more case management of some of the community programs was required. In answer to her question, staff stated that the Department is accessing approximately \$4 million in federal funds for targeted case management, and it is not known whether that can be expanded. The Chairman requested that Senator Petty delay in amending the subcommittee report until additional information is provided by Secretary Whiteman.

Senator Karr noted that the Legislature is behind in providing funding for the five year plan to move clients from institutions to the community and that the subcommittee used a portion of the Mental Retardation Developmental Disability Provider Revolving Fund to focus on four areas (items 2-5, Attachment 2-13). He emphasized the importance of the full Committee studying and possibly revising the 5 year plan, evaluating whether there's a way in the community service area to manage and access federal dollars, and determining which programs are most effective. Senator Rock requested that the interim study incorporate questions as to whether our current system of community mental health centers should be supplemented or whether there is a better way to provide service. Senator Karr moved, Senator Morris seconded, that the subcommittee report be amended by the inclusion of a request for an interim study. The motion carried on a voice vote.

It was moved by Senator Karr and seconded by Senator Morris that the FY 95 subcommittee report be amended by inserting the words "with a goal of 218" at the end of the second sentence in item 5 (Attachment

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on March 22, 1994.

2-13). Senator Karr noted that this would give flexibility in conference as not all positions will be filled for the entire year. The motion carried on a voice vote.

Senator Morris offered a motion which was seconded by Senator Karr to adopted the Community Mental Retardation Services report as amended. The motion carried on a voice vote.

Systemwide Recommendations (Attachment 3)

Larned State Hospital (Attachment 4)

Senator Kerr presented the FY 94 and FY 95 subcommittee reports. In response to questions regarding the House subcommittee's recommendation to close one 25 to 30 bed ward within the Special Security Program at Larned State Hospital (item 1a, Attachment 4-4), Senator Kerr noted that the current census for beds allocated to the Department of Corrections is 26 though the unit has capacity for 74 men and 10 women.

Senator Moran urged members to consider restoring the \$626,975 from the SGF, continuing operation of the ward within the Special Security Program, and reviewing the issue during Omnibus considerations. He noted that because of remodeling at the Dillon unit, the Department of Corrections is not transferring clients to the Security Hospital. He pointed out that additional inmates will be in correctional facilities because of the absence of retroactivity and because of new legislation.

Concern was expressed about funding items that are not needed because the average daily inmate population is 5,961 and the capacity is for 6,611 inmates. Senator Kerr added that the subcommittee's recommendation leaves the capacity and allows SRS to provide staffing if Corrections has a need for additional beds.

Senator Moran moved, Senator Rock seconded, that the FY 95 subcommittee report be amended by including \$626,975 from the SGF for Larned State Hospital to continue operation of the ward within the Special Security Program and that the issue be reviewed during Omnibus. The motion failed on a show of hands with Senator Moran recorded as having voted no.

Osawatomie State Hospital

Senator Kerr reviewed the FY 94 and FY 95 subcommittee reports (Attachment 5). In answer to Senator Salisbury, it was stated that most of the positions restored by the House were direct care personnel. There was some discussion about deleting the FTE positions and funding in September, 1994.

Senator Kerr offered a motion which was seconded by Senator Brady to adopt the subcommittee reports. The motion carried on a voice vote.

Rainbow Mental Health Facility

The FY 94 and FY 95 subcommittee reports (Attachment 6) were presented by Senator Kerr. There were no questions. Senator Kerr moved, Senator Brady seconded, that the subcommittee reports be adopted. The motion carried on a voice vote.

Topeka State Hospital

Senator Kerr reviewed the FY 95 subcommittee report (Attachment 7). It was moved by Senator Kerr and seconded by Senator Brady that the subcommittee report be adopted. The motion carried on a voice vote.

SRS -- Community Mental Health Services

The FY 94 and FY 95 subcommittee reports (Attachment 8) were presented by Senator Kerr. Senator Kerr moved, Senator Brady seconded, that the reports be adopted. The motion carried on a voice vote.

It was noted by the Chairman that the subcommittee report on the SRS portion of the bill will be given in Committee on March 29. Attachment 9, a response to K-GOAL Legislative Post Audit Report regarding Workforce Training Programs from the Department of Commerce and Housing, was distributed to members.

Senator Lawrence moved, Senator Karr seconded, that the minutes of March 21, 1994 be approved. The motion carried on a voice vote.

The Chairman adjourned the meeting at 12:20 P.M.

The next meeting is scheduled for March 23, 1994.

GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS

DATE: March 22 1994

[illegible]

SUBCOMMITTEE REPORT

1994 House Bill No. 2752 -- FY 1994

1994 House Bill No. 2759 -- FY 1995

STATE MENTAL RETARDATION INSTITUTIONS

Kansas Neurological Institute


Parsons State Hospital and Training Center

Winfield State Hospital and Training Center

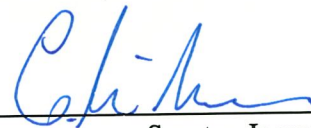
Approved by House Appropriations Committee
February 28, 1994

Approved by House Committee of the Whole
March 10, 1994

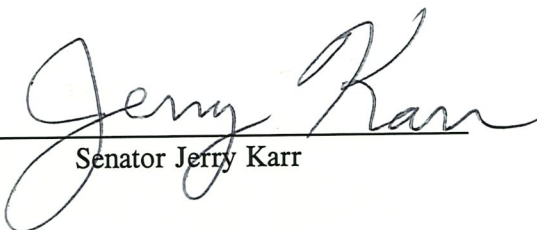
Approved by Senate Ways and Means Subcommittee
March 17, 1994



Senator Steve Morris, Subcommittee Chair



Senator Jerry Moran



Senator Jerry Karr

SWAM
March 22, 1994
Attachment 1

1994 House Bill No. 2752
State Mental Retardation Institutions
FY 1994 Systemwide Overview and Recommendations

| <u>Expenditure</u> | <u>Agency Est. FY 94</u> | <u>Gov. Rec. FY 94</u> | <u>Committee Adjustments</u> |
|--------------------------------------|------------------------------|----------------------------|----------------------------------|
| State Operations: | | | |
| Kansas Neurological Institute | | | |
| State General Fund | \$ 9,960,736 | \$ 10,110,798 | \$ -- |
| Title XIX | 13,660,101 | 13,647,506 | 230,000 |
| General Fees Fund | 853,675 | 853,757 | -- |
| Other Funds | 218,780 | 218,780 | -- |
| Subtotal--KNI | <u>\$ 24,693,292</u> | <u>\$ 24,830,841</u> | <u>\$ 230,000</u> |
| Parsons State Hospital | | | |
| State General Fund | \$ 6,322,883 | \$ 6,317,199 | \$ -- |
| Title XIX | 11,135,521 | 11,120,306 | 53,700 |
| General Fees Fund | 762,816 | 762,816 | 39,300 |
| Other Funds | 34,844 | 34,844 | -- |
| Subtotal--PSH&TC | <u>\$ 18,256,064</u> | <u>\$ 18,235,165</u> | <u>\$ 93,000</u> |
| Winfield State Hospital | | | |
| State General Fund | \$ 11,619,645 | \$ 11,267,559 | \$ -- |
| Title XIX | 14,971,304 | 14,977,423 | -- |
| General Fees Fund | 1,298,700 | 1,298,700 | -- |
| Other Funds | 23,877 | 23,877 | -- |
| Subtotal--WSH&TC | <u>\$ 27,913,526</u> | <u>\$ 27,567,559</u> | <u>\$ --</u> |
| Total Operating SGF--All Hospitals | \$ 27,903,264 | \$ 27,695,556 | \$ -- |
| Total Operating Funds--All Hospitals | \$ 70,862,882 | \$ 70,633,565 | \$ 323,000 |
| Capital Improvements: | | | |
| KNI | \$ 173,644 | \$ 173,644 | \$ -- |
| Parsons | 224,477 | 224,477 | -- |
| Winfield | 325,351 | 325,351 | -- |
| Total Cap. Imps.--All Hospitals | <u>\$ 723,472</u> | <u>\$ 723,472</u> | <u>\$ --</u> |
| GRAND TOTAL--ALL HOSPITALS | \$ 71,586,354 | \$ 71,357,037 | \$ 323,000 |
| FTE Positions: | | | |
| KNI | 815.5 | 814.5 | -- |
| Parsons | 535.0 | 533.0 | -- |
| Winfield | 860.5 | 843.5 | -- |
| Total FTE--All Hospitals | <u>2,211.0</u> | <u>2,191.0</u> | <u>--</u> |
| Average Daily Census | | | |
| KNI | 265 | 265 | -- |
| Parsons | 235 | 235 | -- |
| Winfield | 287 | 287 | -- |
| Total ADC--All Hospitals | <u>787</u> | <u>787</u> | <u>--</u> |

SUBCOMMITTEE REPORT

Agency: Kansas Neurological Institute

Bill No. 2752

Bill Sec. 18

Analyst: Colton

Analysis Pg. No. 470

Budget Page No. 384

Agency Estimate/Governor's Recommendation

The agency estimates FY 1994 expenditures of \$24,693,292. This is a reduction of \$44,939 from the amount approved by the 1993 Legislature. The following table shows how the agency's funding estimate differs from the legislatively-approved amount. Lower-than-approved spending from the State

Revised FY 1994 Spending Estimates

| Funding Source | Agency Est. FY 94 | Difference from Approved Amount |
|--------------------|----------------------|------------------------------------|
| State General Fund | \$ 9,960,736 | \$ (23,625) |
| Title XIX | 13,660,101 | 75,931 |
| Agency Fees Fund | 853,675 | (75,931) |
| Other Funds | 218,780 | (21,314) |
| TOTAL | <u>\$ 24,693,292</u> | <u>\$ (44,939)</u> |

General Fund can apparently be attributed to agency spending of FY 1993 moneys reappropriated to FY 1994. Higher-than-approved spending of Title XIX moneys is meant to make up for decreased spending from the agency's fee fund, which had a lower-than-expected carryover balance at the beginning of FY 1994. The agency estimates an FY 1994 salary turnover rate of 6.5 percent, which is 0.25 percent less than the amount imposed by the Governor in her original FY 1994 recommendation. The Governor's recommendations are in accord with the agency's current year estimate, with the following exceptions:

- ▼ The Governor's recommendations take into account a \$160,000 (State General Fund) transfer from the Department of Social and Rehabilitation Services to KNI on 22 December 1993; the money was transferred to help to alleviate staffing problems due to slower-than-expected placement of clients into community-care environments; and
- ▼ The Governor's current year recommendation reduces the agency's FTE position limitation by 1.0 FTE, and makes concomitant salary-funding adjustments, in light of a retirement at the agency.

House Subcommittee Recommendation

The Committee concurs with the Governor's recommendations with the following exceptions:

1. Add \$230,000 in Title XIX funding for salaries and wages. The Title XIX funding is for salaries, and is the federal match for \$160,000 SGF that was transferred from SRS to KNI on December 22, 1993.
2. Make a technical adjustment to the bill.

House Committee Recommendation

Concur.

Senate Subcommittee Recommendation

Concur.

SUBCOMMITTEE REPORT

Agency: Parsons State Hospital
and Training Center

Bill No. 2752

Bill Sec. 19

Analyst: Colton

Analysis Pg. No. 504

Budget Page No. 470

Agency Estimate/Governor's Recommendation

The agency estimates FY 1994 operating expenditures of \$18,256,064. This is the amount that was approved by the 1993 Legislature. The agency estimate substitutes \$200,449 in funding from Title XIX (Medicaid) for the same amount from the agency's General Fees Fund; the agency did this, apparently, to make up for a shortfall in receipts to the General Fees Fund.

During the course of FY 1994, Parsons State Hospital will lose 10.0 FTE positions. However, to give the institution greater flexibility in making the staff reductions, this is not reflected in the FY 1994 FTE position limitation, but rather, in the FY 1995 figure. The positions slated for elimination are 9.0 FTE Mental Retardation Technologist I positions, and 1.0 FTE Mental Retardation Technologist II position. All of the positions slated for elimination are direct-care positions.

The agency estimates salary turnover of 5.3 percent in FY 1994.

The Governor recommends FY 1994 operating expenditures of \$18,235,165. This is \$20,899 less than the agency estimated for the current year. The difference is due to adjustments for retirements. The Governor recommends a revised FY 1994 FTE position limitation of 533.0 FTE positions. She concurs with the agency's staff-reduction proposals, and reduces staffing by another 2.0 FTE positions in light of retirements at the agency. The Governor concurs with the agency's proposed FY 1994 turnover rate.

House Subcommittee Recommendation

The Committee concurs with the Governor's recommendations with the following exceptions:

1. Add \$53,700 in Title XIX funding, along with \$39,300 from the agency General Fees Fund for salaries and wages. The additional funding is for salaries, and will allow the agency to avoid having to force shrinkage.
2. Make a technical adjustment to the bill.

House Committee Recommendation

Concur.

Senate Subcommittee Recommendation

Concur.

SUBCOMMITTEE REPORT

Agency: Winfield State Hospital
and Training Center

Bill No. 2752

Bill Sec. 24

Analyst: Colton

Analysis Pg. No. 533

Budget Page No. 638

Agency Estimate/Governor's Recommendation

The agency estimates FY 1994 operating expenditures of \$27,913,526. This is a reduction of \$339,735 from the amount approved by the 1993 Legislature. The table below shows how the agency's current fiscal year estimate differs from the amount that was approved by the Legislature.

| Fund | Approved FY 1994 Total | Revised FY 1994 Estimate | Difference |
|--------------------|------------------------------|--------------------------------|---------------------|
| State General Fund | \$ 11,949,991 | \$ 11,619,645 | \$ (330,346) |
| Title XIX | 15,063,776 | 14,971,304 | (92,472) |
| General Fees Fund | 1,206,228 | 1,298,700 | 92,472 |
| Other Funds | 33,266 | 23,877 | (9,389) |
| TOTAL | <u>\$ 28,253,261</u> | <u>\$ 27,913,526</u> | <u>\$ (339,735)</u> |

The reduced spending is attributable to allocations from SRS. According to the Department, the adjustment in the agency's allocations is meant to bring the number of direct-care trainees at Winfield State Hospital into line with the state's other two mental-retardation hospitals. (Staff Note: The Governor, in her budget amendment at Omnibus time during the 1993 session, proposed reducing the number of trainees at Winfield from 63 to 31.5. This move, and the elimination of administrative temporary positions at the agency, would have yielded savings of \$631,670 (\$309,518 SGF). The Legislature opted to reduce the number of trainees by 16, and to eliminate temporary administrative staffing. This produced savings of \$402,837 (\$165,169 SGF). According to SRS, even with the reduction in money for trainees in Winfield's revised current year budget, Winfield should still have about 20 trainee positions. KNI has eight such positions, and Parsons five and one-half.)

The Governor recommends FY 1994 operating expenditures in the amount of \$27,567,559. This is \$345,967 less than the amount estimated by the agency. The difference is due mainly to retirement adjustments made by the Governor: the Governor decreased funding from the State General Fund by \$330,346, and the agency's FTE position limitation by 17.0 FTE positions, in light of retirements at the agency. The Governor added \$51,172 from the State General Fund in order to decrease shrinkage from the 6.9 percent estimated by the agency to about 6.6 percent. The recommendations contain other adjustments in order to maximize the use of Title XIX funding. The Governor's recommendations contain funding for reclassification actions at the agency in the current year.

The Governor concurs in the removal of funding for trainee employees at Winfield State Hospital in the current year.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendations and makes a technical adjustment.

House Committee Recommendation

Concur.

Senate Subcommittee Recommendation

Concur.

1994 House Bill No. 2759
State Mental Retardation Institutions
FY 1995 Systemwide Overview and Recommendations

| <u>Expenditure</u> | <u>Agency Req. FY 95</u> | <u>Gov. Rec. FY 95</u> | <u>Committee Adjustments</u> |
|--------------------------------------|------------------------------|----------------------------|----------------------------------|
| State Operations: | | | |
| Kansas Neurological Institute | | | |
| State General Fund | \$ 11,963,409 | \$ 11,735,938 | \$ -- |
| Title XIX | 11,835,100 | 11,837,960 | -- |
| General Fees Fund | 769,377 | 769,556 | -- |
| Other Funds | 218,780 | 218,780 | -- |
| Subtotal--KNI | <u>\$ 24,786,666</u> | <u>\$ 24,562,234</u> | <u>\$ --</u> |
| Parsons State Hospital | | | |
| State General Fund | \$ 8,279,971 | \$ 8,046,839 | \$ -- |
| Title XIX | 9,732,223 | 9,685,201 | -- |
| General Fees Fund | 610,076 | 610,076 | -- |
| Other Funds | 20,845 | 20,845 | 17,000 |
| Subtotal--PSH&TC | <u>\$ 18,643,115</u> | <u>\$ 18,362,961</u> | <u>\$ 17,000</u> |
| Winfield State Hospital | | | |
| State General Fund | \$ 13,802,237 | \$ 13,398,269 | \$ -- |
| Title XIX | 13,183,002 | 13,194,141 | -- |
| General Fees Fund | 994,850 | 994,850 | -- |
| Other Funds | 20,087 | 20,087 | 57,690 |
| Subtotal--WSH&TC | <u>\$ 28,000,176</u> | <u>\$ 27,607,347</u> | <u>\$ 57,690</u> |
| Total Operating SGF--All Hospitals | \$ 34,045,617 | \$ 33,181,046 | \$ -- |
| Total Operating Funds--All Hospitals | \$ 71,429,957 | \$ 70,532,542 | \$ 74,690 |
| Capital Improvements | | | |
| KNI | \$ -- | \$ -- | \$ -- |
| Parsons | -- | -- | -- |
| Winfield | 32,100 | -- | -- |
| Total Cap. Imps.--All Hospitals | <u>\$ 32,100</u> | <u>\$ --</u> | <u>\$ --</u> |
| GRAND TOTAL--ALL HOSPITALS | \$ 71,462,057 | \$ 70,532,542 | \$ 74,690 |
| FTE Positions: | | | |
| KNI | 764.5 | 764.5 | -- |
| Parsons | 525.0 | 525.0 | -- |
| Winfield | 825.5 | 825.5 | -- |
| Total FTE--All Hospitals | <u>2,115.0</u> | <u>2,115.0</u> | <u>--</u> |
| Average Daily Census | | | |
| KNI | 247 | 247 | -- |
| Parsons | 227 | 227 | -- |
| Winfield | 269 | 269 | -- |
| Total ADC--All Hospitals | <u>743</u> | <u>743</u> | <u>--</u> |

**STATE MENTAL RETARDATION INSTITUTIONS
HOUSE APPROPRIATIONS SUBCOMMITTEE SYSTEMWIDE REPORT**

1. As part of its review of the mental retardation hospitals' budgets, the Subcommittee examined the progress that is being made in placing clients at the hospitals into community-care environments.

The Subcommittee learned that during the two and one-half years that the Home and Community-Based Services/Mental Retardation waiver has been in effect, over 130 clients have been placed from the mental retardation institutions into community settings. Of the clients placed from the institutions, only three have had to return to the institutions.

The Subcommittee believes that this represents a remarkable effort, for which both the institutions and community-care providers deserve to be commended.

The Subcommittee learned, however, that the pace of client movement continues to lag behind budgeted census figures, *i.e.*, that the "bottleneck" in community placements, which was a subject that dominated much of the 1993 Session's discussion on community mental retardation issues, continues to exist, as the following table shows.

Institutional Census Status as of November 1993

| Hospital | November Census | November Goal | Placements Needed |
|--------------|--------------------|------------------|----------------------|
| KNI | 293 | 247 | 46 |
| Parsons | 238 | 227 | 11 |
| Winfield | 312 | 269 | 43 |
| Total | 843 | 743 | 100 |

The Subcommittee believes, however, that it would be a mistake to ascribe blame for the bottleneck to the institutions. The Subcommittee learned that each of the institutions has been working aggressively to educate clients and their families about the community-placement process. All of the hospitals have, with the approval of clients and their families, been working to design essential lifestyle plans (ELPs) for clients interested in moving from the institutions into the community. The ELP planning process is the first step in the four-step process used in placing clients into community-care settings.

A review of the number of clients in each of the four stages of the community-placement process is revealing, and shows that any talk of attempting to "pressure" the institutions into accelerating the pace of community placements is ill-founded.

**Institutional Clients in the Community Placement Process
November 1993**

| Hospital | Step I | Step II | Step III | Step IV |
|----------|--------|---------|----------|---------|
| KNI | 4 | 26 | 0 | 3 |
| Parsons | 0 | 15 | 0 | 0 |
| Winfield | 3 | 37 | 1 | 5 |
| Total | 7 | 78 | 1 | 8 |

Step I: An Essential Lifestyle Plan has been developed for the client, and a referral is ready to be made.

Step II: The referral has been made, *i.e.*, the ELP has been sent to a community provider. The community provider is to develop a service plan and funding proposal for the client.

Step III: SRS/MHRS reviews the service plan and funding proposal, and, if appropriate, gives final approval.

Step IV: The service plan and funding proposal have been approved, and the client is ready to move.

The above table shows that the bottleneck in the community movement exists at Step II of the community-placement process. Any effort to put pressure on the institutions to accelerate placements would simply *increase* the bottleneck, and further overwhelm the community providers who are trying to design services for clients already in the pipeline.

The Subcommittee, in its report on community mental retardation services in the SRS budget, addressed a number of factors that might be contributing to what is *perceived* as a continuing lag in community movement on the part of institutional clients.

The Subcommittee believes, however, that *perception* may be the biggest problem in the transition from institutional milieus to community-care environments. We are, if the truth be told, still at the beginning of the transition from the institutional to the community-services model for delivering services to people with developmental disabilities. The Subcommittee believes that a large part of the perceived problem in this transition process may be that the *targets that have been set for client movement are unrealistic, and that the transition from the institutional to the*

community paradigm is going to take longer than was believed at the beginning of the process.

Client movement targets were laid down at the beginning of the transition process. At that time, almost no one knew the amount of work or the amount of time that would be necessary to make the paradigm shift using person-centered planning. In spite of this, these targets have been rigidly adhered to, and cited by some as proof that the institutions have been working to block the transition process. As the table above shows, this contention is false and the Subcommittee rejects it.

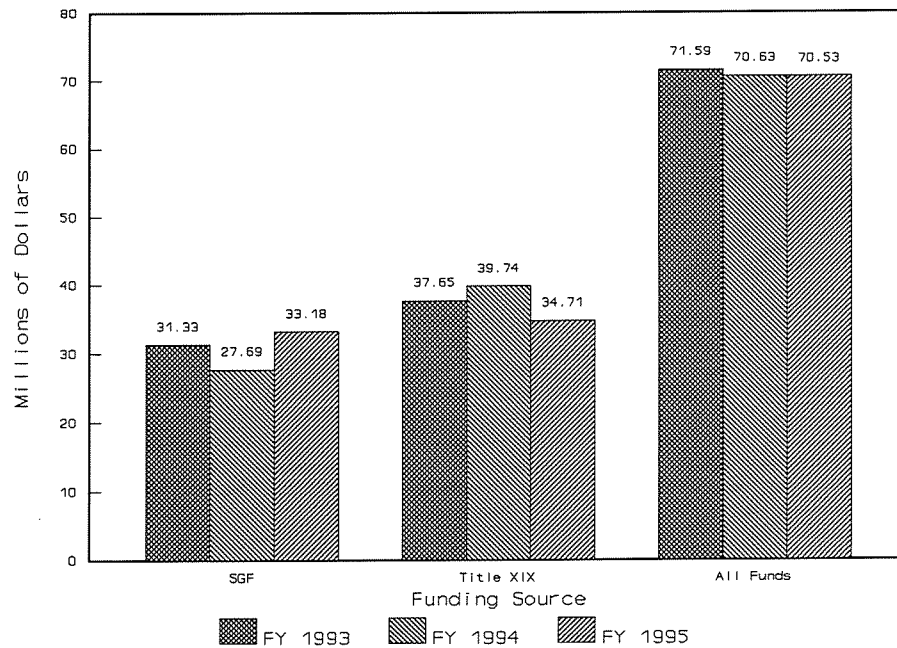
It is the opinion of the Subcommittee that what is needed is, above all, simply more time and less pressure for all of the players in the process. This would allow the institutions, SRS and community providers to continue their efforts to smooth out the kinks in the system, and to try new and innovative approaches in placing clients. What is not needed, in the opinion of the Subcommittee, is more blame and more pressure on the institutions, including fiscal pressures.

The Governor's FY 1995 recommendations for the institutions and community MR funding essentially provide that FY 1995 will be a catch-up year. It is estimated that 60 planned placements will not occur in FY 1994, and community funding is provided in FY 1995 to allow the process to continue. Additional movement beyond those 60 placements would, according to the Governor, occur as clients choose to move. Funding for such clients would be transferred from the state hospitals to those clients' new community-care environments, *i.e.*, funding will follow clients.

The Subcommittee notes that a study by the Division of Legislative Post Audit regarding the placement of clients from state institutions into community-care settings is due to be presented to the Legislative Post Audit Committee on March 24, 1994. The report may provide some further insight into the problems that seem to be inherent in this transition process. The Subcommittee hopes that the Senate Subcommittee for the mental retardation institutions will consider this report during its deliberations on the institutions' budgets.

2. The Subcommittee notes that the amount of Title XIX at the institutions has dropped in FY 1995, with respect to FY 1994 levels, at all three institutions. There has been, along with this drop, a corresponding increase in funding from the State General Fund.

**Major Funding Sources -- State Mental Retardation Institutions
FY 1993 -- FY 1995**



During the 1993 Session, in its systemwide report on the state mental retardation institutions, the Senate Subcommittee noted that the Governor, in her FY 1994 spending recommendations for all the SRS institutions, had lowered the Title XIX ending balance from \$10.79 million in FY 1993, to \$437,398 in FY 1994. The Senate Subcommittee wrote: "the [maximization] of Title XIX funding in FY 1994 does have the advantage of relieving pressure on the State General Fund. However, this relief is only temporary.[...]The declining revenue from Title XIX reimbursements and the near elimination of the ending balance in the Institutional Title XIX Fund mean that after FY 1994, financing for the hospitals that heretofore has come from the Title XIX Fund will, in all probability, have to come from some other source, possibly the State General Fund."

The increase in State General Fund moneys, along with the decline in Title XIX funding at the state MR institutions in FY 1995, represents the realization of the Senate Subcommittee's warning from the previous session.

The Subcommittee notes, however, that there has been a steady decline in the total operating budgets of the mental retardation hospitals, as the following table illustrates.

| | FY 92 | FY 93 | FY 94 (Rec.) | FY 95 (Rec.) |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Total Operating Budget -- All Funds | \$73.44 million | \$71.59 million | \$70.63 million | \$70.53 million |

3. In her FY 1995 spending recommendations, the Governor, with respect to the agencies' budget requests, made cuts in funding for the school contracts and capital outlay. The cuts made to state funding for the school contracts are, in the opinion of the Subcommittee, fairly substantial: at Parsons State Hospital, the Governor recommended funding for the FY 1995 school contract that is 23.2 percent lower than in her FY 1994 recommendations.

The rationale behind these reductions is apparently the Governor's desire that, of all clients, school-age children at the institutions be among the first to make the move into community-placement situations.

The Subcommittee is concerned at the magnitude of the reductions, with respect to FY 1994, in recommended FY 1995 funding for the school contracts at the institutions. However, because the agencies did not appeal this item, and because Kansas finds itself sailing between a fiscal Scylla and Charybdis, the Subcommittee did not restore any of the reductions made in the Governor's recommendations. The Subcommittee does, though, recommend that the adequacy of recommended funding for the institutional school contracts be monitored closely, and, if necessary, addressed during the 1995 Session as part of current-year review.

4. Also with regard to the school contracts at the institutions, the Subcommittee recommends that the following proviso be inserted into each of the institutions' FY 1995 appropriations:

"Provided further, That expenditures may be made from this account for an educational services contract which is hereby authorized to be negotiated and entered into by the above agency with a unified school district or another public educational services provider: And provided further, That such educational services contract shall not be subject to the competitive bidding requirements of K.S.A. 75-3739 and amendments thereto."

In previous years, the hospitals have negotiated on their own with a public educational-services provider for their school contracts. However, for the 1994-1995 school contracts currently under negotiation, the Division of Purchases has participated in the process, and caused the contracts to be put out for bid. According to the Department of Social and Rehabilitation Services, there was only one bidder for the schools' contracts: the current provider.

5. Also with regard to the school contracts at the institutions, the Subcommittee notes that the Governor's recommendations do not include categorical aid funding. The Subcommittee did not address this item in its review of the institutional budgets, since this is traditionally a matter reserved for Omnibus review.
6. The Subcommittee learned that one source of revenue (apart from billings to insurance companies and other third-party providers) to the hospitals' fee funds is billings to families and guardians. SRS informed the Subcommittee that, in cases of non-Medicaid-eligible clients, families and guardians are billed for client care using a sliding scale, with \$147 a month the maximum possible billing. In light of a client *per diem* that exceeds \$200 at all three hospitals, the Subcommittee believes that the \$147 maximum

monthly billing is somewhat low, especially in cases of families with above-average financial resources. The Subcommittee therefore recommends that the Department of Social and Rehabilitation Services study the feasibility and utility of raising the cap on maximum monthly fee-fund billings, and to present a report on this matter either to the Senate Subcommittee or to the 1995 Legislature.

7. The Subcommittee notes that, during the past session, the number of trainees at Winfield State Hospital was an issue that generated some controversy. The Hospital informed the Subcommittee that funding for trainees has been largely eliminated in its budget. The agency has moved to fill some of the gaps left by the departure of the trainees by utilizing community volunteers and people funded under the Job Training Partnership Act and KanWork. Similarly, KNI utilizes federally-funded Foster Grandparents. Parsons State Hospital receives much support from its endowment association, which enables fuller participation by Parsons clients in community life and activities.

The Subcommittee commends the hospitals for their work to establish ties between themselves and their host communities, and their work to maximize the contact that the institutional clients have with other members of the community.

The Subcommittee is particularly pleased with the model of the Parsons State Hospital Endowment Association, and urges the other two institutions to study whether this model could be successfully used in their respective communities.

8. Mission statements, strategies and objectives, and outcomes were presented to the Subcommittee by all three of the institutions. These are appended to the Subcommittee report (pink pages). The Subcommittee was very pleased with the type of data presented to it. The Subcommittee notes that, for the institutions, the use of mission, strategies and objectives is not a new thing, and that the hospitals have been presenting data in this format to legislative subcommittees for several years, often with little notice on the part of the Legislature. Also, KNI has been, for several years, acting aggressively to implement Kansas Quality Management. The Subcommittee praises the institutions for their efforts in this direction, and believes that they will be a model for other agencies to emulate in making the change over to performance-based budgeting.

House Committee Recommendation

Concur.

Senate Subcommittee Recommendation

Concur.

SUBCOMMITTEE REPORT

Agency: Kansas Neurological Institute

Bill No. 2759

Bill Sec. 3

Analyst: Colton

Analysis Pg. No. 470

Budget Page No. 384

Agency Request/Governor's Recommendation

The agency proposes FY 1995 spending of \$24,786,666. This is an increase of 0.4 percent from the agency's revised current year spending proposal. Funding from the State General Fund of \$11,963,409 is requested for FY 1995. This is an increase of 20.1 percent over the FY 1994 estimate. The agency apparently seeks, with its increased request, to offset an expected decrease in available Title XIX funding. (**Staff Note:** The revised FY 1994 estimate for Title XIX receipts at KNI is \$12,099,787; for FY 1995, receipts of \$10,688,835 are projected. This is a decrease of \$1,410,952. If the current level of operations is to be maintained at the agency, another funding source will have to be found.)

The agency request would fund 764.5 FTE positions. This is a reduction of 51.0 FTE positions from the agency's FY 1994 estimate. The positions will cease to be funded in January, 1994.

The agency requests FY 1995 non-salary operating expenditures of \$3,834,347. This is an increase of 0.6 percent over the FY 1994 estimate of \$3,812,168. The increase is due mainly to the agency's single new initiative for FY 1995, the requested purchase of an automated timekeeping system for \$50,000.

The Governor's FY 1995 recommendations are in accord with the agency's request, with the following exceptions:

- ▼ The Governor's recommendation decreases salary funding by \$94,364, with respect to the agency request; the difference can be attributed in large part to continuation of FY 1994 retirement adjustments, and to adjustments in payments for family health insurance:
- ▼ The Governor recommends \$61,418 less for contractual services than the amount requested by the agency; the difference is due, for the most part, to a recommended reduction in funding for the agency's school contract.
- ▼ The Governor recommends \$68,650 less for capital-outlay spending than was requested by the agency; most of the difference can be attributed to the fact that the Governor did not recommend the automated timekeeping system that the agency had requested, and which was the agency's single new initiative.

The Governor calls for a staff reduction of 50.0 FTE in FY 1995, and recommends a turnover rate of 6.25 percent.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendations.

House Committee Recommendation

Concur.

Senate Subcommittee Recommendation

Concur.

SUBCOMMITTEE REPORT

Agency: Parsons State Hospital
and Training Center

Bill No. 2759

Bill Sec. 6

Analyst: Colton

Analysis Pg. No. 504

Budget Page No. 470

Agency Request/Governor's Recommendation

Parsons State Hospital and Training Center requests FY 1995 operating expenditures of \$18,643,115. Of the requested expenditures, \$8,279,971 is from the State General Fund, and \$10,363,144 is from special revenue funds. Requested expenditures from the State General Fund are up 31 percent from the revised current year estimate. The large increase in requested expenditures from the State General Fund is due to a projected drop of \$1.47 million in Title XIX receipts in Fiscal Year 1995, which means there will be less Title XIX money available for hospital operations.

There are several enhancements included in the agency's FY 1995 request:

- ▼ \$20,000 for a van equipped for the transport of people with disabilities;
- ▼ \$63,200 for an automated timekeeping system (such systems are included in the FY 1995 budget requests of all of the state's MR hospitals);
- ▼ \$17,000 for an upgrade to the hard- and software of the agency's local-area network;
- ▼ \$10,000 for cultural diversity training for agency employees; and
- ▼ \$10,000 for tuition assistance for agency employees.

The agency's request would fund 525.0 FTE positions, or 10.0 FTE less than in FY 1994.

The agency requests FY 1995 funding for other operating expenditures in the amount of \$3,091,205. This is an increase of 3 percent over the agency's revised current year estimate. The increase is ascribable mainly to the requested enhancements that are listed above.

The Governor recommends FY 1995 operating expenditures of \$18,362,961. This is an increase of 0.7 percent over the revised FY 1994 recommendation. Proposed funding from the State General Fund is up by 27.4 percent over FY 1994; this is due to a projected drop of approximately \$1.258 million in Title XIX receipts in FY 1995 with respect to the current fiscal year. The Governor's recommendations would fund 525.0 FTE positions, and include funding for step movement, unclassified-merit increases and longevity bonuses for eligible employees. The Governor proposes a turnover rate of 4.7 percent (\$763,088) for FY 1995. The Governor does not recommend the enhancements that the agency requested, and proposes to cut expenditures for fees--professional services at the agency (mostly for the school contract) by over 20 percent with respect to FY 1994.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendations, with the following change:

1. Add \$17,000 from the Budget Stabilization Fund for improvements to the hard- and software of the agency's local-area computer network.

House Committee Recommendation

Concur, with the following change:

1. Create a restricted fee account within the agency's general fees fund for video teleconferencing fees. The fees will be used for the maintenance, servicing, and upgrading of the agency's video teleconferencing equipment.

Senate Subcommittee Recommendation

Concur.

SUBCOMMITTEE REPORT

Agency: Winfield State Hospital
and Training Center

Bill No. 2759

Bill Sec. 9

Analyst: Colton

Analysis Pg. No. 533

Budget Page No. 638

Agency Request/Governor's Recommendation

The agency requests FY 1995 operating expenditures of \$28,000,176. This is an increase of three-tenths of 1 percent over the agency's revised current fiscal year estimate. The table that shows the operating budget summary for FY 1995 (infra) compares requested funding sources in the FY 1995 operating budget to those in the agency's FY 1994 estimate.

In the agency's request, funding from the State General Fund is 18.8 percent greater than in the revised current year estimate. (Staff Note: Like the other mental-retardation institutions, the agency apparently seeks, with its request for increased funding from the State General Fund, to offset an expected decrease in available Title XIX funding. The revised FY 1994 estimate for Title XIX receipts at Winfield State Hospital is \$14,331,329. The FY 1995 receipts projection is \$13,183,002. This is a difference of \$1,148,327. If the current level of operations is to be maintained at the agency, another funding source will have to be found. There is also a significant decrease, due to the spending down of ending balances in previous fiscal years, of available funds in the agency's fee fund. This, too, is occurring at all of the mental-retardation hospitals.)

There is one new initiative in the agency's FY 1995 budget request: the purchase of an automated timekeeping system, at a cost of \$57,690. (Staff Note: This item is being included in the budget requests of all of the mental-health and mental-retardation institutions.)

The agency's FY 1995 request would fund 825.5 FTE positions, a reduction of 35.0 FTE from the level in the agency's revised current year estimate. (Staff Note: The positions will cease to be funded at the beginning of calendar year 1994. In order to give the agency some flexibility in making the position reductions, the agency's FTE position limitation is not adjusted until FY 1995.)

The agency requests FY 1995 non-salary operating expenditures of \$4,855,386. This is a decrease of 1.5 percent from the agency's revised current fiscal year estimate. The decrease would be 2.6 percent but for the request for funding for the automated timekeeping system.

The Governor recommends FY 1995 operating expenditures of \$27,607,347. This is \$352,829 less than the agency request. Of the difference, \$82,809 is in salaries and wages and is due almost entirely to adjustments for family health insurance. \$175,958 of the decrease is for contractual services: the Governor recommends \$156,806 less for the education contract at Winfield State Hospital than has been requested by the agency, and also recommends a small decrease in funding for contracted medical services at the agency. \$6,372 of the decrease is for office supplies. The rest of the recommended decrease, with respect to the agency request, is for capital outlay expenditures; the Governor does not include funding for the automated timekeeping system.

The Governor recommends the elimination of 18.0 FTE positions in FY 1995; this is 17.0 FTE less than in the agency request, and is due to retirement adjustments made in the current year. The Governor concurs with the agency's request for a turnover rate of 7.2 percent.

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations, with the following change:

1. Add \$57,690 from the Budget Stabilization Fund for an automated timekeeping system. The Subcommittee adds the money with the expectation that the new timekeeping system will enable the agency to effect savings by reducing payroll preparation time, and directs the agency to present a report on any savings achieved with the new system to the House Subcommittee for the MR institutions during the 1995 Session. For the Subcommittee, this automated timekeeping system at Winfield will be a pilot project; if it is successful in producing savings at Winfield, the 1995 Legislature may wish to add such systems at the other SRS institutions.

House Committee Recommendation

Concur.


Senate Subcommittee Recommendation

Concur.

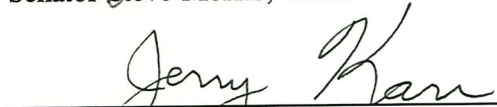
SENATE SUBCOMMITTEE REPORT

SRS -- Community Mental Retardation Services


H.B. 2752; H.B. 2759



Senator Steve Morris, Chair



Senator Jerry Karr



Senator Jerry Moran

SUBCOMMITTEE REPORT

Agency: SRS -- Community Mental
Retardation Services

Bill No. 2752

Bill Sec. 17

Analyst: Howard

Analysis Pg. No. 445

Budget Page No. 548

| | <u>Agency Est. FY 94</u> | <u>Gov. Rec. FY 94</u> | <u>Subcommittee Adjustments</u> |
|--------------------------------------|------------------------------|----------------------------|-------------------------------------|
| MHRS: | | | |
| MR/DD Administration | \$ 518,044 | \$ 519,466 | \$ -- |
| State Aid | 5,963,174 | 5,963,174 | -- |
| Mental Retardation Grants | 12,157,272 | 12,157,272 | -- |
| Community & Day Living | 10,441,106 | 10,441,106 | -- |
| Family Subsidy & Support | 2,483,052 | 2,483,052 | -- |
| Federal Special Projects | 200,000 | 200,000 | -- |
| MR Medical Waiver Field Staff | <u>415,955</u> | <u>415,955</u> | -- |
| Total -- Mental Retardation Services | \$ 32,178,603 | \$ 32,180,025 | \$ -- |
| Medical Assistance: | | | |
| ICF-MRs | \$ 35,310,593 | \$ 35,310,593 | \$ -- |
| HCBS-MR Program | <u>35,770,109</u> | <u>34,092,349</u> | -- |
| Subtotal -- Medical Assistance | \$ 71,080,702 | \$ 69,402,942 | \$ -- |
| TOTAL -- All Funds | \$ 103,259,305 | \$ 101,582,967 | \$ -- |
| State Funds | \$ 51,780,056 | \$ 51,096,700 | \$ -- |
| FTE Positions | 22.0 | 22.0 | -- |

Agency Estimate/Governor's Recommendation

SRS estimates expenditures of \$103.3 million in FY 1994, including \$51.8 million from the State General Fund. The estimate includes funding associated with both mental retardation services and the MR/DD waiver and ICF-MRs in the medical assistance budget. The revised estimate reflects the refinancing plan initiated by the agency in the current year.

The Governor recommends expenditures of \$101.6 million in FY 1994, including \$51.1 million from the State General Fund. The Governor essentially concurs with the agency request for mental retardation services and the ICF-MR program, and deletes approximately \$1.7 million (\$683,356 SGF) from the HCBS-MR waiver associated with savings due to delays in client placements. The net effect of the Governor's recommendation is a reduction of \$4,288,118 from mental health and retardation services aid and assistance (including training), and an increase of approximately \$1.8 million (SGF) for the HCBS-MR program from the approved budget, for a net State General Fund savings from the approved budget of approximately \$2.5 million.

House Subcommittee Recommendation

The Subcommittee concurs with the recommendations of the Governor and makes the following observations:

1. The Subcommittee was informed of a potential current year shortfall in funding for the HCBS waiver. The Governor reduced funding from this budget category based on delays in client placements from the state institutions. The current projected shortfall is \$437,776, including \$184,000 from the State General Fund. The Subcommittee makes no adjustments at this time and recommends that the Senate review the pace of movements and later budget projections. The Subcommittee also recommends that the agency request a Governor's Budget Amendment if this projected shortfall continues.
2. The Subcommittee was also informed of a potential shortfall of \$1.3 million in the ICF-MR program in both FY 1994 and FY 1995 due to a technical error in submission of the agency's budget. The agency requested that no budget adjustments be made prior to the agency's March caseload estimates when it might be determined if savings would be available in other areas. The Subcommittee recommends that the Senate review this item and that the agency request a Governor's Budget Amendment if additional funding is necessary.

House Committee Recommendation

The House Committee concurs with the recommendations of the Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the Subcommittee.

| | House Adj. FY 94 | House Rec. FY 94 | Senate Subcommittee Adjustments |
|--------------------------------------|---------------------|---------------------|---------------------------------------|
| MHRS: | | | |
| MR/DD Administration | \$ -- | \$ 519,466 | \$ -- |
| State Aid | -- | 5,963,174 | -- |
| Mental Retardation Grants | -- | 12,157,272 | -- |
| Community & Day Living | -- | 10,441,106 | -- |
| Family Subsidy & Support | -- | 2,483,052 | -- |
| Federal Special Projects | -- | 200,000 | -- |
| MR Medical Waiver Field Staff | -- | 415,955 | -- |
| Total -- Mental Retardation Services | \$ -- | \$ 32,180,025 | \$ -- |
| Medical Assistance: | | | |
| ICF-MRs | \$ -- | \$ 35,310,593 | \$ -- |
| HCBS-MR Program | -- | 34,092,349 | -- |
| Subtotal -- Medical Assistance | \$ -- | \$ 69,402,942 | \$ -- |
| TOTAL -- All Funds | \$ -- | \$ 101,582,967 | \$ -- |
| State Funds | \$ -- | \$ 51,096,700 | \$ -- |
| FTE Positions | -- | 22.0 | -- |

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House.

SUBCOMMITTEE REPORT

Agency: SRS -- Community Mental
Retardation Services

Bill No. 2759

Bill Sec. 2

Analyst: Howard

Analysis Pg. No. 445

Budget Page No. 548

| | Agency Req. FY 95 | Gov. Rec. FY 1995 | Subcommittee Adjustments |
|--------------------------------------|-----------------------|-----------------------|-----------------------------|
| MHRS: | | | |
| MR/DD Administration | \$ 537,075 | \$ 538,276 | \$ -- |
| State Aid | 5,963,174 | 5,963,174 | -- |
| Mental Retardation Grants | 15,072,872 | 12,436,946 | 375,000 |
| Community & Day Living | 10,441,106 | 10,441,106 | (315,000) |
| Family Subsidy & Support | 3,203,052 | 2,483,052 | 560,462 |
| Federal Special Projects | 200,000 | 200,000 | -- |
| MR Medical Waiver Field Staff | 636,420 | 469,486 | -- |
| Total -- Mental Retardation Services | \$ 36,053,699 | \$ 32,532,040 | \$ 620,462 |
| Medical Assistance: | | | |
| ICF-MRs | \$ 35,310,593 | \$ 35,310,593 | \$ -- |
| HCBS-MR Program | 44,225,609 | 39,757,849 | 1,200,000 |
| Subtotal -- Medical Assistance | \$ 79,536,202 | \$ 75,068,442 | \$ 1,200,000 |
| TOTAL -- All Funds | \$ 115,589,901 | \$ 107,600,482 | \$ 1,820,462 |
| State Funds | \$ 58,821,220 | \$ 53,839,409 | \$ 790,462 |
| FTE Positions | 25.0 | 22.0 | -- |

Agency Request/Governor's Recommendation

SRS requests a total of \$115.6 million in FY 1995 for mental retardation services, including the HCBS-MR waiver and the ICF-MR program which are budgeted as a part of medical assistance. The request is an increase of \$12.3 million from the FY 1994 revised estimate, including an increase of \$7.0 million from the State General Fund. The request includes an increase of \$6.6 million associated with annualization of current year placements under the HCBS-MR waiver (\$5.5 million) and special purpose grants (\$1.0 million) and \$90,688 associated with salary and OOE adjustments. In addition, SRS requests \$5.7 million (\$3.6 million SGF) for enhanced services, including \$2.95 million for 218 new community waiting list placements, and funding for expansion of several current programs and new initiatives.

The Governor recommends \$107.6 million in FY 1995 for MHRS services and grants, including the HCBS-MR program and the ICF-MR program. The recommendation is an increase of \$6.0 million from the FY 1994 recommendation, and a reduction of \$8.0 million from the SRS request. The Governor's recommendation includes an increase of \$5.7 million associated with the annualization of FY 1994 HCBS-MR client placements, \$1.0 million from the State General Fund for special purpose grants continuation funding for 75 clients served through a combination of SGF and federal vocational rehabilitation funds in FY 1994, and an increase of \$72,341 in salaries and OOE. The Governor does not recommend new or enhanced funding requested by the agency, and in addition, deletes the following from the agency's budget: \$325,000 for one-time placement expenses, and \$395,326 for the SGF match for federal vocational rehabilitation matching funds. The net effect of the Governor's recommendation is that

no additional clients would be placed in FY 1995 except for any clients wishing to leave institutions for whom funding could be shifted from state hospitals to the community.

House Subcommittee Recommendation

The Subcommittee concurs with the recommendations of the Governor with the following adjustments and observations:

1. In reviewing the budget for the community mental retardation programs, the Subcommittee has faced several challenges. First of all, the Governor's recommendations for FY 1995 provide no funding for additional placements from the community waiting list. The Subcommittee heard testimony that the community waiting list is projected to include 556 adults at the close of FY 1994, and without additional placements, will grow to 800 in FY 1995, due primarily to the graduation of students from special education. (See attached waiting list table.) In addition, her recommendations delete \$395,326 in State General Fund dollars from the base budget which have historically been used to draw down federal vocational rehabilitation funds and provide services to 75 new community clients each year. The Subcommittee was unable to realize additional savings in the state MR/DD hospital budgets because of continued bottlenecks in client movement. MHRS projects that 60 placements planned from state hospitals in FY 1994 will not occur until FY 1995. The Governor's FY 1995 recommendations provide full-year funding for both community placements and state hospitals placements planned for a portion of FY 1994, but assume that additional client movement in FY 1995 from state institutions to the community will only occur as funds are shifted with the client from the state institution to a community placement. The Subcommittee has attempted to craft a budget which continues efforts to put into place a strong community system and to address issues contributing to the institutional bottleneck. The Subcommittee believes strongly that if barriers to client movement from state hospitals are not overcome, then not only will real savings not be realized at the state hospitals, but institutional costs will increase substantially making it virtually impossible to continue community-based program expansion. In order to achieve savings at the state hospitals, which can only occur when actual units can be shut, the supports and provisions must be in place to allow such placements to proceed. On the community side, pressure also continues, as more students leave special education and the community waiting list continues to increase. The Subcommittee believes that its recommendations address priority areas designed to increase community support services, particularly to children and families as well as to continue to address state hospital downsizing and the community waiting list. However, the Subcommittee believes that its recommendations continue to leave many real needs in this area unmet.
2. Delete \$530,000 from the State General Fund in savings in FY 1995 based on projected audit adjustments (\$215,000) and savings in the community and day living program due to shifting of Medicaid eligible clients to the HCBS-MR waiver (\$315,000). The audit adjustments reflect one-time savings to be realized in FY 1995 but returned to the base budget in FY 1996.
3. Add \$100,000 from the State Budget Stabilization Fund for one-time costs associated with the placement of persons from state hospitals to the community in FY 1995. The recommendation would fund start-up costs which will primarily be associated

with children who may be placed from state MR/DD hospitals into supported family living environments in the community.

4. Add \$260,000 from the State General Fund to serve 50 FTE new clients with vocational rehabilitation supported employment services in FY 1995. The recommended funding will draw down an additional \$920,000 in federal vocational rehabilitation funds on a 78 percent federal/22 percent state matching basis. The Subcommittee would note that in FY 1994 and prior years, a total of \$395,326 from the State General Fund has been provided to serve 75 new clients.
5. Add \$360,462 from the State General Fund for the Parent Assistance Network. The Subcommittee heard testimony regarding this new program, to be organized through Families Together, which will provide individual parent assistance, parent-to-parent emotional support, volunteers to attend school IEP meetings, Supplemental Security Income (SSI) parent mentors, and parent representation and input on local councils for families of children with a disability. The five-year plan presented to the Subcommittee would phase in regional parent assistance coordinators throughout the state over a five-year period in each of the 22 identified Families Together regions. The Subcommittee recommendation would provide for parent assistance coordinators and other services in six sections of the state beginning in October, 1994. The following benefits will accrue from this initiative:
 - Individual parent assistance through 22 regional parent assistance coordinators (at full implementation) and the Families Together Central Office staff;
 - A cadre of 220 volunteers trained to consult on education issues and attend Individual Education Plan (IEP) plan meetings when necessary;
 - Supplemental Security Income (SSI) volunteer parent mentors to assist families with the application and appeal process;
 - Increased opportunity for parent/family input in local councils dealing with disability issues. This will be achieved both through direct contact with the Regional Parent Assistance Coordinators who will participate on local councils and through increased parent involvement in these councils. Regional parent assistance coordinators would be expected to serve on one local interagency coordinating council for early childhood education, one transition school to work council, one special education advisory council, and one quality assurance council. They would also provide linkages to site-based school councils and local planning councils established pursuant to 1992 H.B. 3113; and
 - Increased opportunity for parent training on a variety of issues through the expansion of Families Together parent workshops

The Subcommittee believes the establishment of this network will make information about specific disabilities and service access available to parents, and will meet needs for emotional support of families, as well as providing a safety net when other resources are not available.

The annual cost at full implementation after five years is estimated to total approximately \$1.3 million.

6. Add \$100,000 from the State General Fund in the family subsidy program to add 83 families to the family subsidy program for six months in FY 1995.
7. Add \$100,000 from the State General Fund to the family support program to fund services for approximately 83 additional families for six months.
8. Add \$500,000 from the State General Fund (\$1.2 million All Funds) to place clients from the community waiting list in FY 1995 through the HCBS-MR waiver. The Subcommittee is recommending that the agency place as many clients as possible towards the goal of 218 placements (with a minimum of 109 placements) to be phased in over the last three quarters of FY 1995. The Subcommittee would note that with this recommendation the waiting list will still continue to grow in FY 1995 by as many as 135.
9. The Subcommittee reviewed the budget for the Intermediate Care Facilities for the Mentally Retarded (ICF-MR) program. The Governor's FY 1995 recommendation includes \$35.3 million for over 960 beds in these facilities. 670 of these beds are located in ten large-bed facilities (ranging in size from 40 to 100 beds each, except for one facility with 15 beds). The remaining 291 beds are in a number of smaller (4-15 beds), more integrated facilities, which are often operated through community mental retardation centers and their affiliates. The large-bed ICFs/MR are private for-profit facilities which are Medicaid-certified to collect Title XIX reimbursement. Services provided to clients in the large ICFs/MR are very similar to those provided in the state hospitals. Profiles provided during the 1993 interim indicate that many of these clients could be served in more integrated community-based services. In fact, the profiles indicate that a significantly greater number of persons with mild and moderate retardation reside in large-bed ICFs/MR than in state hospitals. In addition, significantly fewer clients in large-bed ICFs/MR fall in Tier 1 and Tier 2 (most severe) of the DDP as compared to both state hospitals and recent community placements.

The agency has a goal to reduce the number of individuals served in large-bed ICF-MR facilities by 100 through the closure of up to two facilities in FY 1995. The agency proposed the addition of \$690,000 associated with unreimbursed higher fixed costs which would be incurred by the ICF-MRs during downsizing preceding closure (an estimated \$4,600 per person for 150 persons). The agency indicated that additional statutory or regulatory language would be needed to give them the authorization to cause such closures.

The Subcommittee recommends that SRS begin the process of downsizing large-bed ICF-MR facilities in FY 1995, through targeted closure of at least two facilities, with at least 100 individuals to be placed in community settings. Funding for the clients in the ICF-MR program would be transferred as those funds are freed up to pay for HCBS services in the community. In order to begin the process, the Subcommittee recommends the **addition of \$230,000 from the State Budget Stabilization Fund** to allow the agency to facilitate such closures. In addition, the Subcommittee recommends the addition of the following language to the appropriations bill to give SRS the authority it needs to begin closing ICF-MR facilities:

Provided further, that the Secretary of SRS is authorized to identify and facilitate the closure of designated ICFs/MR of 15 or more beds by: (1) the development of person-centered essential lifestyle plans for all individuals in the designated ICFs/MR; (2) placing the individuals back in the communities of their choice with sufficient services and supports; (3) refusing to authorize new admissions under the Medicaid program to the designated ICFs/MR; and (4) refusing to enter into provider contracts with the designated ICFs/MR once all original residents have been placed. The Secretary is further authorized to refuse to enter into contracts with any new or reorganized ICFs/MR.

This language would replace existing language which only authorizes the Secretary to "refuse to enter into contracts with ICFs/MR". The Subcommittee further recommends that the agency report to the 1995 Legislature regarding needed regulatory or statutory changes to continue this process beyond the timeframe of the appropriations bill.

The Subcommittee heard testimony regarding potential shortfalls of up to \$1.3 million in the ICF-MR program in both FY 1994 and FY 1995. The Subcommittee understands that no budget adjustments will be requested prior to the agency's March caseload estimating, but believes that if internal savings are not available, the agency should request a Governor's Budget Amendment at that time.

10. The Subcommittee received testimony regarding current mill levies for MR/DD services. Although counties are authorized to levy up to two mills, it is estimated that total revenue from the mill levy in FY 1994 will total approximately \$11.0 million, which equates to approximately 37.0 percent of what would be raised by a statewide 2-mill levy. The Subcommittee heard testimony regarding cost-of-living adjustments which have not been provided for state aid and grant programs in recent years. While counties have been supportive, some increasingly so, the Subcommittee recommends that, depending on the situation in their service area, the CMRCs actively seek support from their counties for such adjustments, since the state is continuing to provide not only base state aid funding but also additional funding targeted to serving new clients both from state institutions and the community.
11. The Subcommittee heard testimony regarding issues which have arisen between SRS and the Kansas Association of Rehabilitation Facilities (KARF) regarding licensure and accreditation. The Subcommittee did not have adequate time to analyze this issue but recommends that the Senate further review it during its consideration of the MR/DD budget, or that it be referred to an interim committee.
12. The Subcommittee also heard testimony regarding concerns expressed by local service coordinators regarding the current training requirements for service coordinators. The Subcommittee recommends that SRS negotiate with the KARF service coordination task force regarding these training requirements in order to arrive at more reasonable levels of training expectations.
13. The Subcommittee reviewed both financial and nonfinancial barriers identified by SRS regarding client placements under the Community Integration Program (CIP).

(See page 7 of the attached MR/DD strategic plan.) In addition, the Subcommittee reviewed concerns and barriers identified by community conferees in response to testimony by SRS. In general, community conferees indicated a continued concern over the long and growing waiting list for community services. The community conferees also identified several financial and nonfinancial barriers which they believe have impeded their ability to reach placement goals. These are summarized below:

Testimony of Community Providers -- Barriers to Placement

Nonfinancial Barriers

1. Increased complexities of operations due to individualizing services and increased decentralization which CMRCs must respond to as they expand their services
2. Difficulties and steps involved in the client planning process
3. Ongoing and increased demands for additional services from clients and their families
4. Threatened legal challenges related to institutional placements as they take priority over placements from the community waiting list
5. The aging of the MR/DD population served by the centers and their parents
6. "Burn-out" of staff and difficulty in sustaining community and legislative interest and commitment in this area
7. Unavailability of housing and transportation services

Financial Barriers

1. Disagreements between SRS and CMRCs over methods and amounts of rates to be paid for individualized placements
2. Unreimbursed start-up expenses
3. Diminished reimbursement for services in moving to a tiered rate
4. Difficulties in recruitment and training of direct care staff, with turnover nationally in community programs as high as 67 percent, at least in part due to the disparity in wages between state hospital and community services staff
5. Lack of a cost-of-living adjustment for state aid programs for at least six years

The Subcommittee would note that a Legislative Post Audit study is in progress regarding the placement of clients from state institutions to the community. The study is intended to determine how many patients have transferred from state mental retardation hospitals to community based facilities in recent years (including whether they later returned to the hospital), and to determine what factors are keeping more patients from transferring from state mental retardation hospitals to community facilities. The Legislative Division of Post Audit anticipates that this audit will be

presented to the Legislative Post Audit Committee by March 24. The Subcommittee recommends that the Senate Subcommittee review this issue.

14. As noted above, the Subcommittee believes that its recommendations are far from funding the real needs in the area of MR/DD community services. If additional revenue becomes available, the Subcommittee recommends that further consideration be given to this budget during the Omnibus Session. The Subcommittee would prioritize for consideration at that time full funding of the agency's request for services to persons from the community waiting list, increased funding for family subsidy and support services, full funding of the agency's vocational rehabilitation request, and funding to allow the parent assistance network to expand beginning in July.
15. The Subcommittee is supportive of the agency's desire to expand quality assurance statewide and recommends that SRS use existing FTE authority and funding to provide the three positions necessary to do so.
16. The Subcommittee reviewed action by the 1958 Legislature on 1958 H.B. 60, concerning appropriations for certain institutions, including the budget of Winfield State Hospital and Training Center. The Subcommittee would note that on a roll call vote, 97 members of the House of Representatives voted in favor of the appropriations bill, with 1 member voting against the bill. The Subcommittee references remarks of the member voting against the bill:

Explanation of Vote

Mr. Speaker: This bill eliminates the dairy herd at Winfield. By using a different excuse at each institution, the administrative decision of the director of institutions to eliminate these dairy herds, has now been completed. I think this was a bad decision.

Richard R. Rock

The Subcommittee recommends that the Senate review the decision to eliminate the dairy herd at Winfield State Hospital when it considers the budgets of the state hospitals.

17. Attached to this testimony is a copy of the SRS MR/DD strategic plan which includes information on the agency's goals, objectives, strategies and identified barriers to those strategies for MR/DD services.

House Committee Recommendation

The House Committee concurs with the recommendations of the Subcommittee with the following adjustments:

1. Delete \$360,462 from the State General Fund to eliminate the funding for the Parent Assistance Network recommended by the Subcommittee in item 5.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the Committee with the following adjustments:

1. Shift \$150,000 SGF from vocational rehabilitation to mental health and retardation services to serve 25 new MR/DD clients with vocational rehabilitation supported employment services in FY 1995. The funding will draw down an additional \$565,000 in federal funds.

| | House Adj. FY 95 | House Rec. FY 1995 | Senate Subcommittee* Adjustments |
|--------------------------------------|---------------------|-----------------------|--|
| MHRS: | | | |
| MR/DD Administration | \$ -- | \$ 538,276 | \$ -- |
| State Aid | -- | 5,963,174 | -- |
| Mental Retardation Grants | 525,000 | 12,961,946 | -- |
| Community & Day Living | (315,000) | 10,126,106 | -- |
| Family Subsidy & Support | 200,000 | 2,683,052 | 380,000 |
| Federal Special Projects | -- | 200,000 | -- |
| MR Medical Waiver Field Staff | -- | 469,486 | -- |
| Total -- Mental Retardation Services | \$ 410,000 | \$ 32,942,040 | \$ 380,000 |
| Medical Assistance: | | | |
| ICF-MRs | \$ -- | \$ 35,310,593 | \$ -- |
| HCBS-MR Program | 1,200,000 | 40,957,849 | 487,805 |
| Subtotal -- Medical Assistance | \$ 1,200,000 | \$ 76,268,442 | \$ 487,805 |
| TOTAL -- All Funds | \$ 1,610,000 | \$ 109,210,482 | \$ 867,805 |
| State Funds | \$ 580,000 | \$ 54,419,409 | \$ 580,000 |
| FTE Positions | -- | 22.0 | 3.0 |

* The Senate Subcommittee also recommends the transfer of \$450,000 from the MR/DD Revolving Fund to the State General Fund.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House, with the following adjustments:

1. Transfer \$450,000 from the Mental Retardation Developmental Disability Provider Revolving Fund to the State General Fund, effective July 1, 1994. This fund was established by the 1993 Legislature through the transfer of \$500,000 from the State General Fund. The fund was designed to provide advances to providers for

services to Medicaid-eligible clients, in order to alleviate cash-flow problems experienced by such providers. The Subcommittee was informed that no providers have sought to access this funding. Our recommendation leaves \$50,000 available in the fund in FY 1995. We further recommend that the Legislature review the use of this fund in future years to determine whether a need for this revolving fund exists.

2. Add \$50,000 from the State General Fund for the family subsidy program in FY 1995. The recommendation provides total funding for the family subsidy program of \$1,150,000 in FY 1995, an increase of \$150,000 from the FY 1994 level. We believe that this is a cost-effective investment that assists families in additional costs incurred in caring for family members at home. In many cases, we believe this allows families to stay afloat and avert potential financial disaster.
3. Add \$50,000 from the State General Fund for the family support program. This program provides funding to community providers for services to families such as respite care. We are extremely supportive of increasing services to families and believe these programs are cost-effective alternatives to institutionalization and provide the services and support families need not only to care for a family member with mental retardation and developmental disabilities, but also to alleviate stresses on the family unit.
4. Add \$280,000 from the State General Fund for the Parent Assistance Network. This provides funding for this program in 3 regions of the state in FY 1995. The Subcommittee reviewed a five-year plan for a parent assistance network to be phased in across the state. This network would provide individual parent assistance, parent-to-parent emotional support, volunteers to attend school IEP meetings, Supplemental Security Income (SSI) parent mentors, and parent representation and input on local councils for families of children with a disability. We are extremely supportive of this concept and believe it will assist many families and provide a safety net when no other resources are available. We would note that the House Subcommittee recommended \$360,462 for this project, for nine-months funding for six regions, and that this funding was removed by the House Committee. The House Subcommittee placed a high priority on this project, and even recommended additional funding be considered during the Omnibus Session if resources become available. We concur and recommend that full funding for the first year of the project in six regions (\$560,462) be considered during the Omnibus Session if resources are available to do so.
5. Add \$200,000 from the State General Fund (\$487,805 All Funds) to the HCBS-MR Medicaid waiver to provide services to clients on the community waiting list. This funding, along with that recommended by the House, would allow services to a minimum of 160 clients from the community waiting list in FY 1995. We are still concerned with the growth of the community waiting list, and note, that even with this recommendation, the list will continue to grow. We continue to believe it is essential to provide services to those waiting for services in the community as we proceed with downsizing at the state hospitals. We recommend that the placements be phased throughout FY 1995.
6. The Subcommittee recommends that 3.0 FTE positions planned for deletion from the state hospitals due to downsizing be shifted to mental retardation services to

allow the expansion of the quality assurance program statewide. We recommend that the agency fund these positions through reallocation of existing resources.

7. The Subcommittee reviewed the community waiting list for services. The following chart indicates several years history for both the primary waiting list and the combined primary and secondary waiting list. The primary waiting list reflects those **adults** who are reported by community mental retardation centers and their affiliates as ready to **accept services immediately** if they were offered. The combined waiting list numbers include persons who would accept services at some point in the future.

As the chart indicates, the primary waiting list grew from 656 in January, 1993 to 744 in January, 1994. However, by the close of this fiscal year, it is expected to total 556, an actual reduction of approximately 100 persons since January, 1993, and a reduction of 188 since January, 1994. This reduction is due primarily to the HCBS-MR community placements funded for FY 1994 by the 1993 Legislature. 235 placements were funded, but services to clients did not begin until February. Thus, many more adults will begin to receive services prior to the close of the fiscal year.

Testimony to the Subcommittee indicated many factors which contribute to growth in the waiting list. First of all, the waiting list is for adults only. This means that as students leave the special education system, they join the primary waiting list. This number is estimated to total at least 200 in each year. A second factor is that some of the HCBS-MR placements funded by the Legislature have been used for children, particularly to place children in foster care situations. These placements, since they are for children, do not reduce the waiting list. Lastly, it was also reported to the Subcommittee that many of the persons entering the waiting list are older adults who have always lived at home with a parent or sibling.

Although the waiting list continues to grow, the number of persons served in the community system continues to grow even more rapidly than the waiting list. The number served has escalated from 4,856 adults in January, 1991 to over 5,510 in January, 1994. These numbers exclude the increasing numbers of children being served through the family subsidy, family support and other early intervention programs.

8. The Subcommittee reviewed current county mill levies and level of county contribution to services to the mentally retarded and developmentally disabled. Although we received information delineating the current mill levies, we have received no information to allow us to relate the level of contribution by a county to the number of persons with mental retardation and developmental disabilities residing in each counties, and the level of services needed by these residents. We recommend that SRS work with the Kansas Association of Rehabilitation Facilities to survey counties regarding both their contribution levels and their MR/DD population, as well as the services needed by persons in each county. We recommend that SRS provide this information to the 1995 Legislature. The Subcommittee believes this information will be valuable to the agency and the Legislature in assessing county support, and will also provide the counties with information to assess their own level of participation with other counties.

9. We received information on an item identified by the House Subcommittee regarding licensure and accreditation issues which have arisen between SRS and the Kansas Association of Rehabilitation Facilities (KARF). The Subcommittee did not have time to adequately review this information and reach any conclusions. We are supportive of referring this issue to an interim committee for review, in conjunction with other MR/DD issues which might be recommended for study. Such other topics might include the relationship and partnership between the state and counties in funding MR/DD services, as discussed in item 7.

COMMUNITY MENTAL RETARDATION SERVICES WAITING LIST

Combined Primary and Secondary Lists

| | <u>TOTAL WITHOUT SERVICES</u> | <u>SERVICES NEEDED</u> | | |
|--------------|---------------------------------------|------------------------|--------------------|--------------------------------|
| | | <u>DAY ONLY</u> | <u>RESIDENTIAL</u> | <u>DAY AND RESIDENTIAL</u> |
| January 1990 | 947 | 233 | 475 | 198 |
| January 1991 | 1,062 | 211 | 542 | 271 |
| January 1992 | 1,187 | 300 | 496 | 345 |
| January 1993 | 1,131 | 209 | 549 | 321 |
| January 1994 | 1,250 | 236 | 584 | 390 |

Primary Waiting List Only

| | <u>TOTAL WITHOUT SERVICES</u> | <u>SERVICES NEEDED</u> | | |
|-------------------------|---------------------------------------|------------------------|--------------------|--------------------------------|
| | | <u>DAY ONLY</u> | <u>RESIDENTIAL</u> | <u>DAY AND RESIDENTIAL</u> |
| January 1992 | 645 | 205 | 275 | 131 |
| January 1993 | 656 | 131 | 345 | 135 |
| January 1994 | 744 | 161 | 360 | 193 |
| Projected June 30, 1994 | 556 | | | |

SENATE SUBCOMMITTEE REPORT

**Larned State Hospital
Osawatomie State Hospital
Rainbow Mental Health Facility
Topeka State Hospital**

SRS -- Community Mental Health Services

H.B. 2752; H.B. 2759



Senator Dave Kerr, Chair



Senator Bill Brady



Senator Barbara Lawrence

FY 1994 SYSTEMWIDE RECOMMENDATION

The Subcommittee concurs with the recommendations of the Governor with the following adjustment:

1. Revise the proviso from the 1994 State General Fund appropriations for Larned, Osawatomie, and Topeka State Hospitals which specifies the amount which may be expended only for the purchase of the pharmaceutical drug clozapine (Clozaril) and provides that this amount shall not be expended for any other purpose. The Subcommittee notes that these provisos were attached to the FY 1993 and FY 1994 appropriations for the hospitals, which were the first years funding for this drug was included in the hospital budgets. The revision would allow the specified funding to be expended only for the purchase of pharmaceutical drugs, including Clozaril.

The Subcommittee notes that, since FY 1992, when some Clozaril funding was provided for the hospitals from the SRS central office budget, the hospitals' clinical staffs have developed treatment protocols and have obtained clinical treatment experience with Clozaril, which is prescribed for severely ill schizophrenic patients who cannot tolerate or who fail to respond adequately to standard antipsychotic drug therapy. The Subcommittee reviewed each of the hospitals' actual and estimated Clozaril expenditures for FY 1994 and concludes that expenditures for Clozaril will, in most cases, meet or exceed the funding recommended for this purpose. Moreover, the Subcommittee received additional testimony that a newly released medication, Risperidone, may offer a new therapeutic option for patients who have not responded to Clozaril, who cannot tolerate Clozaril because of a drop in white blood cell counts or an increase in seizures, or who are not compliant with the weekly blood tests required with Clozaril use.

The Subcommittee further notes that the hospitals have reported that the use of Clozaril has resulted in a decline in the number of seclusion hours, an increase in the number of temporary home visits, an increase in work program activities, and other positive results for those patients who have responded to the treatment. Since Clozaril use began in FY 1992, Larned State Hospital has successfully discharged 25 patients into community placements because of improvements due to Clozaril use, Osawatomie State Hospital has released 20 patients into community placements, and Topeka State Hospital has released 26 patients into community placements. Further, many of the patients benefitting from Clozaril usage have had lengthy hospitalizations. For example, two of the patients released from Larned State Hospital have been patients since 1977 and 1978; similar case histories are reported by the other hospitals.

Additional patients who could potentially benefit from Clozaril have been identified at each of the hospitals.

The Subcommittee recommends that the proviso be revised to give the agencies some flexibility in the area of drug utilization.

House Committee Recommendation

The House Committee concurs with the recommendations of the House Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the House Committee.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House Committee of the Whole.

1995 SYSTEMWIDE RECOMMENDATIONS

The Subcommittee concurs with the recommendations of the Governor with the following adjustments:

1. The Subcommittee recommends the introduction of legislation which would exempt direct care employees of the state mental health hospitals from the retirement reduction provisions of 1993 H.B. 2211. Administrative and other support personnel of the hospitals would still be subject to the retirement reduction provisions. The Subcommittee notes that direct care positions are critical to retaining Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accreditation and Health Care Financing Administration (HCFA) certification. Although the hospitals may appeal for restoration of these positions, under current law these positions must remain unfilled during the appeals process.
2. The Subcommittee recommends the introduction of legislation which would add psychiatry to the listing of currently approved postgraduate residency training programs for purposes of the Medical Student Loan Act. The recommended legislation would allow recipients of medical student loans under the Act to satisfy their service obligations at a state hospital or in a community setting (excluding Johnson, Douglas, Sedgwick, Shawnee, or Wyandotte counties) after completion of a residency training program in psychiatry. The Subcommittee received testimony that the recruitment of psychiatrists, particularly Board certified psychiatrists, remains a problem for the state mental health hospitals, particularly for Larned State Hospital. The recommended legislation is intended to address this issue.
3. The Subcommittee reviewed the school contracts at each of the hospitals. In previous years, each of the hospitals has negotiated its school contract with its local school district; however, for the 1994 - 1995 school contracts currently under negotiation, the Division of Purchases has participated in the process and the school contracts were put out for bid. According to the Department of Social and Rehabilitation Services (SRS), this process resulted in no new bidders. The only bidder for each of the contracts was the school district which currently provides educational services for each hospital.

The Subcommittee recommends that the following proviso be inserted in each of the hospitals' FY 1995 appropriations:

Provided further, That expenditures may be made from this account for an educational services contract which is hereby authorized to be negotiated and entered into by the above agency with a unified school district or another public educational services provider: And provided further, That such educational services contract shall not be subject to the competitive bidding requirements of K.S.A. 75-3739 and amendments thereto.

4. The Subcommittee received testimony that, subsequent to the agencies' budget submission, the agencies learned that the cost of natural gas could increase beginning in FY 1994 due to changes in natural gas industry pricing based on Federal Energy Regulatory Commission Order 636. The agencies are not yet certain if the price will

increase and do not have estimates of the amounts of the increase. The Subcommittee recommends this issue as an item for Omnibus consideration.

5. The Subcommittee notes that the Governor's recommendation for FY 1995 deletes the estimated teacher salary increases from each of the hospital budgets and the estimated OOE cost increase from the Topeka State Hospital budget. The Subcommittee recommends that, as in previous years, this be considered as an Omnibus item together with the annual adjustment for the anticipated Categorical Aid rate.
6. The Subcommittee notes that each of the hospitals included a presentation on the agency mission, objectives, the strategies employed in reaching the objectives, and barriers the agency faces in achieving its goals and objectives. The Subcommittee reviewed this information with each agency and the Subcommittee notes that many of its recommendations resulted from these discussions. This information is provided as an attachment to the Subcommittee reports.

House Committee Recommendation

The House Committee concurs with the recommendations of the House Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the House Committee.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House Committee of the Whole, with the following adjustment:

1. The Subcommittee reviewed the attained and anticipated unit closures resulting from mental health reform, as well as the unit closures and FTE reductions recommended by the House Subcommittee as a result of lower than anticipated average daily census figures at Larned and Osawatomie. The Subcommittee notes that the FTE reductions to date have been, for the most part, the direct care positions associated with each of the units. The Subcommittee questions whether the census reductions should have resulted in some additional reductions of administrative, support, and ancillary care staff. The Subcommittee recommends that Mental Health and Retardation Services review this issue systemwide and report its findings to the 1995 Legislature.

The Subcommittee was informed that Mental Health and Retardation Services will review fixed costs at each of the institutions on an individual and a systemwide basis to determine any potential savings, including any instances in which contracting for services would result in budgetary savings. The agency has determined that this extensive review is appropriate and necessary in light of changed circumstances resulting from downsizing at the institutions.

SUBCOMMITTEE REPORT

Agency: Larned State Hospital

Bill No. 2752

Bill Sec. 20

Analyst: Porter

Analysis Pg. No. 481

Budget Page No. 422

| Expenditure | Agency Est. FY 94 | Governor's Rec. FY 94 | Subcommittee Adjustments |
|---------------------------|----------------------|--------------------------|-----------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ 17,249,103 | \$ 17,180,627 | \$ -- |
| General Fees Fund | 1,531,327 | 1,531,327 | -- |
| Title XIX Fund | 13,737,095 | 13,734,007 | -- |
| Fed. Education Funds | 77,322 | 77,322 | -- |
| Subtotal | \$ 32,594,847 | \$ 32,523,283 | \$ -- |
| Capital Improvements: | | | |
| State Inst. Building Fund | 1,819,234 | 1,819,234 | -- |
| Title XIX Fund | -- | -- | -- |
| GRAND TOTAL | \$ 34,414,081 | \$ 34,342,517 | \$ -- |
| FTE Positions | 928.1 | 924.1 | -- |
| Average Daily Census | 542 | 532 | -- |

Agency Request/Governor's Recommendation

Larned State Hospital estimates FY 1994 operating expenditures of \$32,594,847. The revised estimate includes a reduction of \$32,621 from the amount approved by the 1993 Legislature, as adjusted by State Finance Council, and including negative adjustments for the FY 1994 pay plan which could not be made by State Finance Council action. Of the \$32,621 reduction, \$26,851 is a reduction in federal education funds, and \$4,432 is a reduction from the approved level of State General Fund financing because of a miscalculation of the agency's FY 1993 limited reappropriation. The FY 1994 estimate reflects an increase of \$15,479 in fee fund expenditures above the approved level and a corresponding reduction of \$15,479 in Title XIX expenditures from the approved level. The FY 1994 estimate does not reflect \$17,000 in State General Fund financing transferred from the Department of Social and Rehabilitation Services budget for clothing for YCAL residents. The transfer is intended to fund YCAL clothing expenditures at a level similar to the other youth centers.

Current year operations include the following program activities:

1. Mental Health Reform. FY 1994 is the first year of mental health reform downsizing for Larned State Hospital. In compliance with the Mental Health Reform Act enacted by the 1990 Legislature (1990 Sub. for H.B. 2586), the hospital will eliminate 30 adult beds from the Adult Psychosocial Rehabilitation Program, which is located in the Eisenhower Adult Treatment Center.

SWAM
March 22, 1994
Attachment 4

2. Certification of the Adult Psychosocial Rehabilitation Program. In its FY 1994 budget request to the 1993 Legislature, the agency stated that certification of the Adult Psychosocial Rehabilitation Program, which is located in the Eisenhower Adult Treatment Center, could potentially be accomplished with the addition of ten direct care positions. The 1993 Legislature approved 10.0 FTE special projects positions and fee fund expenditures of \$109,910 to fund the positions for six months. The agency states that it is progressing with this plan and that it anticipates a HCFA survey in the spring or summer of 1994.

3. Average Daily Census. The agency had an FY 1993 actual average daily census of 501, compared with a rated bed capacity of 542. While the majority of the hospital's programs were at or near capacity in FY 1993 (or over capacity in the case of the Youth Center at Larned), the Special Security Hospital program had an average daily census of 205 compared with the program's rated bed capacity of 250.

The Governor recommends FY 1994 funding of \$34,342,517 for 924.1 FTE positions, a reduction of \$71,564 and 4.0 FTE positions from the agency estimate for salaries and wages. The recommendation includes a reduction of \$103,997 for retirements pursuant to 1993 H.B. 2211 and offsetting adjustments to fringe benefits and turnover.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor with the following adjustment:

1. Revise the Clozaril proviso from the FY 1994 appropriations bill as explained in FY 1994 systemwide recommendation number 1.

House Committee Recommendation

The House Committee concurs with the recommendations of the House Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the House Committee.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House Committee of the Whole.

SUBCOMMITTEE REPORT

Agency: Larned State Hospital

Bill No. 2759

Bill Sec. 4

Analyst: Porter

Analysis Pg. No. 481

Budget Page No. 422

| Expenditure | Agency Req. FY 95 | Governor's Rec. FY 95 | Subcommittee Adjustments |
|---------------------------|----------------------|--------------------------|-----------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ 20,097,923 | \$ 18,414,372 | \$ (554,891)* |
| General Fees Fund | 1,378,176 | 1,238,959 | 139,217 |
| Title XIX Fund | 11,929,981 | 12,711,537 | -- |
| Fed. Education Funds | 77,322 | 77,322 | -- |
| Subtotal | \$ 33,483,402 | \$ 32,442,190 | \$ (415,674) |
| Capital Improvements: | | | |
| State Inst. Building Fund | 1,376,200 | 750,000 | -- |
| Title XIX Fund | -- | -- | -- |
| GRAND TOTAL | \$ 34,859,602 | \$ 33,192,190 | \$ (415,674) |
| FTE Positions | 927.1 | 908.1 | -- |
| Average Daily Census | 512 | 497 | (25-30) |

* In addition to these amounts, \$1,670,355 SGF would be transferred into this budget for the Youth Center at Larned. See recommendation number 2.

Agency Request/Governor's Recommendation

Larned State Hospital requests an FY 1995 operating budget of \$33,483,402, an increase of \$888,555, or 2.7 percent, above the FY 1994 estimate. The requested funding would include the following initiatives and program modifications for FY 1995:

FY 1995 Staffing Issues. Because of the FY 1995 closure of a 30 bed adult unit, the hospital would eliminate 27.0 FTE positions in FY 1995. The hospital proposes to retain 17.0 of those FTE positions, 10.0 of which would be direct-care staff assigned to the Special Security Program in Dillon Building, and 7.0 of which would be direct-care staff assigned to the Adult Psychosocial Rehabilitation Program to improve the staff/patient ratio.

In response to JCAHO survey recommendations, the hospital currently keeps five patient rooms on each ward of the Dillon Building unlocked at night. The agency states that it has been able to carry out this policy change without additional staffing because the unlocked rooms were assigned to each ward's most predictable and stable patients. The agency states that it cannot unlock additional doors, as recommended by JCAHO surveyors, without retaining the 10.0 FTE positions requested.

The agency will attempt to attain certification of the Adult Psychosocial Rehabilitation Program in FY 1994 with the use of 10.0 FTE special projects positions approved and funded for six months of FY 1994 by the 1993 Legislature. The FY 1995 request does not include continued funding for the special projects positions. The agency proposes that it be allowed to retain 7.0 of the 27.0 FTE positions that it would have eliminated due to Mental Health Reform in order to maintain certification of this program.

Youth Center at Larned (YCAL) Family Services Component and Additional YCAL Positions. For FY 1995 YCAL requests funding for a family services program which would allow the families of YCAL residents to come to YCAL two days per month for intensive training in parenting and communication skills. The 60 YCAL residents are 16 to 21 year old court-referred male juvenile offenders.

YCAL requests 5.0 FTE positions for the program, including 4.0 FTE Social Worker II positions (\$28,622 each, including fringe benefits, for a total of \$114,486) and 1.0 FTE Office Assistant II (\$18,542, including fringe benefits).

In addition to the five positions associated with the Family Services Program, YCAL requests an additional 4.0 FTE positions to meet current program needs. Although the program has a bed capacity of 60, the average daily census for FY 1993 was 77. The agency notes that, since January 1987, YCAL has been consistently operating over capacity. The agency requests 4.0 FTE additional Youth Service Specialist positions (\$21,999 each, for a total of \$87,998) to augment the current staffing level.

The Governor recommends FY 1995 funding of \$32,442,190 for 908.1 FTE positions, a reduction of \$1,041,212 and 19.0 FTE positions from the agency request. Reductions are recommended from the agency requests for salaries and wages (\$788,559), contractual services (\$54,607), commodities (\$86,446), and capital outlay (\$111,600). The Governor does not recommend that the agency retain the 10.0 FTE positions it requested for the Special Security Program, and does not recommend the 9.0 additional FTE positions requested for YCAL. The recommendation does allow the agency to retain the 7.0 FTE positions requested to maintain certification of the Adult Psychosocial Rehabilitation Program.

The Governor recommends separate budgets for the Youth Center at Larned and Larned State Hospital.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor with the following adjustments:

1. Delete \$554,891 from the State General Fund in FY 1995. The reduction is the net result of the following recommendations noted at a, b, c, d, and e:
 - a. Delete \$626,975 from the State General Fund. The Subcommittee was informed that, although the majority of the hospital's programs were at or near patient capacity (or over capacity in the case of the Youth Center at Larned) in FY 1993, the Special Security Hospital program had an average daily census of 205 compared with the program's rated bed capacity of 250. This trend has continued into

FY 1994. The census decline is from the beds allocated to the Department of Corrections; other beds are allocated for placements from the district courts. The Subcommittee recommends that the hospital close one 25 to 30 bed ward within the Special Security Program. The Subcommittee's recommendation would allow the hospital to delay closure until September 18, 1994, so that the hospital would have three months in FY 1995 to either reduce FTE positions through attrition or to implement the required layoff "bumping" procedure. The Subcommittee anticipates that the agency's FY 1996 budget reflect the deletion of 27.0 FTE positions associated with the unit.

The Subcommittee notes that it received testimony that these beds would be included in the plan for relief for mental health rehabilitative services which was approved by the federal court in regard to the needs of seriously mentally ill inmates within the Kansas correctional system (*Jouett E. Arney v. Mike Hayden, et al.*, No. 77-3045 [D.Kan.]). To ensure that this action would not violate the conditions of the federal court order, the Subcommittee recommends that the Senate Subcommittee address this issue. The Subcommittee further recommends that SRS coordinate with the Department of Corrections to ensure that conditions of the federal court order are not violated.

- b. Add \$185,306 from the State General Fund and 10.0 FTE positions in FY 1995. This amount would provide nine months funding for the 10.0 FTE positions the agency had requested in response to JCAHO survey recommendations. The hospital currently keeps five patient rooms on each ward of the Dillon building (within the Special Security program) unlocked at night. The agency states that it cannot unlock additional doors, as recommended by JCAHO surveyors, without additional staffing.
 - c. Add \$65,973 from the State General Fund for operating expenses for the Substance Abuse program. Although the Governor's recommendation includes funding for salaries and wages for this program, some amounts of OOE were inadvertently omitted from the recommendation.
 - d. Delete \$139,217 from the State General Fund and increase fee fund expenditures by \$139,217. The Subcommittee's recommendation would leave an estimated FY 1995 ending balance of \$136,850.
 - e. Delete \$39,978 from the State General Fund. The Subcommittee recommends that the agency decrease its expenditures for direct care trainees by this amount.
2. The Subcommittee recommends that the budget for the Youth Center at Larned (YCAL), which was included in 1994 S.B. 585 (other public safety, as introduced),

be included within the Larned State Hospital budget. Although the YCAL budget has been included within the Larned State Hospital budget in previous years, the YCAL budget had been separated from the Larned State Hospital budget for FY 1995 in response to a recommendation from the Reinventing Kansas Government Task Force. This recommendation transfers \$1,670,355 from the State General Fund into the Larned State Hospital budget; however, this funding will be deleted from S.B. 585.

3. The Subcommittee notes its concern with the average daily census of the Youth Center at Larned (YCAL). Since January 1987, YCAL has been operating consistently over capacity. Although YCAL has a rated bed capacity of 60, the center has had the following average daily census (ADC) in recent years: FY 1989, 74; FY 1990, 80; FY 1991, 82; FY 1992, 82; and FY 1993, 77. The Subcommittee also notes that, of the 93 admissions to YCAL in FY 1993, 39 came from Sedgwick County and an additional 12 came from locations east of Sedgwick County. The Subcommittee recommends that the Senate Subcommittee consider these issues.

House Committee Recommendation

The House Committee concurs with the recommendations of the House Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the House Committee.

| Expenditure | House Adj. FY 95 | House Rec. FY 95 | Senate Sub. Adjustments |
|---------------------------|---------------------|---------------------|----------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ (554,891)* | \$ 17,859,481 | \$ -- |
| General Fees Fund | 139,217 | 1,378,176 | -- |
| Title XIX Fund | -- | 12,711,537 | -- |
| Fed. Education Funds | -- | 77,322 | -- |
| Subtotal | \$ (415,674) | \$ 32,026,516 | \$ -- |
| Capital Improvements: | | | |
| State Inst. Building Fund | -- | 750,000 | -- |
| Title XIX Fund | -- | -- | -- |
| GRAND TOTAL | \$ (415,674) | \$ 32,776,516 | \$ -- |
| FTE Positions | -- | 908.1 | -- |
| Average Daily Census | 25-30 | 472-477 | -- |

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House Committee of the Whole, with the following adjustments:

1. As recommended by the House Subcommittee, the Senate Subcommittee reviewed the recommended closure of a 25 to 30 bed unit within the Special Security Program. The Subcommittee received testimony from a representative of the Department of Corrections (DOC) regarding the impact of this action upon the mental health plan approved by the federal court for seriously mentally ill inmates within the Kansas correctional system (*Porter, et al. v. Finney, et al.*, No. 77-3045 [D. Kan.]). (Previously captioned *Arney, et al. v. Hayden, et al.*)

The DOC representative indicated that simply decreasing the capacity of the State Security Hospital would not, in itself, place the Department out of compliance with the plan. In the opinion of the DOC, it would not be out of compliance as long as Larned State Hospital continues to accept DOC mental health referrals up to 74 for males and 10 for females, as provided in the plan. At the present time, DOC utilization levels are well below the levels set forth in the plan. The DOC representative noted that this could change if the inmate population increases or if the mental health treatment needs of the inmate population change. The DOC has not yet determined whether it will request an adjustment to the court approved plan based on recent utilization levels and/or a capacity reduction within the Larned State Hospital Special Security Program.

The Subcommittee notes that S.B. 525 would provide that persons determined to be sexually violent predators "be committed to the custody of the Secretary of Social and Rehabilitation Services for control, care, and treatment until such time as the person's mental abnormality or personality disorder has so changed that the person is safe to be at large." The control, care, and treatment is to be provided "at a facility operated by the Department of Social and Rehabilitation Services." The Subcommittee notes that, at the present time, there is no approved plan in place for housing persons determined to be sexually violent predators. The Subcommittee recommends that the Department of Social and Rehabilitation Services continue its discussions with the Department of Corrections on this issue and report its findings to the Legislature during the Omnibus Session. The Subcommittee recommends that the closing of a unit within the Special Security Program at Larned State Hospital be further considered as an Omnibus item in light of this issue.

2. The Subcommittee also reviewed the issue of the average daily census at the Youth Center at Larned (YCAL), as requested by the House Subcommittee. The Subcommittee notes that the Senate and House Subcommittees which reviewed the youth center budgets reviewed census and capacity issues on a systemwide basis and have made recommendations regarding this issue.

SUBCOMMITTEE REPORT

Agency: Osawatomie State Hospital

Bill No. 2752

Bill Sec. 21

Analyst: Porter

Analysis Pg. No. 494

Budget Page No. 464

| Expenditure | Agency Est. FY 94 | Governor's Rec. FY 94 | Subcommittee Adjustments |
|-------------------------|----------------------|--------------------------|-----------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ 9,495,315 | \$ 9,298,569 | \$ 38,692 |
| General Fees Fund | 2,002,462 | 2,002,462 | -- |
| Title XIX Fund | 9,945,215 | 9,842,039 | -- |
| Federal Education Funds | 32,640 | 32,640 | -- |
| Subtotal | \$ 21,475,632 | \$ 21,175,710 | \$ 38,692 |
| Capital Improvements: | | | |
| State Inst. Bldg. Fund | 88,983 | 88,983 | -- |
| GRAND TOTAL | \$ 21,564,615 | \$ 21,264,693 | \$ 38,692 |
| FTE Positions | 595.5 | 583.5 | 5.0 |
| Average Daily Census | 260 | 250 | -- |

Agency Estimate/Governor's Recommendation

Osawatomie State Hospital estimates FY 1994 operating expenditures of \$21,475,632, which reflects a reduction of \$8,260 in federal education funds from the amount approved by the 1993 Legislature, as adjusted by State Finance Council action. State General Fund financing is in the amount approved by the 1993 Legislature. Estimated expenditures from the hospital fee fund are \$211,535 more than the approved amount with a corresponding decrease of \$211,535 in estimated expenditures from the federal Title XIX fund.

The Governor recommends FY 1994 expenditures of \$21,175,710, a reduction of \$299,922 from the agency estimate. The recommendation includes an FY 1994 average daily census (ADC) of 250 based on the FY 1994 first quarter ADC of 226. (Staff Note: The agency notes that the ADC for the first six months of FY 1994 was 215.) Reductions are recommended from the agency request for salaries and wages (\$229,474), food (\$11,388), and drugs and pharmaceutical supplies (\$59,060). The recommendation includes 583.5 FTE positions, a reduction of 12.0 FTE positions from the agency estimate. The agency has had 19 retirements to date in FY 1994, and the recommendation reflects a reduction of \$250,290 from salaries and wages as a result of retirements. (Staff Note: The agency states that, of the 19 FY 1994 retirements to date, 7 of the positions have been restored and 12 remain in the appeals process for restoration. The agency has paid \$63,860 to date in FY 1994 for accrued vacation leave upon retirement.)

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House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor with the following adjustment:

1. Revise the Clozaril proviso from the FY 1994 appropriations bill as explained in FY 1994 systemwide recommendation number 1.
2. Add \$38,692 from the State General Fund to fund 5.0 FTE positions for the remainder of FY 1994. The Subcommittee was informed that the agency has had 19.0 FTE retirements to date in FY 1994. At the time of the Governor's recommendation, 7.0 of those positions had been restored and 12.0 positions were in the position restoration appeals process. The Governor's recommendation reflects the agency status as of January 1994: 12.0 FTE positions and related funding are deleted from the agency budget. Since the Governor's recommendation, however, 5.0 FTE positions have been restored. The Subcommittee's recommendation would restore funding so that these positions can be filled from March 18, 1994 until the end of the fiscal year.

House Committee Recommendation

The House Committee concurs with the recommendations of the House Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the House Committee.

| Expenditure | House Adj. FY 94 | House Rec. FY 94 | Senate Sub. Adjustments |
|-------------------------|---------------------|---------------------|----------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ 38,692 | \$ 9,337,261 | \$ -- |
| General Fees Fund | -- | 2,002,462 | -- |
| Title XIX Fund | -- | 9,842,039 | -- |
| Federal Education Funds | -- | 32,640 | -- |
| Subtotal | \$ 38,692 | \$ 21,214,402 | \$ -- |
| Capital Improvements: | | | |
| State Inst. Bldg. Fund | -- | 88,983 | -- |
| GRAND TOTAL | \$ 38,692 | \$ 21,303,385 | \$ -- |
| FTE Positions | 5.0 | 588.5 | -- |
| Average Daily Census | -- | 250 | -- |

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House Committee of the Whole.

SUBCOMMITTEE REPORT

Agency: Osawatomie State Hospital

Bill No. 2759

Bill Sec. 5

Analyst: Porter

Analysis Pg. No. 494

Budget Page No. 464

| Expenditure | Agency Req. FY 95 | Governor's Rec. FY 95 | Subcommittee Adjustments |
|-------------------------|----------------------|--------------------------|-----------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ 11,426,815 | \$ 8,323,895 | \$ (394,869) |
| General Fees Fund | 1,899,911 | 1,884,884 | -- |
| Title XIX Fund | 8,840,169 | 11,458,613 | -- |
| Federal Education Funds | 31,000 | 31,000 | -- |
| Subtotal | \$ 22,197,895 | \$ 21,698,392 | \$ (394,869) |
| Capital Improvements: | | | |
| State Inst. Bldg. Fund | -- | -- | -- |
| GRAND TOTAL | \$ 22,197,895 | \$ 21,698,392 | \$ (394,869) |
| FTE Positions | 595.5 | 583.5 | 5.0 |
| Average Daily Census | 260 | 250 | (30) |

Agency Request/Governor's Recommendation

The FY 1995 request of \$22,197,895 for operating expenditures is an increase of \$722,263, or 3.4 percent, above the FY 1994 estimate of \$21,475,632. The majority of the increase, or \$533,464, is for salaries and wages. No new FTE positions are requested for FY 1995. No major new programs or initiatives are anticipated for FY 1995.

1. Mental Health Reform. Mental health reform began in the Osawatomie catchment area in FY 1991, when a unit of 22 adult beds was closed. Twenty adolescent beds were closed in FY 1992 and a unit of 20 adult beds was closed during FY 1993. The FY 1993 reduction was the final reduction of rated bed capacity mandated by mental health reform legislation enacted by the 1990 Legislature (1990 Sub. for H.B. 2586).

2. Federal Surveys. Osawatomie is currently accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and is certified by the Health Care Financing Administration (HCFA). Although the schedule for federal surveys is frequently subject to change, the hospital anticipates its next JCAHO survey in April, 1994 and HCFA survey in November, 1994.

The Governor recommends FY 1995 expenditures of \$21,698,392, a reduction of \$499,503 from the agency request. Reductions are recommended from the agency requests for salaries and wages (\$315,005), the education contract (\$22,779), food (\$12,485), drugs and pharmaceutical supplies (\$21,195), and capital outlay (\$128,039). The recommendation includes funding for 583.5 FTE positions, a reduction of 12.0 FTE positions from the agency request.

House Subcommittee Recommendations

The House Subcommittee concurs with the recommendations of the Governor with the following adjustments:

1. Delete \$394,869 from the State General Fund in FY 1995. The reduction is the net result of the following recommendations noted at a, b, and c:
 - a. Delete \$488,100 from the State General Fund. The Subcommittee was informed that, although the Governor recommends an FY 1994 and FY 1995 average daily census (ADC) of 250 for the hospital, the ADC for the first six months of FY 1994 was 215. The Subcommittee recommends that the hospital close one 30 bed ward effective September 18, 1994. This would allow the agency three months in FY 1995 to either reduce FTE positions through attrition or to implement the required layoff "bumping" procedure. The Subcommittee anticipates that the agency's FY 1996 budget will reflect the deletion of 20.0 FTE positions associated with the unit.
 - b. Add \$120,519 from the State General Fund to provide FY 1995 funding for the 5.0 FTE positions referred to in the FY 1994 report. These 5.0 FTE positions and related funding were deleted from the agency budget in the Governor's recommendation because of retirement reductions which had not yet been restored through the restoration appeals process. Since the Governor's recommendation, however, these 5.0 FTE positions have been restored. The Subcommittee's recommendation would restore funding so that these positions can be filled in FY 1995.
 - c. Delete \$27,288 from the State General Fund. The Subcommittee recommends that the agency reduce its expenditures for direct care trainees by this amount.

| Expenditure | House Adj. FY 95 | House Rec. FY 95 | Senate Sub. Adjustments |
|-------------------------|----------------------------|----------------------------|----------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ (394,869) | \$ 7,929,026 | \$ -- |
| General Fees Fund | -- | 1,884,884 | -- |
| Title XIX Fund | -- | 11,458,613 | -- |
| Federal Education Funds | -- | 31,000 | -- |
| Subtotal | <u>\$ (394,869)</u> | <u>\$21,303,523</u> | <u>\$ --</u> |
| Capital Improvements: | | | |
| State Inst. Bldg. Fund | -- | -- | -- |
| GRAND TOTAL | <u><u>\$ (394,869)</u></u> | <u><u>\$21,303,523</u></u> | <u><u>\$ --</u></u> |
| FTE Positions | 5.0 | 588.5 | -- |
| Average Daily Census | (30) | 220 | -- |

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House Committee of the Whole.

SUBCOMMITTEE REPORT

Agency: Rainbow Mental Health Facility

Bill No. 2752

Bill Sec. 22

Analyst: Porter

Analysis Pg. No. 515

Budget Page No. 480

| Expenditure | Agency Est. FY 94 | Governor's Rec. FY 94 | Subcommittee Adjustments |
|--|----------------------------|----------------------------|-----------------------------|
| Operating Expenditures | | | |
| State General Fund | \$ 1,670,575 | \$ 1,663,261 | \$ -- |
| General Fees Fund | 229,327 | 228,508 | -- |
| Title XIX Fund | 3,424,176 | 3,411,518 | -- |
| Federal Education Funds | 37,880 | 37,880 | -- |
| Subtotal | <u>\$ 5,361,958</u> | <u>\$ 5,341,167</u> | <u>\$ --</u> |
| Capital Improvements: | | | |
| State Inst. Bldg. Fund | -- | -- | -- |
| GRAND TOTAL | <u><u>\$ 5,361,958</u></u> | <u><u>\$ 5,341,167</u></u> | <u><u>\$ --</u></u> |
| FTE Positions | 130.0 | 130.0 | -- |
| Average Daily Census (Inpatient Only) | 45 | 48 | -- |

Agency Estimate/Governor's Recommendation

Rainbow Mental Health Facility estimates FY 1994 expenditures of \$5,361,958, as approved by the 1993 Legislature and adjusted by State Finance Council action.

The Governor recommends FY 1994 expenditures of \$5,341,167, a reduction of \$20,791 from the agency estimate. The recommendation includes a reduction of \$19,048 pursuant to 1993 H.B. 2211 for the three retirements the agency has experienced to date in FY 1994.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor.

House Committee Recommendation

The House Committee concurs with the recommendations of the House Subcommittee.

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House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the House Committee.

| <u>Expenditure</u> | <u>House Adj. FY 94</u> | <u>House Rec. FY 94</u> | <u>Senate Sub. Adjustments</u> |
|--|-----------------------------|-----------------------------|------------------------------------|
| Operating Expenditures | | | |
| State General Fund | \$ -- | \$ 1,663,261 | \$ -- |
| General Fees Fund | -- | 228,508 | -- |
| Title XIX Fund | -- | 3,411,518 | -- |
| Federal Education Funds | -- | 37,880 | -- |
| Subtotal | <u>\$ --</u> | <u>\$ 5,341,167</u> | <u>\$ --</u> |
| Capital Improvements: | | | |
| State Inst. Bldg. Fund | <u>--</u> | <u>--</u> | <u>--</u> |
| GRAND TOTAL | <u><u>\$ --</u></u> | <u><u>\$ 5,341,167</u></u> | <u><u>\$ --</u></u> |
| FTE Positions | -- | 130.0 | -- |
| Average Daily Census (Inpatient Only) | -- | 48 | -- |

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House Committee of the Whole.

SUBCOMMITTEE REPORT

Agency: Rainbow Mental Health Facility

Bill No. 2759

Bill Sec. 7

Analyst: Porter

Analysis Pg. No. 515

Budget Page No. 480

| Expenditure | Agency Req. FY 95 | Governor's Rec. FY 95 | Subcommittee Adjustments |
|--|----------------------|--------------------------|-----------------------------|
| Operating Expenditures | | | |
| State General Fund | \$ 2,426,895 | \$ 2,174,986 | \$ -- |
| General Fees Fund | 221,689 | 221,689 | -- |
| Title XIX Fund | 3,025,983 | 3,025,983 | -- |
| Federal Education Funds | 37,880 | 37,880 | -- |
| Subtotal | \$ 5,712,447 | \$ 5,460,538 | \$ -- |
| Capital Improvements: | | | |
| State Inst. Bldg. Fund | -- | -- | -- |
| GRAND TOTAL | \$ 5,712,447 | \$ 5,460,538 | \$ -- |
| FTE Positions | 130.0 | 130.0 | -- |
| Average Daily Census (Inpatient Only) | 45 | 48 | -- |

Agency Request/Governor's Recommendation

The FY 1995 request of \$5,712,447 is an increase of \$350,489, or 6.5 percent, above the FY 1994 estimate.

Partial Hospitalization Program Phase-Out. An August 1993 JCAHO survey cited major deficiencies in space, staffing, and programs for the facility's partial hospitalization program. The partial hospitalization program allowed patients to participate in direct treatment activities at Rainbow during the day, and return to their homes at night. The program was less costly than inpatient treatment because patients lived at home, ate only one meal per day at Rainbow, and did not utilize other services required by inpatients, such as laundry services.

The space deficiency noted by the JCAHO surveyors, together with the reduction of 1.5 FTE teaching positions from the 1993-1994 school contract because of funding constraints, prompted the agency to file a JCAHO corrective action plan which included phasing out the partial hospitalization program.

The Governor recommends FY 1995 expenditures of \$5,460,538, a reduction of \$251,909. Recommended reductions are from the agency request for salaries and wages (\$22,094), the request for the Resident Physician Training Program (\$97,000), the school contract (\$88,120), capital outlay (\$44,295), and office supplies (\$400). The Governor does not recommend any of the special projects positions requested by the agency for FY 1995 and does not recommend funding for the Resident Physician Training Program.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor.

House Committee Recommendation

The House Committee concurs with the recommendations of the House Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the House Committee.

| Expenditure | House Adj. FY 95 | House Rec. FY 95 | Senate Sub. Adjustments |
|--|---------------------|---------------------|----------------------------|
| Operating Expenditures | | | |
| State General Fund | \$ -- | \$ 2,174,986 | \$ 56,496 |
| General Fees Fund | -- | 221,689 | -- |
| Title XIX Fund | -- | 3,025,983 | -- |
| Federal Education Funds | -- | 37,880 | -- |
| Subtotal | \$ -- | \$ 5,460,538 | \$ 56,496 |
| Capital Improvements: | | | |
| State Inst. Bldg. Fund | -- | -- | -- |
| GRAND TOTAL | \$ -- | \$ 5,460,538 | \$ 56,496 |
| FTE Positions | -- | 130.0 | -- |
| Average Daily Census (Inpatient Only) | -- | 48 | -- |

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House Committee of the Whole, with the following adjustment:

1. Add \$56,496 from the State General Fund for the education contract. The Subcommittee received testimony that the school contract already negotiated for calendar year 1994-1995 is underfunded in that amount.

SUBCOMMITTEE REPORT

Agency: Topeka State Hospital

Bill No. 2752

Bill Sec. 23

Analyst: Porter

Analysis Pg. No. 521

Budget Page No. 570

| Expenditure | Agency Est. FY 94 | Governor's Rec. FY 94 | Subcommittee Adjustments |
|---|----------------------|--------------------------|-----------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ 8,106,123 | \$ 8,045,666 | \$ -- |
| General Fees Fund | 3,413,337 | 3,377,713 | -- |
| Title XIX Fund | 11,451,104 | 11,345,804 | -- |
| Fed. Education Funds | 100,818 | 100,818 | -- |
| Subtotal | \$ 23,071,382 | \$ 22,870,001 | \$ -- |
| Capital Improvements: | | | |
| State Inst. Bldg. Fund | \$ 123,322 | \$ 123,322 | \$ -- |
| Energy Conservation Fund | -- | -- | -- |
| Rental Property Rehab. & Repair Fund* | 101,596 | 101,596 | -- |
| GRAND TOTAL | \$ 23,296,300 | \$ 23,094,919 | \$ -- |
| FTE Positions | 611.5 | 604.5 | 589.5 |
| Average Daily Census | 273 | 273 | 230 |
| Year End Census (Based on the Recommendation by the 1993 Legislature) | 258 | -- | -- |

* The Rental Property Rehabilitation and Repair Fund was created by the 1991 Legislature to allow the hospital to spend a portion of the rent paid to it to finance repair work done to the hospital buildings rented by various components of Social and Rehabilitation Services (SRS). The fund has been assigned to both the Topeka State Hospital and Department of Social and Rehabilitation Services budgets. It was transferred to the SRS budget in FY 1994.

Agency Estimate/Governor's Recommendation

Topeka State Hospital estimates FY 1994 operating expenditures of \$23,071,382, the amount approved by the 1993 Legislature as adjusted by State Finance Council action.

1. Federal Surveys. Topeka is currently accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and is certified by the Health Care Financing Administration (HCFA). In May 1992, Topeka State was surveyed by JCAHO and was awarded accreditation for three years, contingent upon compliance with several recommendations noted in the report. The recommendations noted were in the areas of inadequate staffing, medical staff organization, and pharmacy services. JCAHO has conducted two focused surveys since that time, and the hospital has retained accreditation. A focused survey of the hospital's pharmacy services is expected early in 1994.

2. Average Daily Census. Topeka State Hospital has experienced an annual average daily census (ADC) in excess of the level recommended since FY 1991. In FY 1991, the recommended average daily census was 290, while the actual ADC was 299. The FY 1992 recommended ADC was 290, while the actual was 301. In FY 1992, 50.0 FTE positions were eliminated from the Topeka State budget. Of the 50.0 FTE positions, 44.0 were eliminated because of the agency's history of high turnover and unfilled positions and because of the transfer of 20 dually diagnosed patients to mental retardation facilities. The remaining 6.0 FTE positions were eliminated as part of a mental health hospital systemwide recommendation to reduce non-direct care positions. Although 20 dually diagnosed patients were actually transferred to mental retardation facilities in FY 1991 and FY 1992, additional dually diagnosed patients were admitted to the hospital.

The FY 1993 budget approved by the 1992 Legislature was based on an average daily census of 250. The recommendation to the 1993 Legislature included an ADC of 270, but no adjustments to staffing or operating expenditures were recommended. The 1993 Legislature received testimony that the ADC for the first seven months of FY 1993 averaged in excess of 277 patients, with broad fluctuations in the high and low census for those months.

In response to these census issues and concerns regarding patient treatment issues and the retention of accreditation and certification, the 1993 Legislature made several adjustments to the FY 1994 budget. Among the adjustments recommended was the restoration of 11.0 FTE positions which had been recommended for elimination because of the FY 1993 reduction of 20 adolescent beds. The 1993 Legislature also added funding for 20.25 FTE special projects direct care and activity therapy positions and funding to reduce the agency salaries and wages turnover rate.

Concurrent with the above budgetary adjustments, the 1993 Legislature specified that the hospital eliminate 30 adult beds in FY 1993, resulting in an FY 1994 average daily census of 273 and an ending census of 258.

The Governor recommends FY 1994 expenditures of \$22,870,001 for 604.5 FTE positions, which reflects a reduction of \$201,381 and 7.0 FTE positions from the agency estimate for salaries and wages. The reduction includes retirement reductions pursuant to H.B. 2211 totaling \$218,284. To date in FY 1994, the agency has had 11 retirements. The retirement reduction is offset by adjustments to the salaries and wages base, fringe benefits, and a reduction of \$13,082 from the agency's estimate for turnover savings. The Governor's recommendation for FY 1994 includes an average daily census of 250. (Staff Note: The hospital's average daily census for the first six months of FY 1994 has been 245. The high and low average daily census has fluctuated between 221 and 263.)

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor with the following adjustment:

1. Revise the Clozaril proviso from the FY 1994 appropriations bill as explained in FY 1994 systemwide recommendation number 1.

House Committee Recommendation

The House Committee concurs with the recommendations of the House Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the House Committee.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House Committee of the Whole.

SUBCOMMITTEE REPORT

Agency: Topeka State Hospital

Bill No. 2759

Bill Sec. 8

Analyst: Porter

Analysis Pg. No. 521

Budget Page No. 570

| Expenditure | Agency Req. FY 95 | Governor's Rec. FY 95 | Subcommittee Recommendation |
|--|----------------------|--------------------------|--------------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ 9,378,944 | \$ 8,771,109 | \$ (500,000) |
| General Fees Fund | 3,517,418 | 3,517,418 | 401,013 |
| Title XIX Fund | 9,761,375 | 9,761,375 | -- |
| Fed. Education Funds | 100,818 | 100,818 | -- |
| Subtotal | \$ 22,758,555 | \$ 22,150,720 | \$ (98,987) |
| Capital Improvements: | | | |
| State Inst. Bldg. Fund | \$ 20,600 | \$ -- | \$ -- |
| Energy Conservation Fund | -- | -- | -- |
| Rental Property Rehab. & Repair Fund* | -- | -- | -- |
| GRAND TOTAL | \$ 22,779,155 | \$ 22,150,720 | \$ (98,987) |
| FTE Positions | 589.5 | 589.5 | 4.0 |
| Average Daily Census | 248 | 230 | -- |

* The Rental Property Rehabilitation and Repair Fund was created by the 1991 Legislature to allow the hospital to spend a portion of the rent paid to it to finance repair work done to the hospital buildings rented by various components of Social and Rehabilitation Services (SRS). The fund has been assigned to both the Topeka State Hospital and Department of Social and Rehabilitation Services budgets. It was transferred to the SRS budget in FY 1994.

Agency Request/Governor's Recommendation

The FY 1995 funding request for state operations of \$22,758,555 is a reduction of \$312,827, or 1.4 percent, from the FY 1994 state operations estimate of \$23,071,382.

Mental Health Reform. Pursuant to mental health reform legislation enacted by the 1990 Legislature (1990 Sub. for H.B. 2586), Topeka State Hospital reduced its adolescent population by 20 beds in FY 1993. By the end of FY 1994, the hospital will eliminate 30 adult beds, and it anticipates that it will eliminate an additional 30 adult beds in FY 1995. The Mental Health Reform Act specifies that 20 to 30 beds are to be eliminated in each of the hospital's three years of mental health reform downsizing.

The Governor recommends FY 1995 state operations funding totaling \$22,150,720, a reduction of \$607,835 from the agency request. Reductions are recommended from the agency requests for salaries and wages (\$362,514), capital outlay (\$139,000), the education contract (\$29,557), utilities (\$28,754), fees for professional services (\$20,760), other contractual services (\$5,458), and drugs and

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pharmaceutical and clinical supplies (\$21,792). The recommendation includes an FY 1995 average daily census of 230, a reduction of 18 from the agency request.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor with the following adjustments:

1. Delete \$500,000 from the State General Fund. The Subcommittee accomplishes this reduction by increasing fee fund expenditures by \$401,013 and reducing SGF expenditures by the same amount, and by further reducing SGF expenditures by an additional \$98,987. The Subcommittee was informed that, subsequent to its budget submission, the agency learned that it would have additional fee fund receipts from office space rental. In addition, year-to-date collections exceed the budgeted estimate.

The Subcommittee has identified areas from which it believes the additional \$98,987 reduction could be made. These include the amount budgeted for direct care trainees, the Menninger contract, and the amount budgeted for outside hospitalizations and medical consultants. The Subcommittee would encourage the agency to strive to achieve additional savings and recommends that any additional savings from other areas be expended for drugs and pharmaceutical supplies and for replacement furnishings for patient wards.

2. Add 4.0 FTE positions to replace 4.0 special projects appointments which have been included in the agency budget since FY 1993. These positions are for the Safety and Security subprogram and were added to the Topeka State Hospital budget in FY 1993 in response to safety and security concerns at the agency. The Subcommittee notes that this recommendation has no fiscal impact, since full funding for the positions is included in the agency budget. The Subcommittee further notes that it does not anticipate that the agency's need for these positions will diminish, and that, therefore, the special projects designation does not reflect the nature of these positions.
3. The Subcommittee notes that the agency's FY 1995 budget includes approximately \$33,000 to allow the agency to use seven Central Motor Pool vehicles in lieu of a capital outlay request for replacements high mileage vehicles. The Subcommittee notes that it did not have sufficient time to review this issue and recommends that the Senate Subcommittee review this issue and determine the cost efficiency of this proposal.

House Committee Recommendation

The House Committee concurs with the recommendations of the House Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the House Committee.

| Expenditure | House Adj. FY 95 | House Rec. FY 95 | Senate Sub. Adjustments |
|-------------------------|---------------------|---------------------|----------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ (500,000) | \$ 8,271,109 | \$ -- |
| General Fees Fund | 401,013 | 3,918,431 | -- |
| Title XIX Fund | -- | 9,761,375 | -- |
| Fed. Education Funds | -- | 100,818 | -- |
| Subtotal | \$ (98,987) | \$ 22,051,733 | \$ -- |
| Capital Improvements: | | | |
| State Inst. Bldg. Fund | \$ -- | \$ -- | \$ -- |
| GRAND TOTAL | \$ (98,987) | \$ 22,051,733 | \$ -- |
| FTE Positions | 4.0 | 593.5 | (4.0) |
| Average Daily Census | -- | 230 | -- |

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House Committee of the Whole, with the following adjustment:

1. The Subcommittee does not concur with the House recommendation that 4.0 special projects appointments within the Safety and Security subprogram be made FTE positions. The Subcommittee questions whether continued downsizing of the hospital will eventually result in the need for fewer safety and security positions and therefore believes that the special projects status for these positions is appropriate.

SUBCOMMITTEE REPORT

Agency: SRS -- Community Mental Health Services Bill No. 2752

Bill Sec. 17

Analyst: Howard

Analysis Pg. No. 445

Budget Page No. 548

| | <u>Agency Est. FY 94</u> | <u>Gov. Rec. FY 94</u> | <u>Subcommittee Adjustments</u> |
|---------------------------------|------------------------------|----------------------------|-------------------------------------|
| Community Mental Health: | | | |
| Mental Health Administration | \$ 537,252 | \$ 537,252 | \$ -- |
| State Aid | 10,032,644 | 10,032,644 | -- |
| Mental Health Reform | 11,792,293 | 11,792,293 | -- |
| Mental Health Grants | 5,966,909 | 7,915,467 | -- |
| Federal Special Projects | 1,167,720 | 1,169,256 | -- |
| Court Ordered Evaluations | 40,320 | 40,320 | -- |
| NF-MH Program (SGF only) | 6,879,721 | 6,879,721 | -- |
| TOTAL -- All Funds | <u>\$ 36,416,859</u> | <u>\$ 38,366,953</u> | <u>\$ --</u> |
| State General Fund | \$ 32,869,891 | \$ 32,869,891 | \$ -- |
| FTE Positions | 11.0 | 11.0 | -- |

Agency Estimate/Governor's Recommendation

SRS estimates expenditures of \$36.4 million in FY 1994 for mental health services, which is the amount approved by the 1993 Legislature. The Governor recommends expenditure of \$38.4 million in FY 1994, an increase of \$1.9 million in federal funds from the agency estimate. The Governor's recommendation reflects funding approved through an executive directive allowing expenditure of \$1.9 million for a federal demonstration project (4 years) targeting homeless persons with severe mental illness.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor.

House Committee Recommendation

The House Committee concurs with the recommendations of the Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the Committee.

SWAM
March 22, 1994
Attachment 8

| | <u>House</u> <u>Adj. FY 94</u> | <u>House</u> <u>Rec. FY 94</u> | <u>Senate Sub.</u> <u>Adjustments</u> |
|---------------------------------|-----------------------------------|-----------------------------------|--|
| Community Mental Health: | | | |
| Mental Health Administration | \$ -- | \$ 537,252 | \$ -- |
| State Aid | -- | 10,032,644 | -- |
| Mental Health Reform | -- | 11,792,293 | -- |
| Mental Health Grants | -- | 7,915,467 | -- |
| Federal Special Projects | -- | 1,169,256 | -- |
| Court Ordered Evaluations | -- | 40,320 | -- |
| NF-MH Program (SGF only) | -- | 6,879,721 | -- |
| TOTAL -- All Funds | <u>\$ --</u> | <u>\$ 38,366,953</u> | <u>\$ --</u> |
| State General Fund | \$ -- | \$ 32,869,891 | \$ -- |
| FTE Positions | -- | 11.0 | -- |

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House.

SUBCOMMITTEE REPORT

Agency: SRS -- Community Mental Health Services Bill No. 2759

Bill Sec. 2

Analyst: Howard

Analysis Pg. No. 445

Budget Page No. 548

| | <u>Agency Req. FY 95</u> | <u>Gov. Rec. FY 95</u> | <u>Subcommittee Adjustments</u> |
|---------------------------------|------------------------------|----------------------------|-------------------------------------|
| Community Mental Health: | | | |
| Mental Health Administration | \$ 802,452 | \$ 576,642 | \$ -- |
| State Aid | 10,032,644 | 10,032,644 | -- |
| Mental Health Reform | 15,455,010 | 14,724,904 | 730,106 |
| Mental Health Grants | 7,536,909 | 7,138,399 | 727,068 |
| Federal Special Projects | 1,192,478 | 1,195,005 | -- |
| Court Ordered Evaluations | 41,691 | 41,691 | -- |
| NF-MH Program (SGF only) | <u>6,879,721</u> | <u>6,879,721</u> | <u>--</u> |
| TOTAL -- All Funds | <u>\$ 41,940,905</u> | <u>\$ 40,589,006</u> | <u>\$ 1,457,174</u> |
| State General Fund | \$ 38,567,220 | \$ 35,443,381 | \$ 1,457,174 |
| FTE Positions | 17.0 | 11.0 | -- |

Agency Request/Governor's Recommendation

The FY 1995 request for mental health services, excluding the NF-MH program, is an increase of \$5.5 million from the FY 1994 estimate, including funding for 17.0 FTE positions, an increase of 6.0 FTE from the current year. For FY 1995, the Governor recommends \$40.6 million, a reduction of \$1.4 million from the agency request, and an increase of \$2.2 million from the FY 1994 estimate. The Governor's FY 1995 recommendation includes an increase of \$2.9 million from the State General Fund for the expansion of mental health reform (a reduction of \$730,106 from the agency request), and includes a reduction of \$777,068 (including \$400,000 from the State General Fund) in other mental health grants from FY 1994.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor, with the following adjustments and comments:

1. In addressing community mental health issues, this Subcommittee has struggled to maintain existing services while at the same time continuing reform efforts. The Governor's FY 1995 recommendations for mental health services included the following reductions from the FY 1994 budget: \$577,068 in base mental health special purpose grant funding (\$377,068 of this amount is due to reduced federal mental health block grant funds); and a \$200,000 reduction in State General Fund support for vocational services (this funding draws down over \$700,000 in federal vocational rehabilitation funds). In addition, the Governor's recommendations do not

provide full funding for mental health reform. The Governor's recommendation is \$730,106 less than the original financing plan for mental health reform. At the same time, the Subcommittee was made aware of many worthwhile programs and services which certainly merit new or increased funding. In order to balance these needs with fiscal constraints, the Subcommittee's recommendations address the most urgent issues which involve maintaining current base funding and continuing with full implementation of the mental health reform plan. The Subcommittee's recommendations for community mental health services add funding to this budget approximately equal to State General Fund reductions recommended at the four state mental health hospitals. The Subcommittee is able to make these combined mental health hospital and community programs recommendations at no net additional cost to the State General Fund chiefly because of mental health reform and successful downsizing at the state's mental health hospitals, including the achievement of actual savings through closure of units at those facilities. The Subcommittee believes it is critical to continue such efforts rather than to reduce current levels of community support which would lead to increased reliance on the state hospitals.

2. Add \$730,106 from the State General Fund to provide full-funding of mental health reform in FY 1995. As reflected in the state hospital budgets, this recommended funding level will actually allow for the closure of 30 additional beds at Osawatomie State Hospital beyond the number assumed in the original mental health reform plan. The Subcommittee believes it is important to maintain the original commitment made to financing mental health reform.
3. Add \$477,068 from the State General Fund for mental health special purpose grants. This recommendation partially restores base budget reductions recommended by the Governor, which totaled \$577,068.
4. Add \$150,000 from the State General Fund for vocational grants. This funding will draw down over \$530,000 in federal vocational rehabilitation funding for supported employment services for clients with mental illness. The recommendation is a reduction in State General Fund dollars of \$50,000 from the FY 1994 budget.
5. Add \$100,000 from the State General Fund for grants to consumer-run programs. The recommendation increases funding for these grants from \$200,000 in FY 1994 to \$300,000 in FY 1995.
6. The Subcommittee reviewed the issue of Nursing Facilities for Mental Health (NF-MHs). The Subcommittee learned that Kansas currently licenses 22 nursing facilities for mental health with an approximate bed capacity of 1,100. Although these facilities meet the definition of a psychiatric hospital, they are held only to the level of care required of a nursing facility. With the exception of the NF-MH operated by the Johnson County Mental Health Center, they are all privately owned and operated. Excluding state monies involving in obtaining federal matching funds for residents over age 65 in these facilities, and excluding funding to dual NF-MH and nursing facilities, Kansas spends approximately \$7.0 million in state funds for 503 Kansans aged 21-64 residing in these facilities. The Subcommittee supports MHRS in its belief that many residents currently served in NF-MH facilities can be better served in the community. The Commissioner of MHRS is working with the state hospitals to reduce their reliance on NF-MH facilities. The agency indicated to the

Subcommittee that it believes that a long-term plan can be developed to diminish or eliminate the use of NF-MH facilities.

The Subcommittee recommends that SRS proceed with downsizing at these NF-MH facilities through the placement of clients in community services. The agency has indicated that savings which have accrued through the closure of Heartland Rehabilitation Facility and which will accrue through the claiming of additional federal funds for certain clients in dual facilities can be used to continue the downsizing process and address any up-front costs associated with such downsizings or closures. Future savings achieved through closures can then be used to continue the process. As the agency proceeds with this initiative, the Subcommittee recommends that they report to the 1995 Legislature regarding needed regulatory or statutory changes to continue this process in future years.

7. The Subcommittee was impressed with a proposal from the Association of Community Mental Health Centers to capitate Medicaid mental health services. In essence, the Association has proposed a capitated managed care plan for the mental health portion of the Medicaid budget. The Subcommittee was informed that other states have experienced initial savings of three to ten percent in their budget through such a program, with escalating costs held down in subsequent years. Thus, savings of \$1.8 million to \$6.0 million from the \$60 million in the Medicaid budget for mental health services could be realized. The Subcommittee was informed that the Association and MHRS are ready to proceed with such a plan. The Subcommittee supports the capitation of Medicaid mental health services and recommends that SRS proceed with specific steps that would be necessary to implement this plan in FY 1995.
8. The Subcommittee reviewed county mill levy support for mental health programs and would note that in FY 1994, total county mill levy support to the centers is \$10.7 million. This equates to roughly 36.0 percent of the amount which would be raised if all counties levied two mills as allowed by statute. Counties also contribute an additional \$3.4 million through other forms of taxing, totaling roughly 47.8 percent of what a statewide 2-mill levy would provide. The Subcommittee heard testimony regarding the need for cost-of-living adjustments in mental health programs, and recommends that the CMHCs actively solicit counties to provide such increases through increased mill levy support, since the state has increased resources for this area, particularly through the funding of mental health reform. The Subcommittee believes it is essential that there be a partnership between the state and the counties in funding community mental health services.
9. The Subcommittee received testimony regarding a disparity in treatment between employees at the state hospitals and at the correctional facilities pertaining to temporary work injury leave. At the current time, hospital workers must use their own sick leave when a temporary work injury occurs, while Corrections employees receive job injury leave and are not required to deplete their own sick leave. The Subcommittee understands that changes to K.A.R. 1-9-22 could be made to rectify this situation and recommends that SRS work with the Department of Administration in correcting this disparity.

10. The Subcommittee does not believe that its recommendations address all priority needs in mental health services and believes that this budget should be revisited during the Omnibus Session if additional revenue becomes available. Specifically, the Subcommittee would urge consideration of full funding of the request for expansion of consumer-run programs, full restoration of mental health base budget cuts, and full funding of the vocational rehabilitation request. These would require additional expenditures of \$250,000 in state funds.
11. Attached to this report is a copy of the mission, goals, objectives, strategies, and performance measures for mental health services as provided to the Subcommittee.

House Committee Recommendation

The House Committee concurs with the recommendations of the Subcommittee with the following adjustment:

1. Clarify that the recommendation in item 7 to capitate Medicaid mental health services is not directed to a specific provider. SRS is directed to develop a project with whichever providers it chooses to do so. The recommendation is not intended to preclude participation by providers other than mental health centers.
2. Recommend that SRS provide a detailed plan for the second phase of mental health reform, including mission objectives, strategies and performance indicators.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the Committee.

| | <u>House Adj. FY 95</u> | <u>House Rec. FY 95</u> | <u>Senate Sub. Adjustments</u> |
|---------------------------------|-----------------------------|-----------------------------|------------------------------------|
| Community Mental Health: | | | |
| Mental Health Administration | \$ -- | \$ 576,642 | \$ -- |
| State Aid | -- | 10,032,644 | -- |
| Mental Health Reform | 730,106 | 15,455,010 | -- |
| Mental Health Grants | 727,068 | 7,865,467 | 50,000 |
| Federal Special Projects | -- | 1,195,005 | -- |
| Court Ordered Evaluations | -- | 41,691 | -- |
| NF-MH Program (SGF only) | -- | 6,879,721 | -- |
| TOTAL -- All Funds | <u>\$ 1,457,174</u> | <u>\$ 42,046,180</u> | <u>\$ 50,000</u> |
| State General Fund | \$ 1,457,174 | \$ 36,900,555 | \$ 50,000 |
| FTE Positions | -- | 11.0 | -- |

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House with the following adjustments:

1. Add \$50,000 from the State General Fund for vocational rehabilitation grants. This funding will draw down an additional \$188,000 in federal matching funds. This recommendation restores mental health vocational rehabilitation grants to the FY 1994 State General Fund level of \$200,000.
2. The Subcommittee is supportive of moving ahead with the capitation of mental health services in the Medicaid program, as recommended by the House. We encourage SRS to move forward as quickly as possible to implement this recommendation. However, we would note that savings reduced from the SRS Medicaid budget (\$2.0 million All Funds) in the House recommendation may not be realistic for FY 1995; we encourage the SRS Subcommittee to review this reduction.

Response to K-GOAL Legislative Post-Audit Report
Regarding Workforce Training Programs

Steven Jack
Manager of Workforce Training
Kansas Department of Commerce and Housing

March 1994

SWAM
March 22, 1994
Attachment 9

The K-GOAL review of the workforce training programs concludes that they are "effective in helping new businesses and expanding businesses to add jobs or retain current workers." The report found that more than two-thirds of recently surveyed businesses responded that the Kansas Industrial Training (KIT) and Kansas Industrial Retraining (KIR) programs were "important" or "very important" in their decision to expand their business or retain current employees. The survey also revealed that the employees' average salary levels were higher after they received the training. These measures show the effectiveness of the programs in both the creation and retention of jobs and the increased value of trained workers to the participating companies.

However, according to the report, surveys of two time periods indicate that the effectiveness of the KIT program "may have declined." It should be pointed out that the four measures highlighted in the report's table are not the only data measured in the recent survey. It should also be noted that the FY92 survey data utilized in the report was incomplete. Followup phone calls in January increased the return rate from 51 percent to 71 percent.

The first two columns in the following table show the figures reported in the K-GOAL audit. The first column represents survey results of FY87 KIT projects (prior to the passage of the KIR program). The second column shows the partial FY92 survey results reported in the audit. The third column shows completed FY92 survey results. The final column shows survey results for FY92 KIT/KIR projects combined.

The more complete data reveal modest declines in three measures but show a rise in average salary increase from FY87 to FY92. More importantly, by ignoring KIR data, the post-audit report fails to show improvements in program effectiveness when comparing accomplishments of the industrial training program in FY87 in relation to the total industrial program in FY92. The most significant point is that in FY87, 83 percent of respondents rated the KIT program as important or very important to the creation of new jobs. While this figure is impressive, 91 percent of KIT and KIR recipients in FY92 rated the program as important or very important to the creation of new jobs and the retention of existing jobs.

Outcomes of the Kansas Industrial Training Program,
Based on Surveys of Participating Companies

| | KIT ONLY FY1987 | K-GOAL KIT FY1992 | UPDATED KIT FY1992 | KIT/KIR COMBINED FY1992 |
|--|-----------------------|-------------------------|--------------------------|-------------------------------|
| 1. Percent rating training as important or very important | 83% | 70% | 77% | 91% |
| 2. Percent of trainees still employed by same company | 79% | 49% | 61% | 87% |
| 3. Employees' average salary increase following training | 21% | 14% | 23% | 6% |
| 4. Percent of employers rating trainees as "above average" | 40% | 20% | 31% | 53% |

1. PERCENT RATING TRAINING AS IMPORTANT OR VERY IMPORTANT:

The additional surveys improved the response regarding whether KIT or KIR were important to the creation and retention of jobs from "more than two-thirds" to 91 percent. The percent that

rated training in the KIT program as "important" or "very important" to the creation of the jobs is shown in the report as declining from FY87 to FY92 from 83 percent to 70 percent. Additional data reveal the FY92 figure to be 77 percent.

While job creation is a primary goal of the KIT program, reduced operating costs, increased productivity, reduced material scrap, reduced set-up times, and other benefits are expected from workers trained through KIT. **All respondents of both programs reported increased productivity and/or cost savings resulting from the training.**

2. PERCENT OF TRAINEES STILL EMPLOYED BY THE SAME COMPANY:

The survey revealed a lower percentage of trainees still employed by the same company several months following training in FY92 than in FY87. With the additional surveys received to date, the FY92 figure has risen from 49 percent to 61 percent. When comparing the impact of the total program between the two time periods, the percent of trainees still employed rose from 79 percent to 87 percent. It may be noted that even if employees move on to new jobs, they take with them transferable skills according to the 1992 Kansas, Inc. evaluation of KIT and KIR. They also leave recently created jobs to be filled by others.

3. EMPLOYEES' AVERAGE SALARY INCREASE FOLLOWING TRAINING:

The report states that survey results showed a decline in the salary increase following KIT training from 21 percent in

FY87 to 14 percent in FY92. Additional data actually show an increase from 21 percent to 23 percent. The addition of KIR results reduces the figure substantially. This should not be viewed with alarm, however, because the KIR program targets employees likely to lose their jobs rather than those likely to receive large salary increases. The key measurement of the KIR program is, simply, the effect of the program on saving jobs.

4. PERCENT OF EMPLOYERS RATING TRAINEES AS "ABOVE AVERAGE":

Incomplete data show the percentage of employers rating trainees as "above average" has declined from 40 percent to 20 percent. More complete data increase the latter figure to 31 percent. 53 percent of KIT and KIR respondents rated trainees as above average. Perhaps an even more significant number is that 100 percent of the respondents of both programs rated trainees as either above average or equal to other workers.

Finally, the report points out what it terms a "problem" in that the programs operated a "first-come, first-served" basis "without regard to the type or quality of jobs involved." While companies with lower skilled jobs do receive consideration for funding, the level of funding is, to a great extent, directly related to the skill level, wages, and type of job being trained. Smaller funding amounts are negotiated for lower wage/lower skill jobs. Guidelines which the agency utilizes in determining the eligibility of firms, the eligibility of training expenditures, and the level of project funding is attached.

In the next fiscal year, a new performance standard relating to wages will be implemented. It will measure the percentage that the average trainee wage exceeds the average Kansas employee wage for new or existing jobs. Currently, the average wage for new jobs being created in all sectors of the Kansas economy is \$6.02 per hour according to the Kansas Department of Human Resources. Salaries of KIT trainees in the current fiscal year average \$7.70 per hour. Salaries of KIR trainees to date in FY1994 average \$11.85 per hour.

It is clear that when all the data are considered, the industrial training program remains one of the most effective tools the state has in the creation and retention of jobs. The program continues to demonstrate a significant impact on the productivity of business and industry and on the skill level of Kansas employees.

**KANSAS INDUSTRIAL TRAINING & KANSAS INDUSTRIAL RETRAINING
Program Guidelines
FY94**

COMPANY ELIGIBILITY:

1. Kansas Basic Industries are given priority over all other types of industry in the state. These eligible firms include those involved in manufacturing, distribution, regional or national service, agriculture, mining, research and development, interstate transportation, and tourism activities primarily aimed at attracting out-of-state tourists. Non-basic industries are eligible only if some compelling economic benefit to the state can be shown.
2. A firm must be adding at least 5 new employees to be eligible for the KIT program. These jobs cannot be replacement jobs but rather new positions added to the company's workforce. A firm must retrain at least 5 existing employees to be eligible for the KIR program.
3. Firms eligible for the KIR program must show they are restructuring their business operations through incorporation of existing technology, development and incorporation of new technology, diversification of production, or the development and implementation of new production activities. Firms must also show that employees to be trained are likely to be displaced because of obsolete or inadequate job skills and knowledge. Companies are eligible for no more than two KIR contracts within any four year period.
4. A firm must provide information as required in the programs' proposal outline documents.

TRAINING COST ELIGIBILITY:

1. Training expenditures eligible for reimbursement include, but are not limited to: instructor salaries, travel, materials, supplies, textbooks, manuals, video tape development, minor equipment, temporary training facilities, utility costs, and curriculum planning and development. Ineligible expenditures include trainees' salaries and major equipment.
 - a. Instructors may come from a company's own production supervisory staff, area vocational-technical school, community college, university, vendor, or outside consultant.
 - b. Travel expenditures may include the costs of travel, meals and lodging for both trainers and trainees.
 - c. Minor equipment includes training equipment, tools and computer software of typically under \$1,000 per item. The total amount of equipment purchased typically may not exceed 20 percent of the total reimbursable project costs.
 - d. Utility costs must directly relate to the use of training equipment or that portion of facilities used in the training process. These costs are a lower priority for reimbursement than other, more direct, training expenditures.

2. Projects are funded on a "first-come, first-served" basis. The maximum amount allowable per trainee is \$2,000, although contracts typically may be less than that. Factors utilized in determining the amount of funding of each project include:
 - a. The quality of the jobs, with priority given to full time jobs that have a higher wage scale, higher benefit levels, a low turnover rate, and opportunity for career development or advancement.
 - b. The needs and impact of the project, including current local employment conditions, resultant new economic activity, the project schedule, leveraging other resources, beneficial impact on the tax base and project feasibility, as well as the probability that the project will accomplish the projected benefits.
 - c. The extent to which the project utilizes funds in the most efficient and effective manner to train employees.
 - d. The extent to which funding is essential to the training of the employees, the creation or retention of the jobs, or both.
 - e. The extent to which the employer requesting assistance can continue in business at the levels necessary to retain the jobs.
 - f. The extent to which the project utilizes existing training resources.
 - g. The amount of matching funds contributed by the company.
 - h. The availability of program funds.
3. Training contracts are typically 6 to 12 months in length. Contracts may be written for up to 18 months if a longer period is required in the hiring and/or training plan. Contracts may be extended if necessary to successfully carry out the goals of a project.
4. All KIR contracts require at least a 50 percent match from the company. KIR project expenditures must be related to changes in technology or production activities. Retraining in safety or federal program requirements (i.e., OSHA, ADA, etc.) is not eligible for reimbursement unless directly related to changes in technology or production activities. Quality-based retraining is an eligible cost if it is statistically based and/or represents a significant restructuring of the business operation and is required by all trainees. Employees receiving retraining must face a strong likelihood of displacement due to obsolete or inadequate job skills and knowledge.