

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by Senator August "Gus" Bogina at
Chairperson

11:00 a.m./p.m. on April 11, 1985 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Research Department: Richard Ryan, Ed Ahrens, Robin Hunn
Revisor's Office: Norman Furse
Committee Office: Judy Bromich, Doris Fager

Conferees appearing before the committee:

George S. Ahrenson, Chairman, Kansas Correctional Industries Advisory Committee
Representative Sandy Duncan
Charles Dodson, KAPE
Claudia Orton, University of Kansas
Senator Alicia Salisbury
Senator Jeanne Hoferer
Jerry Sloan, United Judicial Department
Sherry Brown, Department of Administration

REPORT BY CORRECTIONAL INDUSTRIES ADVISORY COMMITTEE

Mr. Arneson distributed copies of the report (Attachment A) and highlighted its contents for the committee. He added that, in March, Kansas had a net gain of 100 prisoners in its institutions; and that Kansas had the fourth highest rate of increase in inmate population in 1983.

Committee members were given the opportunity to question Mr. Arneson concerning the report. He then introduced Kay Houser, a member of the Advisory Committee who appeared with him.

STATE PAY PLAN

A letter was distributed to the committee from John T. Lowe, concerning the proposed pay plan. The letter is made part of these minutes (See Attachment B).

The Report of the Special Joint Subcommittee on the State Pay Plan was distributed to committee members (Attachment C). Representative Duncan, Chairman of that subcommittee, reviewed the report. He noted that the House Ways and Means Committee has adopted the report.

There were questions from committee members concerning the report, including whether or not a bill has been introduced containing its contents. Representative Duncan said the details of the pay plan are in the Governor's budget message; consequently, the House Committee is considering accepting an amendment of the message to adopt the components of the version before the committee. If the amendment is received, there will be no need for a new bill. The primary role of the Legislature at this point is in the funding of the proposal.

Mr. Dodson emphasized that, while the salary plan has to recognize the needs of movement through a matrix and recognize abilities of "older" employees, it cannot totally divorce itself from an obligation to encourage tenure with state government. He stated that, when tenure is discouraged, the state is placed in the position of not retaining such good employees. He stressed that encouragement of tenure and dedication is a critical issue.

Mr. Dodson stated the following goals of KAPE: (1) Incremental pay matrix; (2) a longevity program; and (3) reasonable cost of living increases.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

room 123-S, Statehouse, at 11:00 a.m./p.m./ on April 11, 1985

STATE PAY PLAN - Continued

Mr. Dodson then outlined what he considered to be the shortcomings of the proposed pay plan. (See Attachment D) There were questions from members of the committee. Senator Winter asked if Mr. Dodson preferred the subcommittee plan over the Governor's plan. He answered that he felt the plan before the committee is an improvement over the Governor's proposal, especially for the middle group of employees. However, it reverses direction for the long term employees. Senator Winter suggested that a basic flaw of the current pay plan is that expectations have not been met. The subcommittee plan makes substantial important changes for the long term, by suggesting a maintenance cost that is low enough to let state employees know what they can expect in the future.

Ms. Orton indicated that many employees raised concerns about Option 3. When it was noted that the intention was to give jobs that were frozen a chance to catch up next year, the employees agreed that Option 3 would be acceptable.

Senator Salisbury said she had received many letters from concerned employees. She suggested that morale will always be a factor in a system that doesn't offer proper reward. She expressed her respect for those who have the responsibility of devising a plan which is equitable to all employees--particularly long-term employees. Senator Salisbury requested that a clarification be made as to legislative intent regarding cost-of-living increases for all employees.

Senator Gaines asked Mr. Sloan how the pay plan would affect the United Judicial Department. Mr. Sloan replied that, the way in which the plan is currently written, there is a lump sum provided for the Judicial Department, and an attempt will be made to arrive at a proposal similar to that of the subcommittee. In answer to a further question from Senator Gaines, Mr. Sloan said the Legislature would have nothing to do with range adjustments. Senator Bogina added that, under the subcommittee plan, the Legislature would give one sum of money to the United Judicial Department, and pay ranges would be decided within the department.

Senator Hoferer indicated she had the same concerns as those of Senator Salisbury. The foremost concern is that of longevity and what people frozen outside the pay plan might expect this year, and what specific recommendations there are for raises in the future.

Ms. Brown explained that there are problems inherent in moving to a new matrix. For instance, she said it is assumed by the Department of Administration that the people on the higher four ranges (which were dropped) went to a lower range. She stated the plan affects alignment of classes, and it will be necessary to make some adjustments to bring those back into line. She said the Department would address the problems as quickly as possible. When asked by Senator Bogina if there would be problems in any pay plan, Ms. Brown said there would be, but when pay ranges are dropped, problems of a different nature are created.

In answer to further questioning from Senator Bogina, Ms. Brown said the people in the Department of Administration who worked on the pay plan have mixed reactions to the subcommittee plan. She indicated it maintains the priorities of the Department of Administration, but there are differences of opinion as to which plan is more equitable.

At this point, Senator Winter read from a note presented by Representative Duncan, as follows: "It should be made clear that the dropping of the four internal ranges will require some reclassifications next year since those ranges cut across some career ladders. The effect of this will be a one-time need for increased maintenance money so the estimate based solely on the plan before you is low. The House committee was aware of this when it adopted the plan and put this language in the minutes so that subcommittees

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,
room 123-S, Statehouse, at 11:00 a.m./p.m./ on April 11, 1985

STATE PAY PLAN - Continued

next year would be aware that matrix related requests for reclassification were NOT an "end-run" around the new pay plan."

The Chairman stated that it is his understanding it is an administrative function to implement the pay plan, and the function of the Legislature is to appropriate the funds. Mr. Ryan explained that House Ways and Means Committee is planning to discuss the issue at a meeting on April 12. They will consider the proposal that implemented the Governor's pay plan; and if he agrees to the subcommittee pay plan it can be included in House Bill 2274 by amendment.

Because the bill mentioned above will be considered by this committee, Senator Bogina suggested that any suggestions concerning the plan be delayed until that bill is referred to the Senate committee.

This completed discussion on the state pay plan.

HB 2566 - Multi-year appropriations for capital improvements

There was discussion concerning the provisions of HB 2566, particularly the deleted language in Section 2 relating to purchase of the Santa Fe office building.

Motion was made by Senator Feleciano and seconded by Senator Doyen to re-insert the funds deleted by the House Committee in Section 2 of the bill.

There was discussion concerning whether the motion agrees with the decision of the Joint Committee on State Building Construction. Senator Harder, Chairman of that committee, indicated that it does agree with the recommendation. However, the matter of consideration of leasing the building instead of buying it may change the opinions of committee members. He said he would like to wait and address the matter in the Omnibus Appropriations Bill.

A substitute motion was made by Senator Harder and seconded by Senator Kerr to recommend HB 2566 favorably for passage. Following a short discussion, the motion carried by roll call vote.

INTRODUCTION OF BILLS

Motion was made by Senator Winter and seconded by Senator Gannon to introduce a bill requested by Senator Allen concerning public warehousemen, grain purchase contracts, etc., amending 1985 SB 300. The motion carried by voice vote.

Motion was made by Senator Winter and seconded by Senator Harder to introduce a bill providing for refund of unearned surcharge from the health care stabilization fund. The motion carried by voice vote.

Motion was made by Senator Gaines and seconded by Senator Doyen to introduce a bill requested by the Chairman to designate certain highways in Johnson County as Shawnee Mission Parkway. The motion carried by voice vote.

The meeting was adjourned by the Chairman.

**KANSAS CORRECTIONAL INDUSTRIES:
REDUCING IDLENESS,
INSTILLING A WORK ETHIC**



Report of the
CORRECTIONAL INDUSTRIES ADVISORY COMMITTEE
to the
Governor and Legislature

February 1985

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**KANSAS
CORRECTIONAL INDUSTRIES ADVISORY COMMITTEE**

February 13, 1985

Hon. John Carlin
Governor, State of Kansas
and
Members of the 1985
Kansas State Legislature:

Ladies and Gentlemen:

Enclosed are the January 1985 Report of the Kansas Correctional Industries Advisory Committee and the January 22, 1985, Alexander Grant & Company Market Feasibility Study.

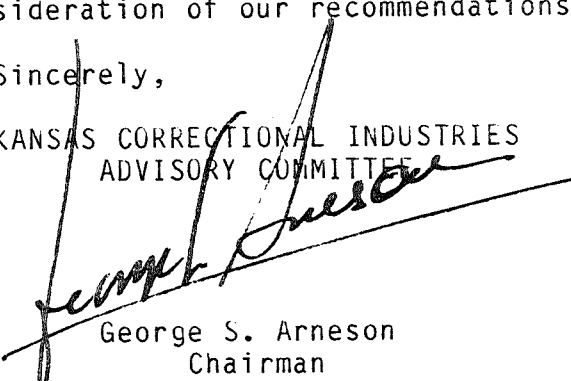
Because the problems of prisons, a growing inmate population, the serious matter of prisoner idleness and the need to make every reasonable effort for rehabilitation are so vitally important to you, Mr. Governor and Members of the Legislature, and to the whole citizenry of this great State of Kansas, we of the Committee felt you should be appraised of this Committee's:

- > goals
- > accomplishments
- > problems we foresee and,
- > recommendations.

On behalf of the Committee, Kansas Correctional Industries and the Department of Corrections, we thank you for the support and understanding which you have given to these most pressing matters which unfortunately affect such a growing portion of our population and hope that you will assist us by your consideration of our recommendations.

Sincerely,

KANSAS CORRECTIONAL INDUSTRIES
ADVISORY COMMITTEE


George S. Arneson
Chairman

GSA/mf
Encl.

**MEMBERS OF THE KANSAS
CORRECTIONAL INDUSTRIES ADVISORY COMMITTEE**

George Arneson, Chairman
President, Arneson & Company
Management Consultants
Leawood, Kansas

Edward G. Bruskey, President
Kansas Association of Commerce
& Industry
Topeka, Kansas

Carl Bryant, Chaplain
Kansas Prison Ministries
Topeka, Kansas

Ambrose Dempsey
Retired State Representative
Leavenworth, Kansas

Harry Gordon, President
Cardinal Building Services
Topeka, Kansas

LeRoy Heidebrecht
Certified Public Accountant
McPherson, Kansas

Ted Heim, Professor
Washburn University
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Kay Houser
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Dr. Henry Lundsgaarde
Professor
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Lawrence, Kansas

Ralph McGee
Executive Secretary
Kansas AFL-CIO
Topeka, Kansas

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Jensen Engineering Co.
Leawood, Kansas

Nate Morales
Retired State Employee
Topeka, Kansas

Tom Pierce
Executive Vice President
International Assn. of
Machinists
Wichita, Kansas

Pres Ripley, Director
Consumer Services Mgr.
Scotch Laundry
Lawrence, Kansas

Robert Runnels, Jr.
Executive Director
Ks. Catholic Conference
Kansas City, Kansas

The Committee is appointed by the Secretary of Corrections. The current members represent a broad cross section of Kansans including representatives of business, labor, academicians, clergy and lay members. The Committee is staffed by Paul Schwartz, Correctional Industries Development Specialist, and Lenny Ewell, Director of Correctional Industries.

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EXECUTIVE SUMMARY

More inmates are idle in Kansas prisons today than at any previous time, and the number is growing. Kansas is not alone. Despite near universal agreement that constructive work is needed in prisons, idleness plagues almost every state. Overcrowding dramatically increases the problem.

Chief Justice Warren E. Burger has been a strong advocate of reducing idleness. He argues eloquently that inmates must be provided more work and vocational programs. "To put people behind walls and bars and do little or nothing to change them is to win a battle but lose a war. It is wrong. It is expensive. It is stupid."

In calendar year 1983, Kansas had the fourth highest rate of increase in its prison population in the nation--a startling 20.4%. The resulting idleness was described as excessive by the Kansas Legislative Division of Post Audit in its September, 1983, report. The number of idle inmates has increased dramatically in the year and a half since their report with the rise in the prison population. Inmates on idle status must stay in their cells, leaving only for meals, showers, and brief periods of exercise.

K.S.A. 75-5211 provides that, to the extent possible, inmates be provided with a full 40-hour work week. Prior to 1981, the statute required a flat 40-hour work week but was amended because the Department of Corrections was unable to provide jobs for the mushrooming inmate population. The potential to add additional maintenance and groundskeeping jobs has been completely exhausted, except for that associated with new correctional institutions.

The ramifications of excessive idleness are potentially grave. When correctional institutions become large and overcrowded, the propensity for violent eruption increases dramatically. These considerations aside, there are much better reasons to reduce idleness. It has long been recognized that interesting and satisfying work provides an alternative to enforced idleness and a resultant rise in tensions. Options for reducing idleness include expanding Kansas Correctional Industries (KCI), promoting private sector employment of inmates, and expanding educational and vocational opportunities. The key is the establishment of permanent inmate jobs.

Kansas Correctional Industries operates six industries at three institutions--KSP, KSIR, KCIL--and has a staff of 27. KCI's six factories include the production of soap, paint, signs, clothing, furniture refinishing and manufacturing, and upholstery. In addition, KCI has a farm operation.

Kansas is recognized as a national leader in private sector initiatives in prison. Currently, three private sector companies provide work for inmates who are paid a salary comparable to that paid in the private sector.

All DOC facilities have inmate work assignments which make them more self sufficient, including custodial and food service duties, running the prison laundry, painting, plumbing renovation and light construction. Although essential for prison upkeep, these jobs are less likely to provide meaningful experience that will relate to work upon release. Because of the large number of inmates, it is a common correctional practice to assign more inmates to a task than are needed to perform it. In other cases, inmate "jobs" are tasks that take only a few hours a day. Institutional staff realize that this is not an ideal practice but have few alternatives. Extended periods of incarceration characterized by enforced idleness or make work jobs cannot help but perpetuate poor work habits and low self esteem.

In addition to the extensive idleness, a number of other work related problems exist. They include the following:

1. Market Restrictions. K.S.A. 75-5275 restricts the available markets for the sale of prison-made goods to government agencies, non-profit organizations and churches. This significantly limits expansion opportunities for KCI, both with respect to potential product lines and sales volume.
2. Purchasing Restrictions. KCI is required to make purchases of raw materials through the Department of Administration's Division of Purchasing. In the past this has limited the flexibility of KCI to make timely purchases and in some cases the low bid requirement has resulted in the purchase of raw materials of questionable quality.
3. Expansion Capital. KCI is unable to generate enough capital to fund a significant job expansion, particularly if the proposed industry is capital intensive.
4. Statutory Requirement to Purchase Prison-Made Goods. Numerous state agencies do not comply with the requirement of K.S.A. 75-5275 that state agencies must purchase KCI's products.
5. Budget Restrictions. The elimination of statutory budget restrictions--KCI's expenditure limitation and 5% equipment replacement fund--limit KCI's ability to function like a business.

Recommendations

Recommendation Number 1

Prison work, educational and vocational programs should be expanded to employ the idle inmate population in permanent activity.

Recommendation Number 2

State General Fund monies should be used to fund the expansion of Kansas Correctional Industries.

Recommendation Number 3

The statutorily established market for existing prison industry products needs to be expanded.

Recommendation Number 4

The statute requiring state agencies to purchase prison-made goods needs to be better monitored and enforced by the Department of Administration.

Recommendation Number 5

Statutory budget restrictions should be modified to enable KCI to operate like a private sector industry.

"We can continue to have largely human warehouses with little or no education and training or we can have prisons that are factories with fences around them."

Warren Burger
Chief Justice of the U.S. Supreme Court
ABC's Nightline
June 19, 1984

INTRODUCTION

More inmates sit idle in Kansas prisons today than at any previous time, and the number is growing. Kansas is not alone. Despite near universal agreement that constructive work is needed in prisons, idleness plagues almost every state. Overcrowding dramatically increases the problem.

This report, prepared by the Correctional Industries Advisory Committee, analyzes the problem and makes recommendations to alleviate it. The purpose of this report is to:

1. Describe the extent of inmate idleness in Kansas.
2. Identify steps currently being taken to reduce inmate idleness.
3. Offer recommendations that would make KCI more effective in helping reduce inmate idleness.
4. Outline the goals of the Correctional Industries Advisory Committee in 1985.

The Correctional Industries Advisory Committee was created by action of the 1978 Legislature. The Committee is composed of not more than 15 persons engaged in private sector labor and industry. The purpose of the Committee is to advise the Secretary of Corrections in matters relating to the operations of correctional industries, including engineering, manufacturing, marketing, finance and labor. The Correctional Industries Advisory Committee is actively concerned and involved in attempting to find means whereby inmates can have opportunities to work under conditions that as nearly as possible simulate working conditions existing in the civilian world. The Committee has also directed attention to the broader area of providing appropriate vocational training for all inmates to prepare them for the transition to free society that almost all will eventually make.

Chief Justice Warren E. Burger has been a strong advocate of reducing idleness in America's prisons. He has argued eloquently that inmates must be provided more work and vocational programs and that the jobs must be productive jobs. "To put people behind walls and bars and do little or nothing to change them is to win a battle but lose a war. It is wrong. It is expensive. It is stupid."¹ The conversion of prisons into intensive educational and training facilities instead of "human warehouses," is essential, according to Chief Justice Burger, for the improvement of the nation's tense and overcrowded prisons. He has called for a national task force on prison industries. He puts it simply: "What we are doing is not working and should be changed."

THE PROBLEM: PRISON IDLENESS AND ITS RAMIFICATIONS

Prison overcrowding is the driving force behind excessive idleness in the nation's prison system. Between 1978 and 1983 state prison capacity grew by 50% (122,317) or 24,500 beds per year.² Forty-four states now have prison populations exceeding 117% of design capacity.³ Double celling in cells meant for one person is commonplace. Eighteen states have been forced to use local jails to house some 8,000 inmates.⁴ Forty states, and the District of Columbia, are now under some type of federal court order or have litigation pending to relieve overcrowding and unconstitutional conditions.⁵

In calendar year 1983, Kansas had the fourth highest rate of increase in its prison population in the nation--a startling 20.4%.⁶ The resulting idleness was described as excessive by the Kansas Legislative Division of Post Audit in its September 1983 report on Correctional Industries and Inmate Rehabilitation. The report, which focused on Kansas State Penitentiary (KSP), states:

At the end of fiscal year 1983, only about 46% of all inmates at the State Penitentiary were involved in an inmate work program. The number of inmates on idle status at the Penitentiary has increased dramatically over the past year, as the population has risen overall.⁷

The report points out that inmates on idle status must stay in their cells, only leaving for meals, showers, and brief exercise periods.

Similar unemployment exists at the Kansas State Industrial Reformatory (KSIR), Kansas Correctional Institution at Lansing (KCIL), and to a lesser degree in the Department's smaller institutions. Systemwide, roughly half the inmates have no work or education program.

Kansas Statutes (K.S.A. 75-5211) provide that to the extent possible, inmates be provided with a full 40-hour work week. (See Appendix A) Prior to 1981, the statutes required a flat 40-hour work week for all inmates. It was amended primarily because there simply were too many inmates and too few jobs. The very rapid population growth has made it impossible for the Department to provide jobs--even menial ones--for all inmates.

Once a prison begins to exceed its optimum management capacity (one person per cell) it requires only a small number of additional inmates to provide the institutional maintenance functions required for the same institution at maximum capacity (two inmates per cell). Thus, for example, the number of allocated job slots at Kansas State Penitentiary has only increased by 10% since FY 1978 while the institution population has more than doubled.⁸

Table I

Jobs and Inmate Population at Kansas State Penitentiary

	<u>Number of Allocated Jobs</u>	<u>Number of Inmates</u>	<u>Number of Jobs Per Inmate</u>
FY 1978	905	947	.96
FY 1979	1,010	959	1.05
FY 1980	840	930	.90
FY 1981	840	992	.85
FY 1982	1,000	1,235	.81
FY 1983	1,000	1,443	.69
FY 1984	1,000	1,860	.54
FY 1985	1,015	--	--

Source: DOC Budget Documents

The potential to add additional maintenance and groundskeeping jobs has been completely exhausted, except for those produced by the construction of additional correctional institutions.

Kansas Correctional Industries now is able to operate in the black but does not generate enough funds to significantly expand its operations.

"Right now prisons are bursting at the seams. It creates idleness, which leads to violence. An inmate doesn't have anything to do all day except get angry."

Alvin Bronstein
Director, National Prison Project
American Civil Liberties Union
USA Today June 19, 1984

The ramifications of excessive idleness are potentially grave. The American Correctional Association's report on Riots and Disturbances in Correctional Institutions lists overcrowding, idleness, and lack of programs among the principal causes of prison riots. "When correctional institutions become large, overcrowded, and inmates are confined in dormitories rather than single cells, the propensity for violent eruption increases dramatically.⁹ However, the report says that the potential for disturbances is reduced substantially, even in overcrowded facilities, by effective work and educational programs:

It has long been recognized that interesting and satisfying work is an important factor in maintaining emotional stability. Programs for constructive, meaningful activities for the institutional population can be justified for many reasons. Primarily, they provide an alternative for enforced idleness and the resultant rise in tensions.¹⁰

It is not our intent to imply that a disturbance is imminent. It is our intent to describe the situation as it exists: Kansas prisons are overcrowded, many inmates are idle and there is a lack of work and programs.

These considerations aside, there are much better reasons to reduce prison idleness. Many inmates lack a basic educational background, have limited job skills and poor work histories. Nearly all will be released from prison. Extended periods of incarceration characterized by enforced idleness cannot help but perpetuate poor work habits and low self esteem. It would appear a prudent investment to enable inmates to develop better work habits and receive sound and challenging training prior to their release.

INMATE WORK PROGRAMS

There are several options for reducing idleness. The most viable appears to be the (1) expansion of Kansas Correctional Industries, (2) promotion of private sector employment of inmates

and (3) expansion of educational and vocational opportunities. Whatever the combination of options used, the key is the establishment of permanent and productive inmate jobs.

Kansas Correctional Industries

Kansas Correctional Industries was established by the Legislature in 1975, under the program title of Kansas State Industries, as authorized by K.S.A. 75-5275. The statutes that created Correctional Industries, often called the "Prison-Made Goods Act," require that state agencies must make purchases from Correctional Industries if they can provide goods and/or services of acceptable quality at prices that do not exceed those of private enterprises. At that time, the market was restricted to governmental agencies. In 1978, the market was expanded to include churches and non-profit organizations.

In 1974, the Penal Reform Act (K.S.A. 75-5201 et seq.) mandated that rehabilitation, training, treatment, education and work habits be given primary emphasis during an inmate's incarceration. The Act required that inmates who are "available, willing and able" shall participate in these programs and that working conditions approximate that of the real world including a 40-hour work week.

Organizationally, Kansas Correctional Industries is a part of the Department of Corrections central office under the supervision of the Deputy Director of Institutional Services. KCI has a staff of 27, including the director, industry supervisors, and support staff. The industries office is located on the grounds of Kansas State Penitentiary.

Currently, Kansas Correctional Industries operates six factories at three institutions--KSP, KSIR and KCIL. All direct expenses in FY 1984 were paid for by the receipts from the sale of products manufactured and services rendered. Total sales for KCI in FY 1984 amounted to \$3,172,825. Net income for FY 1984 was \$185,108. In addition, KCI operates a farm program at KSP which includes a cattle and swine operation. The farm program is currently funded through the lease of property located at KSP. KCI will receive \$115,000 from this lease each year through FY 1987.

The following is a list of the subprograms operated by Correctional Industries during FY 1985, their locations and the number of civilian and inmate employees:

Table II

<u>Industry</u>	<u>Location</u>	<u>Civilian Employees</u>	<u>Inmate Employees</u>
Administration, Warehousing & Product Delivery	KSP	12	12
Soap Factory	KCIL	1	12
Paint Factory	KSP	4	30
Sign Factory	KSP	2	27
Upholstery Shop	KSP	2	33
Furniture Refinishing/ Manufacturing	KSP	2	70
Clothing Factory	KSIR	2	32
Farm Operations	KSP	2	10
<hr/> <u>TOTAL</u>		<u>27</u>	<u>226</u>

Correctional Industries is not required to make a profit or to be self-supporting under the law; however, it is the goal of KCI to be profitable. KCI is determined to strive for an overall program profit of 10%, with profits earmarked for program expansion.

Five percent of KCI's income is required by K.S.A. 75-5282 to be automatically placed in an equipment replacement fund. It is the philosophy of the program not only to make a profit but to operate as much like a private business as possible within the limitations created by operating in prisons. The primary objective remains the employment of inmates and reduction of idleness. The overall employment objective is 15% of the DOC facility inmate population. This would put KCI at the national average for this type of program. An explanation of each KCI subprogram is provided on the following pages.

TABLE III

KANSAS CORRECTIONAL INDUSTRIES - STATEMENT OF INCOME & EXPENSE
for FY 1984 (7/1/83-6/30/84)
STATEMENT OF INCOME & EXPENSES

<u>Activity</u>	<u>Administration</u>	<u>Soap</u>	<u>Paint</u>	<u>Signs</u>	<u>Upholstery</u>	<u>Furniture Repair</u>	<u>Clothing</u>	<u>Consolidated</u>
Sales for Period	56,283	278,419	1,783,044	444,313	177,614	133,036	300,116	3,172,825
Internal Transfer (Sales)	2,091	5,263	22,094	2,654	5,748	1,589	323	39,760
Cost of Goods Manufactured		(171,323)	(1,314,812)	(333,148)	(61,766)	(47,182)	(211,661)	(2,139,892)
Gross Income	58,374	112,359	490,325	113,819	121,595	87,443	88,778	1,072,694
Total Expenses	(429,948)	(46,930)	122,110	76,483	(57,080)	83,403	71,630	887,585
Net Industrial Income	(371,574)	65,428	368,215	37,335	64,515	4,040	17,149	185,109

SOURCE: Kansas Correctional Industries
Director's Office

Administration, Warehousing and Product Delivery. In July 1984, Industries moved into its new warehouse and administration building, which significantly increased the amount of storage space for finished goods and raw materials. (This move was made possible by the construction of KSP's new medium security prison which absorbed and converted the old industry administration/warehouse building to an education and dining area.) The warehouse stores both raw materials and finished goods for factories and serves as the central shipping and receiving facility for KCI. KCI has purchased and maintains its own fleet of trucks and vehicles for delivery of its products.

Furniture Refinishing/Manufacturing Shop. During FY 1984, this shop had a significant increase in sales and in inmate employment due to DOC facility expansion. A large number of furnishings were produced for the new medium security facility at KSP and the minimum security facility being constructed at KSIR. Also, a new line of lounge furniture was developed in this shop. The inmates working in the furniture shop are close and medium custody inmates. Initial sales appear to be very good in this area. Total sales for FY 1984 were \$133,036.

Clothing Factory. FY 1984 continued to be a financially successful year for the clothing factory. During this year, the clothing factory was moved to a new location (the KCI building outside the main compound at KSIR) which increased the available production and storage space. This additional space will assist the development of new clothing lines and increase inmate employment in this factory. The inmates working in this factory are medium custody inmates. Total sales for FY 1984 were \$300,116.

Farm Operation. The farm was reopened in FY 1983 after being closed in 1975. During FY 1984, the cattle operation has continued to expand and reached 156 cattle by February, 1985. In addition, plans have been finalized to begin the hog operation in FY 1985 with the purchase of 72 sows and 4 boars for a farrow/finishing hog operation. During FY 1984, a farm manager was hired. Receipts for the farm operation will not begin to come in until FY 1985. Minimum custody inmates work on the farm.

Paint Factory. Two major types of paint are manufactured: traffic line and architectural paint. During FY 1984, approximately 290,000 gallons of traffic line paint and 115,000 gallons of architectural paint were produced. In addition, a new line of floor wax products has been developed and is being produced at KCI's paint factory. Initial sales appear very good.

The paint factory is by far one of the most profitable operations and has had the most sales of any KCI program. The profits from this factory cover much of KCI's administrative expenses, which less profitable factories are unable to cover. Sales were up in FY 1984 over FY 1983. Inmates working in the paint factory are medium custody inmates. Total FY 1984 sales were \$1,783,044.

Sign Factory. Although signs are made for many different customers, the major customer is the Kansas Department of Transportation. All sign blanks used by the state for maintenance are made in the shop as are many high-use signs, such as stop and yield signs. In addition, the neighborhood watch sign program has increased significantly during FY 1984 and the factory is producing many types of neighborhood watch signs for local communities in the state. Medium custody inmates are assigned to this shop. Total sales for the sign factory were \$444,313 for FY 1984.

Soap Factory. During FY 1984, the soap factory began its operation at KCIL. The soap factory is currently located in a former maintenance building which contains only 3,000 square feet. This building has become inadequate for the storage of raw materials and produced goods. Two alternatives are being considered to improve the physical facilities for the soap factory. The first is a 5,500 square foot addition to the existing factory. The second alternative is a recommendation made by Henningson, Durham, and Richardson, the consultants hired to carry out the Department's 1984 space needs study, to relocate the soap factory on the grounds of KCIL in a new building. This would provide the needed additional space. The soap factory continues to employ both male and female minimum custody inmates, and no major problems have resulted from this arrangement. Total sales for the soap factory during FY 1984 were \$278,419.

Upholstery Shop. Sales for the upholstery shop have remained stable during FY 1984. It is hoped that this program will expand in FY 1985 with the addition of new furniture lines being produced in our furniture shop. The inmates working in this factory are medium custody. Total sales for this period were \$177,614.

Recent Developments and Advances. In the past year and a half, KCI has taken several positive steps to improve its performance. Criteria have been developed for evaluating the potential of new industry programs. (See Appendix C) These criteria provide a working guide for examining new industries in terms of cost, market, potential to reduce idleness, feasibility and other pertinent items. These criteria were approved by the Correctional Industries Advisory Committee. A recent study

completed by Alexander Grant & Company, a nationally recognized accounting firm, found these criteria to be appropriate and comprehensive.¹¹

KCI has experienced growth in inmate employment due to an expansion of existing industries products and services. In FY 1984, KCI inmate employment increased by 30% for inmates at KSP. Increased revenue generated from KCI programs is now covering all operational expenses including inmate wages. All industries were profitable in FY 1984.

KCI has also begun to do more extensive research on new products and potential industries. During FY 1985, Alexander Grant & Company undertook a study of five new potential industries to determine the feasibility of these industries. In summary, their report has identified two new industries which appear to have excellent potential: microfilming of district court records and data entry work for the Kansas Department of Transportation. The study also identified a potential market for providing printing services for county governments. Two other industries considered in the study that do not appear to be viable are meat processing and automobile renovation.

KCI will continue to use a consultant in developing long-range plans, product lines, new industries and new markets. KCI has also begun a program of product performance by testing its janitorial products and is currently arranging for these products to be tested against industry standards by an independent laboratory.

In the private sector area, KCI has developed an internal policy and procedure for private sector industries that want to employ inmates. The policy sets out the expectations of the Department of Corrections and the conditions under which the private sector company must operate.

Private Sector Initiatives

Kansas continues to be recognized as a national leader of private industry development. Currently, the Department is involved in two non-prison based employment programs: Zephyr Products and Heatron, both of Leavenworth. Both employ inmates who are bused to the factory several miles from KCIL. In addition, during FY 1984, Jensen Engineering began a program at KSP doing overload contract electrical drafting.

Zephyr Products is a private custom sheet metal fabrication shop which currently employs 15 inmates from KCIL. Heatron is a new company which, like Zephyr, is owned by Fred Braun. Heatron produces custom heating coils and apparatus and employs five inmates from KCIL. Jensen is currently employing eight inmate

draftsmen who completed KSP's Platt College drafting program. All inmates in these programs are paid at least the federal minimum wage and pay taxes, room and board, and family support.

In the case of Zephyr, which has been operating for five years, the following salaries have been paid and deductions withheld from the inmate employees for the accounting period of 12/3/79 through 9/30/84:

1. Salaries: \$1,007,333.
2. Federal withholding: \$89,773.
3. Social Security: \$66,165.
4. State income tax: \$14,791.
5. Room and board/new industries development: \$63,856. (Initially, this money was returned to the State General Fund to reimburse the state for room and board. At the request of the Department, the 1984 Legislature channeled these funds to KCI to be spent for expanding prison industries.)

Source: Zephyr Products, Inc., memorandum, October 18, 1984.

Altogether, 43% of the inmates gross salaries were paid in taxes and room and board/new industries development payments.

Institutional Maintenance and Support Jobs

All DOC correctional facilities have inmate work assignments which help maintain institutions and make them more self-sufficient. Inmates work in areas such as food service, cellhouse and office porters and orderlies, and in the prison laundry. These jobs are primarily unskilled. Inmates are also assigned maintenance work for the institutions. These assignments include painting, plumbing, electrical work, refrigeration work, garage work, and construction. An example is the construction work by inmates on the new medium security prison under construction at KSP. These generally require higher skill levels than the institutional support jobs and are supervised by civilian employees.

Inmates who are housed in dormitories outside the main walls are generally assigned to groundskeeping jobs such as road repair, lawn mowing, snow removal, and landscaping. Most of these jobs are unskilled or semi-skilled, and are available to certain inmates who are within two years of their parole.

Although essential to prison upkeep, these jobs are less likely to provide a meaningful experience that will relate to work after the inmate's release.

Several vocational education programs are available to inmates. These include courses in building maintenance, construction, machinery, refrigeration, sales, and welding. The vocational education courses range in length from about two to nine months.

ISSUES IN REDUCING IDLENESS

Work Issues.

Correctional institutions find it difficult to provide inmate jobs that are meaningful or that will help to instill a sense of the work ethic for inmates with limited employment experience. Because there are usually too many inmates and too few jobs, it has long been an institutional practice to over assign inmates for the jobs that are available. Although not done by choice, it is not unusual to assign more individuals to a task than are required to perform it. In other cases, what are called inmate "jobs" are tasks that can be completed in only a few hours a day. Institutional staff realize that this is not an ideal practice but have no alternative since they have little control over the number of inmates they are expected to house. It is better, they believe, to occupy as many inmates as possible for part of the day than to have some fully occupied and the remainder with nothing constructive to fill their time.

These limited assignments and tasks that are lengthened unnecessarily are not good reflections of work practices in the real world. It may even encourage or reinforce poor attitudes about work. With some exceptions, these institutional jobs are low level and/or make work and do little to enhance an inmate's skills, self esteem, or chance to be hired on any but the lowest pay scale when paroled. The solution appears to be the provision of enough jobs to meet the statutory expectation of a 40-hour work week and not over assign inmates to jobs.

No one makes the point better than Chief Justice Burger when he says that prison inmates have poor work concepts and lack the moral values that lead people to have respect and concern for the rights of others. It is his belief that if a person is placed in a factory, paid reasonable compensation and charged for room and board, then correctional facilities will have a better chance to release from prison a person able to secure gainful employment. Added to that it will be a person whose self-esteem will at least have been improved to the level where there is a better chance of living a normal life.

"It is predictable," the Chief Justice said, "that a person confined in a penal institution for two, three, five, or more years, who is then released without being able to read, write, spell or do simple arithmetic and not trained with a marketable skill will be vulnerable to returning to a life of crime. What

business enterprise could conceivably continue with the rate of 'recall' of its 'products' that we see with respect to the 'products' of our prisons?"¹²

Market Restrictions

K.S.A. 75-5275 restricts the markets for the sale of prison-made goods in Kansas to government agencies, non-profit organizations and churches. The intent of the statute is to protect private business from competition with prison industries. This causes a significant problem for KCI because it limits both potential product lines and sales volume. As previously mentioned, KCI has begun the practice of using consultants to identify potential markets for candidate industries. However, due to the high costs involved in marketing studies, they can only be used on a limited basis. The Committee believes that some reasonable expansion of the statutorily set market may be necessary if a significant reduction in idleness is to be achieved. The Committee will address this question during 1985.

Purchasing Restrictions

As with all state agencies, KCI is required to make most purchases of raw materials through the Department of Administration's Division of Purchasing. In the past this has at times limited the flexibility of KCI to make timely purchases and in some cases the low bid requirement has resulted in the purchase of raw materials of questionable quality. These restrictions prevent KCI from operating like businesses in the private sector.

A recent study by the U. S. Justice Department's National Institute of Corrections entitled "Guidelines for Prison Industries" (January, 1984) recommended that state prison industries be exempted from state purchasing laws. The study's conclusions were predicated upon three factors:

First, that industries can be impeded by competitive bid procedures where quick action is required to make below market cost purchases, e.g., distress sales or other special bid opportunities. Second, the competitive bid process through a state procurement office may result in increased prices where bidders anticipate delays in payment from the state buyer. Third, the public trust can be sufficiently protected from fraud or waste through a combination of special bid procedures, oversight from a policy board, and annual audits, and the "bottom line" effects from the profit seeking goal for industries.¹³

During December 1984, a meeting was held between the Department of Corrections, Secretary of Administration and the Division of Purchasing. It was agreed that rather than partially remove KCI from state purchasing statutes, the Division would administratively provide more flexibility to KCI to directly purchase the brand name raw materials it deems necessary to ensure a quality product and continuity in its production. If KCI does not have the necessary flexibility it needs using this administrative remedy, it may be necessary to request the Legislature to remove KCI from state purchasing requirements for raw materials.

RECOMMENDATIONS OF THE COMMITTEE

Recommendation No. 1

Prison work and vocational education programs should be expanded to employ the idle inmate population in permanent activity.

Kansas Correctional Industries should be expanded to employ 15% (675) of the DOC facility population of 4,206 (as of January 27, 1985). Currently, the employment of inmates is approximately 5.35% (225). The tension and frustration caused by idleness and unproductive work assignments could be reduced substantially if a greater percentage of inmates become involved in work and vocational programs. The state goal should also be to help inmates develop the job skills and positive work habits they will need upon release for private sector employment. Existing programs must be expanded and new programs introduced.

Recommendation No. 2

State General Fund monies should be used to fund the expansion of Kansas Correctional Industries.

As the result of strong and conservative management, KCI has become increasingly fiscally sound in recent years. Despite this stability, the various industries together are not able to generate enough money to fund a significant expansion, particularly if the proposed industry is capital intensive. Therefore, a legislative appropriation of State General Fund monies is necessary to fund the capital costs of almost any proposed

expansion or addition to the current program. For the industries identified at this time as holding the best business potential, a moderate investment of first year seed money by the Legislature would enable KCI to expand. In the second year, these programs would become self-supporting.

Recommendation No. 3

The statutorily established market for the sale of prison industry products needs to be expanded.

As discussed above, the limitation on who can purchase inmate produced goods significantly limits the ability of the Department of Corrections to expand inmate jobs and thereby increases idleness. The Committee recognizes that there are competing interests at stake and that any proposed statutory change needs to be carefully considered. What specific change should be made will be considered by the Committee during 1985 and a recommendation prepared for the 1986 Legislature.

Recommendation No. 4

The statute requiring the purchase of prison-made goods needs to be better monitored and enforced by the Department of Administration.

Numerous state agencies do not comply with the requirement of K.S.A. 75-5275 that state agencies purchase KCI's products. Some are potentially major users. It is believed that the failure to comply occurs both unintentionally (for example, due to a lack of information about KCI's products) and intentionally. These practices result in reduced sales and increased idleness. The Divisions of Purchasing and Accounts and Reports both make some effort to insure compliance. However, the full enforcement of this provision should receive priority attention.

It would appear that a realistic resolution of the problem will require the following:

1. KCI should continue to inform agencies of its product lines through marketing efforts.

2. The Divisions of Purchasing and Accounts and Reports should further assist in tracking purchases with a sufficient commitment of resources to insure that agencies comply with the statute.

Recommendation No. 5

Statutory budget restrictions should be modified to enable KCI to operate like a private sector industry.

The expenditure limitation established each year can be a major limitation on the efficient operation of KCI. The constraints placed on the use of this money are very different from those faced by private sector industry. KCI is not able to access available funds in excess of the limitation to take advantage of special purchases, without lengthy delays.

Additionally, the statutory 5% Equipment Replacement Fund also hampers KCI's operations. Delays in gaining authorization to use the 5% automatic set aside from KCI sales limits its flexibility and again blocks its ability to function like a private sector operation.

The elimination of these two constraints would improve the efficiency and effectiveness of KCI's operation.

CORRECTIONAL INDUSTRIES ADVISORY COMMITTEE 1985 GOALS

The Committee has set the following goals for 1985:

1. The expansion of Kansas Correctional Industries through careful study and planning of opportunities, investments required, profit opportunities and jobs created.
2. To significantly increase the employment of the idle inmate population in KCI jobs during 1986.

The marketing thrust of KCI in 1985 and in the years beyond will be to more actively promote its products and services to state agencies and to place increased emphasis on county and city markets as well as non-profit organizations. KCI will continue to look for new and innovative ways to increase employment beyond the 15% goal. To do this, KCI and the Advisory Committee may well have to look to the Governor and Legislature for seed money to fund new enterprises in which to employ more inmates.

CONCLUSION

By all measures, the dramatic rise in prison idleness is counter productive and potentially very costly. It denies inmates the opportunity to learn a skill, to maintain good work habits, and contributes to bitterness and tension. It makes the jobs of correctional staff much more difficult. It increases the chance of a violent disturbance at potentially great human and financial cost.

This report has attempted to inform state policy makers that the idleness problem is serious and must be addressed. Kansas must create hundreds of additional permanent inmate jobs and educational opportunities. Too much is at stake to not act. Yet, the expansion of self-supporting permanent jobs is a slow and difficult process. Proposals for new industries must be thoroughly costed out, available markets investigated, and required capital investment considered. The key is sound business judgment.

Your help is needed to give KCI the flexibility to operate as much like a growing manufacturing business as possible, to fund start up costs and to provide markets broad enough to employ the idle inmate population.

FOOTNOTES

1. Chief Justice Warren E. Burger, Commencement Exercises at Pace University, New York, New York, June 11, 1983.
2. Bureau of Justice Statistics, "Prisons in 1983", U.S. Department of Justice, April 1984, page 2.
3. Ibid., page 6.
4. Ibid., page 5.
5. Ibid., page 3.
6. Ibid., page 2.
7. Legislative Division of Post Audit, Correctional Industries and Inmate Rehabilitation, State Printer, Topeka, Kansas, September 1983, page 10.
8. Kansas Department of Corrections, "Inmate Population Report", DOC, January 14, 1985.
9. American Correctional Association, Riots and Disturbances in Correctional Institutions, College Park, Maryland, 1981, page 3.
10. Ibid., page 3.
11. Alexander Grant and Company, Kansas Correctional Industries - Market Feasibility Study of Five Candidate Industries for Program Expansion, January 22, 1985.
12. Chief Justice Warren E. Burger, Commencement Exercises at Pace University, New York, New York, June 11, 1983.
13. U.S. Department's National Institute of Corrections, Guidelines for Prison Industries, U.S. Justice Department, January 1984.

APPENDIX A

APPENDIX A

KANSAS STATUTES RELATING TO INMATE WORK PROGRAMS

75-5201. Purpose and construction. The legislative purpose in enacting this act shall be deemed to be establishment of a policy of treatment of persons convicted of felonies in this state by placing maximum emphasis on rehabilitation of each such person while in the custody of the state or under the jurisdiction of the courts of the state, consistent with the interests and safety of the public, so that a maximum of persons so convicted may be returned to private life in the communities of the state with improved work habits, education, mental and physical health and attitudes necessary to become and remain useful and self-reliant citizens. It is the intent of the legislature that judges, the secretary of corrections, his or her agents, subordinates and employees and the Kansas adult authority, its agents, subordinates and employees will construe and apply this act and acts of which it is amendatory or supplemental liberally to rehabilitate, train, treat, educate and prepare persons convicted of felony in this state for entry or reentry into the social and economic system of the community upon leaving the custody of these state agencies and officers.

History: L. 1973, ch. 339, § 1; July 1, 1974.

CASE ANNOTATIONS

1. Cited in holding state and county have duties to warn of major prison escape; not protected by 75-6104(c). *Cansler v. State*, 234 K. 554, 568, 675 P.2d 57 (1984).

75-5210. Treatment of inmates; records; security status; incentives; health standards; visits; furloughs; disciplinary rules and regulations; work and educational release; honor camps; housing; construction and repair of buildings; contracts. (a) Persons committed to the institutional care of the secretary of corrections shall be dealt with humanely, with efforts directed to their rehabilitation and return to the community as safely and promptly as practicable. For these purposes, the secretary shall establish programs of classification and diagnosis, education, casework, mental health, counseling and psychotherapy, chemical dependency counseling and treatment, sexual offender counseling, pre-release programs which emphasize re-entry skills, adjustment counseling and job place-

ment, vocational training and guidance, work, library, physical education and other rehabilitation and recreation services; the secretary may establish facilities for religious worship; and the secretary shall institute procedures for the study and classification of inmates. The secretary shall maintain a comprehensive record of the behavior of each inmate reflecting accomplishments and progress toward rehabilitation as well as charges of infractions of rules and regulations, punishments imposed and medical inspections made.

(b) Programs of work, education or training shall include a system of promotional rewards entitling inmates to progressive transfer from high security status to a lesser security status. The secretary shall have authority at any time to transfer an inmate from one level of status to another level of status. Inmates may apply to the secretary for such status privileges. The secretary shall adopt rules and regulations establishing standards relating to the transfer of an inmate from one status to another, and in developing such standards the secretary shall take into consideration progress made by the inmate toward attaining the educational, vocational and behavioral goals set by the secretary for the individual inmate.

(c) The secretary, with the cooperation of the department of health and environment, shall adopt rules and regulations establishing and prescribing standards for health, medical and dental services for each institution, including preventive, diagnostic and therapeutic measures on both an out-patient and a hospital basis, for all types of patients. An inmate may be taken, when necessary, to a medical facility outside the institution.

(d) Under rules and regulations adopted by the secretary, directors of institutions may authorize visits, correspondence and communication, under reasonable conditions, between inmates and appropriate friends, relatives and others.

(e) The secretary shall adopt rules and regulations under which inmates, as part of a program anticipating their release from minimum security status, may be granted temporary furloughs from a correctional institution or contract facility to visit their

families or to be interviewed by prospective employers.

(f) The secretary shall adopt rules and regulations for the maintenance of good order and discipline in the correctional institutions, including procedures for dealing with violations. Disciplinary rules and regulations may provide a system of punishment including segregation, forfeitures of good time credits, fines, extra work, loss of privileges, restrictions and payment of restitution.

The secretary and any persons designated by rules and regulations of the secretary may administer oaths for the purpose of conducting investigations and disciplinary proceedings pursuant to rules and regulations adopted by the secretary under this subsection and under K.S.A. 75-5251 and amendments thereto. For this purpose, the secretary shall adopt rules and regulations designating those persons who may administer oaths in such investigations and proceedings and the form and manner of administration of the oaths.

(g) A copy of the rules and regulations adopted pursuant to subsection (f) shall be provided to each inmate. Other rules and regulations of the secretary which are required to be published pursuant to K.S.A. 77-415 through 77-437, and amendments thereto, shall be made available to inmates by placing a copy in the inmate library at the institution or by some other means providing reasonable accessibility to inmates.

(h) Any inmate participating in work and educational release programs under the provisions of K.S.A. 75-5267 and amendments thereto shall continue to be in the legal custody of the secretary of corrections, notwithstanding the inmate's absence from a correctional institution by reason of employment, education or for any other purpose related to such work and educational release programs, and any employer or educator of that person shall be considered the representative or agent for the secretary.

(i) The secretary shall establish administrative and fiscal procedures to permit the use of regional or community institutions, local governmental or private facilities or halfway houses for the placement of inmates released for the purposes of this act and for the work and educational release programs under K.S.A. 75-5267 and amendments thereto.

(j) The secretary may establish honor camps and select inmates to be assigned to such camps.

(k) The secretary may acquire, in the name of the state, by lease, purchase or contract additional facilities as may be needed for the housing of persons in the secretary's custody.

(l) The secretary is hereby authorized to use any of the inmates assigned to his or her custody in the construction and repair of buildings or property on state owned or leased grounds.

(m) For the purposes of establishing and carrying out the programs provided for by subsection (a) and by K.S.A. 75-5267 and amendments thereto, the secretary may contract with qualified individuals, partnerships, corporations or organizations; with agencies of the state; or with the United States or any political subdivision of the state, or any agency thereof.

History: L. 1973, ch. 339, § 10; L. 1978, ch. 368, § 1; L. 1979, ch. 296, § 2; L. 1980, ch. 285, § 1; L. 1981, ch. 347, § 1; L. 1984, ch. 319, § 1; July 1.

Cross References to Related Sections:

Honor camps, see 75-52.116.

Law Review and Bar Journal References:

"Kansas Diversion: Defendant's Remedies and Prosecutorial Opportunities," Joseph Brian Cox, 20 W.L.J. 344, 346, 348 (1981).

CASE ANNOTATIONS

1. Statutory discretion of prison officials granted hereunder limited by prison rules adopted pursuant to subsection (f). *Jones v. Marquez*, 526 F.Supp. 871, 875 (1981).

2. Prison officials have authority to transfer inmate at any time. *Smith v. Halford*, 570 F. Supp. 1187, 1191 (1983).

75-5211. Inmate employment and training; withdrawals from pay; assistance upon release. (a) The secretary of corrections shall provide employment opportunities, work experiences, educational or vocational training for all inmates capable of benefiting therefrom. Equipment, management practices and general procedures shall, to the extent possible, approximate normal conditions of employment which includes a forty-hour work week for every inmate who is available, willing and able to participate. Such work week may include schooling, vocational training, employment at private industry, treatment or other activities authorized by the secretary. For all purposes under state law, no inmate shall be deemed to be an employee of the state or any state agency. The secretary of corrections shall credit to each inmate as a reward for such employment, an amount which shall be set by the governor but shall not be less than \$.25 per day. Any inmate who is gainfully employed under the work release provisions of K.S.A. 75-5267 and 75-5268, and amendments thereto, or who is gainfully employed by a private business enterprise operating on the grounds of a correctional institution under K.S.A. 75-5288 and amendments thereto, or any other private business at which inmates are permitted to be gainfully employed, and any inmate who is incarcerated at the Kansas reception and diagnostic center for the purpose of receiving diagnosis and any inmate on discipli-

ary segregation status shall not be eligible to receive compensation as provided in this subsection.

(b) The secretary of corrections shall establish programs and prescribe procedures for withdrawing amounts from the compensation paid to inmates from all sources for the same purposes as are prescribed by K.S.A. 75-5268 and amendments thereto for moneys of work release participants.

(c) Upon the release of any inmate on parole, conditional release or expiration of the inmate's maximum sentence, the inmate shall be provided with suitable clothing and a cash payment of \$100. Any inmate who is gainfully employed under the work release provisions of K.S.A. 75-5267 and 75-5268, and amendments thereto, or who is gainfully employed by a private business enterprise operating on the grounds of a correctional institution under K.S.A. 75-5288 and amendments thereto, or any other private business at which inmates are permitted to be gainfully employed or any inmate paroled to a detainer shall not be eligible to receive this cash payment.

An inmate released on conditional release or expiration of the inmate's maximum sentence shall be provided public transportation, if required, to the inmate's home, if within the state, or, if not, to the place of conviction or to some other place not more distant, as selected by the inmate. An inmate released on parole shall be provided public transportation, if required, to the place to which the inmate was paroled.

History: L. 1973, ch. 339, § 11; L. 1975, h. 458, § 2; L. 1978, ch. 366, § 5; L. 1980, h. 286, § 1; L. 1981, ch. 348, § 1; L. 1984, h. 330, § 2; May 17.

Source or prior law:
75-20d07.

CASE ANNOTATIONS

1. Cited; duty of finance council hereunder not constitutionally permissible; violative of inherent constitutional doctrine of separation of powers; such duty evolves upon governor. *State, ex rel., v. Bennett*, 219 285, 295, 547 P.2d 786.
2. Habeas corpus not proper proceeding for review of this section. *Foster v. Maynard*, 222 K. 506, 511, 513, 65 P.2d 285.
3. Trial court did not err in not ordering employment opportunities under this section. *Foster v. Maynard*, 22 K. 506, 513, 565 P.2d 285.

75-5265. Requisition of inmates to perform work at center; composition and allowances. The secretary may make requisition upon the director of any state correctional institution for any inmate at such correctional institution and transfer the inmate to the center for the purpose of performing work or services at the center. Inmates so employed shall be entitled to the same goodtime allowances as they would receive at the state institution from which they are transferred.

History: L. 1973, ch. 339, § 56; July 1, 1974.

Source or prior law:
76-24,08.

75-5267. Work release program; release from confinement, purposes; educational release programs; use of local facilities; contracts; disposition of products of inmate labor. (a) The secretary of corrections is hereby authorized to establish a work release program under which inmates committed to the custody of the secretary may be granted the privilege of leaving actual confinement for the following purposes:

(1) To travel to and from and visit at a specified place or places for a period of not to exceed thirty (30) days for the following purposes:

- (A) To visit a member of the inmate's immediate family who is in danger of death;
- (B) to attend the funeral services or other last rites of a member of the inmate's immediate family;

(C) to obtain health services otherwise not available to the inmate at an institution operated by the state;

(D) to interview prospective employers; or

(E) any other purpose consistent with the public interest.

(2) To work at paid employment or participate in a program of job training if:

(A) The rates of pay, hours and other conditions of employment will be substantially comparable to those afforded others in the community for the performance of work of a similar nature;

(B) such paid employment or job training will not result in the significant displacement of employed workers in the community.

(b) The secretary of corrections is hereby authorized to establish educational release programs under which inmates committed to the custody of the secretary may be granted the privilege of leaving actual confinement for the purposes of education or training.

(c) The placement of any inmate in a community pursuant to the provisions of subsection (a) or subsection (b) shall be in accordance with any applicable federal rules or regulations.

(d) In areas where facilities, programs and services suitable for these purposes are not available within the state correctional system when needed, the secretary shall contract with the proper authorities of political subdivisions of the state, with any agency of the state, with the federal government, with available community corrections centers or facilities funded by private sources, or with qualified private corporations or organizations for quartering inmates with such privileges in suitable confinement facilities and for programs and services for inmates in such facilities.

(e) Nothing in this act shall be construed to prevent inmates from working for and the products of their labor being disposed of by any state agency, local agency, federal gov-

ent, or any other state or political subdivision thereof. Merchandise made by prisoners when said merchandise is for personal benefit of inmates, may be sold or exchanged within the confines of the institution subject to rules and regulations of the secretary.

History: L. 1973, ch. 339, § 12; L. 1975, ch. 458, § 5; L. 1978, ch. 368, § 4; L. 1979, ch. 296, § 3; July 1.

Source or prior law:

75-20d08.

Law Review and Bar Journal References:

"Kansas Diversion: Defendant's Remedies and Prosecutorial Opportunities." Joseph Brian Cox. 20 W.L.J. 344, 346 (1981).

CASE ANNOTATIONS

1. Where threat of irreparable harm to paraplegic inmate outweighs financial burden or inconvenience to prison officials, injunction for medical treatment proper. *Lee v. McManus*, 543 F.Supp. 386, 393 (1982).

75-5268. Work release and job training programs; disposition of compensation. Any inmate who is allowed to participate in such paid employment or in such job training or paid employment for which a subsistence allowance is paid in connection with such job training shall pay over to the secretary or the designated representative of the secretary all moneys received from such paid employment or job training except that, pursuant to rules and regulations adopted by the secretary of corrections, the inmate shall retain a stipulated reasonable amount of the money as the secretary or the designated representative of the secretary deems necessary for expenses connected with the employment or job training. The balance of the moneys paid to the secretary or the designated representative of the secretary shall be disbursed for the following purposes:

(a) A designated minimum amount of that money paid to the secretary shall be returned to the state general fund or to the political subdivision, federal government or community-based center for such inmate's food and lodging or, if the inmate is participating in a private industry program other than work release, the minimum amount collected shall be deposited to the correctional industries fund;

(b) transportation to and from the place of employment at the rate allowed in K.S.A. 75-3203 and amendments thereto;

(c) if any of the dependents of the inmate are receiving public assistance, a reasonable percentage of the inmate's net pay after deduction of the above expenses shall be forwarded to the spouse or the guardian of any dependents with immediate notification of same to the secretary of social and rehabilitation services;

(d) if subsection (c) is not applicable, then a reasonable percentage of the inmate's net pay after deduction of the above expenses shall be disbursed for the payment, either in full or ratable, of the inmate's obligations acknowledged by the in-

mate in writing, or which have been reduced to judgment;

(e) payment of a reasonable amount into a savings account for disbursement to the inmate upon release from custody, and

(f) the balance, if any, shall be credited to the inmate's account and shall be made available to the inmate in such manner and for such purposes as are authorized by the secretary.

History: L. 1973, ch. 339, § 13; L. 1980, ch. 286, § 2; L. 1984, ch. 330, § 3; May 17.

Source or prior law:

75-20d09.

75-5273. Prison-made goods. K.S.A. 75-5273 to 75-5282, inclusive, may be cited as the "prison-made goods act of Kansas."

History: L. 1973, ch. 339, § 76; July 1, 1974.

Source or prior law:

76-2902.

75-5274. Same; definitions. As used in the prison-made goods act of Kansas, the following words and terms shall have, respectively, the meanings ascribed to them by this section:

(a) "Local agency" means any county, city, township, school district and any other political subdivision or taxing district in this state.

(b) "State agency" means any state office or officer, department, board, commission, institution, bureau, or any agency, division or unit within any office, department, board, commission or other authority of this state.

(c) "Other state" means any other state or political subdivision thereof.

(d) "Federal government" means the federal government or any agency thereof.

(e) "Organization" means any church or any not-for-profit corporation organized for eleemosynary purposes.

History: L. 1973, ch. 339, § 77; L. 1978, ch. 366, § 7; July 1.

Source or prior law:

76-2903.

75-5275. Same; establishment of industries at correctional institutions; purpose and extent; authorized sales. (a) The secretary is hereby authorized to purchase in the manner provided by law, equipment, raw materials and supplies, and to employ the supervisory personnel necessary to establish and maintain for this state at each correctional institution, industries for the utilization of services of inmates in the manufacture or production of such articles or products or in providing such services as may be needed for the construction, operation, maintenance or use of any state agency, local agency, other state, the federal government or organization.

(b) The secretary is hereby authorized to sell all such articles, products and services to the federal government, any state agency, any local agency, or any organization within the state and, to the extent not prohibited by federal law, to other states.

75-5275. Same; establishment of industries at correctional institutions; purpose and extent; authorized sales. (a) The secretary is hereby authorized to purchase in the manner provided by law, equipment, raw materials and supplies, and to employ the supervisory personnel necessary to establish and maintain for this state at each correctional institution, industries for the utilization of services of inmates in the manufacture or production of such articles or products or in providing such services as may be needed for the construction, operation, maintenance or use of any state agency, local agency, other state, the federal government or organization.

(b) The secretary is hereby authorized to sell all such articles, products and services to the federal government, any state agency, any local agency, or any organization within the state and, to the extent not prohibited by federal law, to other states.

History: L. 1973, ch. 339, § 78; L. 1978, ch. 366, § 8; July 1.

Source or prior law:

76-2904.

75-5276. Same; purchase of goods and services by public agencies; certain state agency purchases mandated. (a) All state agencies shall purchase from the secretary all articles or products required by such state agencies that are produced by inmates and no such article or product shall be purchased by any state agency from any other source, unless excepted from the provisions of this section by law or in accordance with K.S.A. 75-5277.

(b) The federal government, other states, local agencies and organizations may purchase from the secretary such articles, products or services that are produced or provided by inmates under the prison-made goods act and state agencies may purchase from the secretary such services as are provided by inmates.

(c) All purchases shall be made through the division of purchases of the department of administration, upon requisition by the proper authority of the agency or organization requiring such articles, products or services.

History: L. 1973, ch. 339, § 79; L. 1978, ch. 366, § 9; July 1.

Source or prior law:

76-2905.

75-5277. Same; exceptions to mandatory purchase requirement. Exceptions from the operation of the mandatory provisions of K.S.A. 75-5276 may be made in any case where in the opinion of the secretary of administration and the director of purchases the article or product so produced or manufactured does not meet the reasonable requirements of or for such state agency, or in any case where the requisition made cannot be reasonably complied with.

History: L. 1973, ch. 339, § 80; L. 1978, ch. 366, § 10; July 1.

Source or prior law:

76-2906.

75-5282. Disposition of correctional industries revenue and lease proceeds; farming operations account created. (a) All moneys collected by the secretary from the sale or disposition of articles and products manufactured and services provided shall be remitted to the state treasurer at least monthly. The state treasurer shall deposit each such remittance in the state treasury and the same shall be credited to the correctional industries fund, which fund is hereby created in the state treasury.

(b) All the moneys collected and deposited pursuant to subsection (a) shall be used solely for the purchase of manufacturing supplies, equipment and machinery, for the repair and maintenance of equipment and machinery, and for administrative expenses, except that on July 1 of each year the director of accounts and reports shall transfer from the correctional industries fund to the correctional industries equipment replacement fund a sum equal to 5% of the total receipts deposited to the credit of the correctional industries fund pursuant to subsection (a) during the preceding fiscal year which receipts were derived from the sale of inmate made articles and products and inmate provided services. Amounts credited to the farming operations account of the correctional industries fund pursuant to subsection (d) shall not be included in determining the amount to be transferred under this subsection from the correctional industries fund to the correctional industries equipment replacement fund.

(c) The secretary of corrections shall furnish the director of accounts and reports such information as shall be necessary for the determination of the amount to be transferred under subsection (b). Upon making any of the transfers provided for under subsection (b), the director of accounts and reports shall notify the secretary of corrections thereof, who shall make the proper entries in the records of financial transactions to show such transfers.

(d) The balance of all proceeds from the lease of agricultural land at Kansas state penitentiary which are received after March 1, 1982, after payment of the expenses of the lease from such proceeds, shall be remitted to the state treasurer at least monthly. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount thereof in the state treasury and such amount shall be credited to the farming operations account of the correctional industries fund which is hereby created in such fund. All moneys credited to the farming operations account of the correctional industries fund shall be used for the development and maintenance of farming operations at Kansas state penitentiary for the employment of inmates under the custody of the secretary of corrections.

History: L. 1973, ch. 339, § 85; L. 1978, ch. 366, § 13; L. 1982, ch. 370, § 1; May 13.

Source or prior law:

76-2915.

75-52.116. Honor camps. (a) The director of honor camps, with the approval of the secretary of corrections, may extend the limits of confinement of inmates of correctional honor camps to work for any state agency, federal agency, city, county, school district or nonprofit organization organized for charitable purposes if such work is in furtherance of public service and public welfare or charitable objectives within the community. The inmates shall remain under the legal custody of the secretary of corrections with the actual limits of confinement extended and without actual supervision of correctional officials. Those persons observing, supervising, managing, controlling and reporting back to correctional officials regarding such inmates in their work shall be agents of the state and of the secretary of corrections for that purpose only but shall not, solely by reason of the agency, have law enforcement powers.

(b) Compensation of inmates working pursuant to this section shall be normal inmate incentive pay rendered to other inmates working within correctional institutions pursuant to K.S.A. 75-5211 and amendments thereto.

History: L. 1984, ch. 307, § 1; April 26.

Cross References to Related Sections:
Establishment of camps, see 75-5210.

75-52.117. Prerelease programs and centers. (a) The secretary of corrections is hereby authorized to establish a prerelease program under which inmates receive training and other services to better prepare themselves for release upon parole, conditional release or discharge from their maximum sentence.

(b) Within the limitations of appropriations available therefor, the secretary of corrections may establish and operate prerelease centers. Each prerelease center shall be used only for:

(1) The housing and confinement of minimum custody inmates during the period preceding their anticipated release upon parole, conditional release or discharge from their maximum sentence;

(2) the housing and confinement of those minimum custody inmates which the secretary determines are necessary to provide maintenance and other support services for the operation of the prerelease center;

(3) the housing of paroled inmates who would benefit from the prerelease program, as determined by the secretary of corrections; and

(4) at a prerelease center located at a state institution or facility, the secretary of corrections may house and confine temporarily not more than 15 minimum custody inmates to provide maintenance, support and other services to that state institution or

facility upon request of the chief administrative officer of the state institution or facility and approval by the secretary of corrections.

(c) No minimum custody inmate sentenced for committing a felony of a higher classification than a class D or E felony may be housed and confined at any prerelease center until the inmate has been in minimum custody status for 90 days or more, except that for good cause the secretary of corrections may make an exception and may house and confine any such inmate at a prerelease center for the purpose of participating in the prerelease program under subsection (b)(1).

(d) The prerelease center established at the Winfield state hospital and training center shall not be used as a work release center or honor camp.

(e) The secretary of corrections shall designate a local advisory committee for each prerelease center composed of persons who are residents of the community or area where the prerelease center is located.

History: L. 1984, ch. 299, § 1; Jan. 26.

APPENDIX B

APPENDIX B

The History of and Statutory Basis for Prison Industries

Since the establishment of the Penitentiary at Lansing in 1861, the state has sought to provide work for its prisoners. One of the early responsibilities assigned by statute to the warden was to "Use every proper means to furnish employment to the prisoners most beneficial to the public and best suited to their capacities." (Kansas General Statutes of 1868, Chapter 77) Early in the history of the Penitentiary, work for inmates was available in construction of the institution and state roads and through contracts with private companies. In 1879, the coal mine was opened and provided work for as many as 500 inmates. Abuses of the contract system led the Legislature to abolish this type of labor in 1909 and the coal mine was closed in 1945 when its operation no longer was efficient.

The Legislature, as a result of an extensive study of the state's penal system, enacted the Prison-Made Goods Act in 1957 as one means for providing constructive labor for inmates. This Act, patterned after legislation adopted for the federal prison system and in other states, provided a limited market--primarily state agencies--for the sale of goods produced by inmate labor. Under the Prison-Made Goods Act, six separate industries have been established within the correctional institutions. These industries are financed from a revolving fund established by legislation to receive funds from the sale of prison-made products.

APPENDIX C

APPENDIX C

The Kansas Department of Corrections has developed eight criteria for the successful expansion of the KCI program. These criteria have been reviewed and formally adopted by the Correctional Industry Board. These criteria were reviewed and deemed "appropriate and prudent" by an independent consultant, Alexander Grant & Company, during FY 1985.

The major criteria are:

1. Size of capital investment required.
2. Profit potential of new industries.
3. Population custody classifications served.
4. Inmate pay levels.
5. Security.
6. Location and suitability of facilities.
7. Rehabilitation considerations.
8. Markets and competition.

It is important to note that these criteria are not listed according to a fixed hierarchy. The study by Alexander Grant suggested in their findings that: Markets and competition; location and suitability of facilities; profit; and capital investment are the most important criteria by order of importance.

April 10, 1985

7336 Indian Creek
Topeka, Kansas 66617

Senate Ways and Means Committee
State Capitol
Topeka, Kansas

Committee Members:

Please correct an inequity in the proposed pay plan. Employees who have received promotions in the last few years will receive little or no merit increases. Receiving a promotion with the State many times means receiving as little as a 2 or 3% salary increase. Often a person is put at the step on the new range which gives he or she the minimum increase.

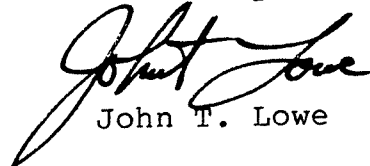
A person who received a promotion the last few months and only received a 2 or 3% increase will receive no merit increase. If that same person had not received a promotion he/she would receive a 10% merit increase (presuming he/she had been with the State 3 years). The promotion, therefore, resulted in a 7 to 8% loss in potential pay. The same result occurs with persons promoted in the last two years but at lessening degrees.

If the plan goes into effect June 18, a person promoted June 17 will receive only what increase comes with the promotion. But if promoted June 18, that same person would receive a 10% merit increase plus the benefit of the promotion. One day could mean the difference between receiving or not receiving 10%.

The remedy to this inequity is simple. Merit increases should be based upon the amount of time employed during the merit increase freeze, not how long an employee has been on a particular step.

Your efforts to eliminate this inequity are appreciated.

Sincerely,



John T. Lowe

cc: Governor Carlin

B 4-11

April 5, 1985

REPORT OF THE SPECIAL JOINT SUBCOMMITTEE
ON THE STATE PAY PLAN

The Special Joint Subcommittee on the State Pay Plan respectfully submits to the House and Senate Committees on Ways and Means its conclusions and recommendations with respect to changes in the state's basic pay plan. The Subcommittee wishes to express its gratitude for the cooperation and assistance provided by representatives of the office of the Secretary of Administration, the Division of Personnel Services, and the Division of the Budget.

The Subcommittee has reviewed the Governor's recommendations with respect to salary plan revision for FY 1986 which were submitted in detail by special message to the Senate and House of Representatives on January 31, 1985. The recommendations detailed in the special message would be adopted by reference and financed by enactment of 1985 House Bill No. 2274. The Subcommittee held public hearings at which testimony was received from state employees and representatives of state employee organizations.

In summary, there are three major parts to the Governor's recommended salary plan changes which are estimated to cost in FY 1986 a total of \$33.1 million of which \$22.5 million would be financed from the State General Fund:

1. A revised basic civil service pay plan (matrix) which would delete six of the current plan's 16 steps, and a revised policy for employee progression from step to step. The freeze on step increases which has been imposed for this and the last two fiscal years would be lifted. However, the dollar value of the steps to be retained in the plan would not change from amounts in the current steps. Therefore, with respect to classified employees, the plan proposed no across-the-board salary increase for FY 1986.
2. A system of exceptional performance awards of \$500 to each employee who meets eligibility criteria. The reserve for salary plan changes includes funds calculated to be sufficient to finance such an award to 20 percent of the workforce of each agency.
3. Revisions to a series of seven clerical classes which would involve the establishment of additional classes and upgrading of salary range assignments. The seven classes are Clerk-Typist I and II, Stenographer Clerk I and II and Secretary I, II and III.

The cost of Parts 1 and 2 of the proposal were estimated to be the equivalent of the amount which would represent a 5.5 percent across-the-board increase for the classified service. Money equivalent to such an increase was stated to have been included in the salary reserve for application to all unclassified employees other than those of the Regents' institutions and teaching employees of the Schools for the Deaf and the Visually Handicapped.

C 4-11

Conclusions and Recommendations With Respect
to the Basic Pay Plan

- I. It is the recommendation of the Subcommittee that the exceptional awards system and the revisions for the seven clerical classes should not be approved by the Legislature.

Exceptional Awards System. The Subcommittee is deeply concerned as to employees' perceptions concerning the manner in which the plan would be administered. Employees have expressed their concern about equity within and between agencies afforded by the present system of job evaluation. Difficulties already encountered with the current evaluation system have given rise to concerns about employee perceptions with respect to equity under a system of monetary awards for exceptional performance. The Committee also expresses concern about the adoption of a performance award system because of pending legislation (H.B. 2133) which would alter the present evaluation system. This new system will require additional training of supervisory personnel in its use and some time will be required before the system works smoothly and is reliable. The Subcommittee notes that it is not recommending that the state abandon completely the concept of performance awards but rather that it is premature at this time.

Revisions Affecting the Seven Clerical Classes. The Subcommittee believes that implementation would be premature since other related classes in the 44-member "clerical family" also need to be reviewed carefully. The Subcommittee is concerned that internal equity within the "job family" is not served by a proposal respecting only seven of the many position classes. The Subcommittee recommends that the Department of Administration study the entire clerical family and give consideration to the possibility of reducing the size of the family and the renaming of certain classes to more accurately reflect modern office technology.

- II. It is the recommendation of the Subcommittee that the basic pay plan modification should be more extensive than that proposed as Part 1 of the Governor's proposal. The Subcommittee believes that the pay plan modifications proposed as Part 1 are a distinct improvement over the present plan, but we recommend that the resources set aside to finance Parts 2 and 3 of the Governor's proposal be applied to implementing further improvements. Major features of the Subcommittee's recommendation for a revised pay plan are as follows:

1. Replace the present ranges and steps of the pay plan (matrix), which are disproportionate, with new ranges and steps which are proportional throughout the plan. The attached basic plan is that which is recommended by the Subcommittee. The plan is accompanied by a more detailed explanation of its features.
2. Implement the new plan so that no employee receives less pay and that maximum movement to the new plan be afforded on the basis of the time the employee has served on that employee's range and step of the present pay plan. On implementation, an employee could have served up to three years on that employee's present range and step. At the

present time, approximately one-third (34.1 percent) of all classified employees are at the beginning step of their salary range, despite their length of service on that step.

3. The estimated cost of implementing the recommended pay plan for FY 1986 is \$31.1 million from all funds, of which \$20.2 million would be financed from the State General Fund (based on a staff estimate that approximately 65 percent of the total would be from the State General Fund).

The Subcommittee believes that the advantages of the recommended pay plan are as follows:

1. The distortions between ranges and steps inherent in the present pay plan will be eliminated.
2. Movement from step to step will again be predictable.
3. The future cost of maintenance will be measurable and reasonable, so as not to constrain needed salary plan revision based on cost-of-living and other labor market conditions.

At its last meeting, the Subcommittee was made aware of a possible variation of its recommended pay plan. The variation, suggested by the Department of Administration, would differ primarily in respect to differentials between pay ranges and in the number of ranges. When details of that variation have been worked out, the Ways and Means Committees should review its merits.

Conclusions and Recommendations With Respect to Other Matters of Compensation

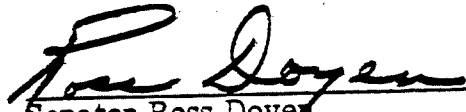
The Subcommittee also reviewed special issues pertaining to compensation levels for troopers and officers of the Kansas Highway Patrol and to hazardous duty compensation for employees of the correctional institutions.

Highway Patrol. The Subcommittee believes that its recommendations with respect to a new basic pay plan will address some major concerns, especially with regard to easing the compaction which now exists at the bottom steps of the salary range to which Troopers are assigned. However, the Subcommittee recommends the Department of Administration revise the Trooper classification to establish a career ladder in order to provide incentives for continuing service below the rank of Sergeant.

Hazardous Duty Compensation for Employees of Correctional Institutions. The Subcommittee notes that this issue was sent to it late in its deliberations and concludes that further study is warranted. The Subcommittee recommends that the full Committees on Ways and Means determine which employees of the correctional institutions should receive hazardous duty compensation and the form in which such compensation should be paid. In regard to the form of compensation, the Subcommittee endorses the concept of a fixed dollar amount as a more equitable recognition of hazards to individuals performing duties within the correctional institutions than is the present system of compensation as a proportion of total salary. The Subcommittee requests that the full Committees determine what that fixed amount should be.

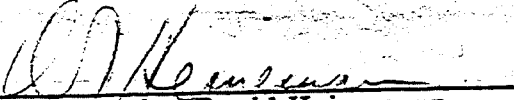


Representative J. Santford Duncan
Chairperson

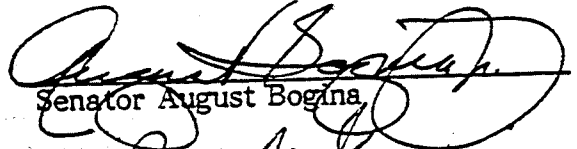


Senator Ross Doyen
Vice-Chairperson

Representative Harold Dyck



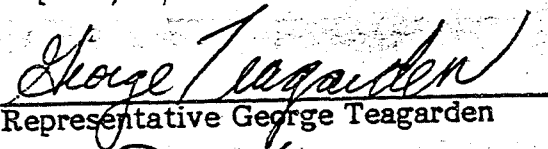
Representative David Heinemann



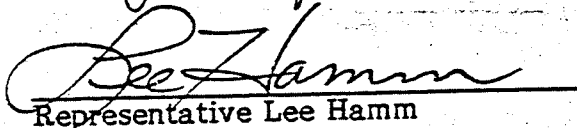
Senator August Bogina



Senator Frank Gaines



Representative George Teagarden



Representative Lee Hamm

PAY PLAN RECOMMENDED BY THE SPECIAL SUBCOMMITTEE ON THE STATE PAY PLAN

Range No.	Step A	Step 1	Step B	Step 2	Step C	Step 3	Step D	Step D3	Step D6	Step D9	Step D12	Step D15	Step D18
3	\$ 696	\$ 712	\$ 731	\$ 750	\$ 767	\$ 785	\$ 805	\$ 826	\$ 847	\$ 867	\$ 888	\$ 911	\$ 933
4	731	750	767	785	805	826	847	867	888	911	933	956	981
5	767	785	805	826	847	867	888	911	933	956	981	1,005	1,029
6	805	826	847	867	888	911	933	956	981	1,005	1,029	1,055	1,080
7	847	867	888	911	933	956	981	1,005	1,029	1,055	1,080	1,108	1,135
8	888	911	933	956	981	1,005	1,029	1,055	1,080	1,108	1,135	1,163	1,193
9	933	956	981	1,005	1,029	1,055	1,080	1,108	1,135	1,163	1,193	1,222	1,252
10	981	1,005	1,029	1,055	1,080	1,108	1,135	1,163	1,193	1,222	1,252	1,283	1,315
11	1,029	1,055	1,080	1,108	1,135	1,163	1,193	1,222	1,252	1,283	1,315	1,348	1,381
12	1,080	1,108	1,135	1,163	1,193	1,222	1,252	1,283	1,315	1,348	1,381	1,416	1,449
13	1,135	1,163	1,193	1,222	1,252	1,283	1,315	1,348	1,381	1,416	1,449	1,485	1,521
14	1,193	1,222	1,252	1,283	1,315	1,348	1,381	1,416	1,449	1,485	1,521	1,559	1,597
15	1,252	1,283	1,315	1,348	1,381	1,416	1,449	1,485	1,521	1,559	1,597	1,637	1,677
16	1,315	1,348	1,381	1,416	1,449	1,485	1,521	1,559	1,597	1,637	1,677	1,719	1,761
17	1,381	1,416	1,449	1,485	1,521	1,559	1,597	1,637	1,677	1,719	1,761	1,805	1,849
18	1,449	1,485	1,521	1,559	1,597	1,637	1,677	1,719	1,761	1,805	1,849	1,895	1,941
19	1,521	1,559	1,597	1,637	1,677	1,719	1,761	1,805	1,849	1,895	1,941	1,990	2,038
20	1,597	1,637	1,677	1,719	1,761	1,805	1,849	1,895	1,941	1,990	2,038	2,089	2,140
21	1,677	1,719	1,761	1,805	1,849	1,895	1,941	1,990	2,038	2,089	2,140	2,194	2,247
22	1,761	1,805	1,849	1,895	1,941	1,990	2,038	2,089	2,140	2,194	2,247	2,303	2,359
23	1,849	1,895	1,941	1,990	2,038	2,089	2,140	2,194	2,247	2,303	2,359	2,418	2,477
24	1,941	1,990	2,038	2,089	2,140	2,194	2,247	2,303	2,359	2,418	2,477	2,539	2,601
25	2,038	2,089	2,140	2,194	2,247	2,303	2,359	2,418	2,477	2,539	2,601	2,666	2,731
26	2,140	2,194	2,247	2,303	2,359	2,418	2,477	2,539	2,601	2,666	2,731	2,799	2,868
27	2,247	2,303	2,359	2,418	2,477	2,539	2,601	2,666	2,731	2,799	2,868	2,940	3,011
28	2,359	2,418	2,477	2,539	2,601	2,666	2,731	2,799	2,868	2,940	3,011	3,086	3,162
29	2,477	2,539	2,601	2,666	2,731	2,799	2,868	2,940	3,011	3,086	3,162	3,241	3,320
30	2,601	2,666	2,731	2,799	2,868	2,940	3,011	3,086	3,162	3,241	3,320	3,403	3,486
31	2,731	2,799	2,868	2,940	3,011	3,086	3,162	3,241	3,320	3,403	3,486	3,573	3,660
32	2,868	2,940	3,011	3,086	3,162	3,241	3,320	3,403	3,486	3,573	3,660	3,752	3,843
33	3,011	3,086	3,162	3,241	3,320	3,403	3,486	3,573	3,660	3,752	3,843	3,939	4,035
34	3,162	3,241	3,320	3,403	3,486	3,573	3,660	3,752	3,843	3,939	4,035	4,136	4,237
35	3,320	3,403	3,486	3,573	3,660	3,752	3,843	3,939	4,035	4,136	4,237	4,343	4,449
36	3,486	3,573	3,660	3,752	3,843	3,939	4,035	4,136	4,237	4,343	4,449	4,560	4,671

Recommended Pay Plan

I. Range and Step Relationships

- A. The recommended pay plan contains 34 ranges compared with 42 in the present plan. The steps of each range are uniformly 5 percent greater than the corresponding steps of the next lower range. Present ranges 22, 29, 34 and 40 are dropped and their present 558 employees assigned to the next lower range of the new plan subject to review as to proper assignment by the Division of Personnel. Present ranges 41, 42, 43 and 44 are dropped and their six employees will be reviewed for assignment to steps in the new plan or for possible change to the unclassified service.
- B. New steps A, B, C and D of each range are uniformly 5 percent apart, and steps 1, 2 and 3 are midway between lettered steps. Steps D3 through D18 are approximately 2.5 percent apart.
- C. Movement from step to step is all on the basis of time-on-step:

	<u>Time-on-Step (Months)</u>	<u>Accumulative (Years)</u>
A	6	—
1	6	.5
B	12	1.0
2	12	2.0
C	12	3.0
3	12	4.0
D	36	5.0
D3	36	8.0
D6	36	11.0
D9	36	14.0
D12	36	17.0
D15	36	20.0
D18	36	23.0

II. Implementation

- A. Conversion to the new plan is to the step representing the current dollar amount or to the closest dollar amount that represents an increase. No employee receives a pay decrease.
- B. Employees are granted additional movement so as to provide the maximum movement possible under the provisions of Item IC above, based on time on range and step under the current plan. Details of movement are provided by the attached document labeled "Assumptions."
- C. Because step D18 of each range is below one or more of the steps in the corresponding range of the present plan, the pay of 1,134 employees is frozen above their respective pay ranges and 100 would convert to steps of a new range but receive no pay increase. (Under the Governor's plan, pay of 609 employees would be frozen above the proposed plan and 764 would receive no increase.)

III. Cost Estimates

A. FY 1986 costs, including fringes (General Fund share at 65 percent).

	(In Millions)	
	<u>State General Fund</u>	<u>All Funds</u>
Implementation	\$ 20.2	\$31.1

B. FY 1987 maintenance costs

	(In Millions)	
	<u>State General Fund</u>	<u>All Funds</u>
Maintenance	\$ 4.2	\$ 6.5

ASSUMPTIONS

OPTION III - CONVERSION

1. All classes currently assigned to ranges 22, 29, 34 and 40 were placed on the same salary range as classes currently assigned to 21, 28, 33 and 39 respectively.
2. Conversion to the new pay matrix was to the step representing the current dollar amount or to the closest dollar amount that represents an increase.

OPTION III - ADDITIONAL MOVEMENT

3. After conversion employees are granted additional movement according to the following schedule, (ignoring the D3, D6, D9 etc, designation)

Step A and Step B - shortened range employees

- 6 mo time on step - 1 step
- 1 yr time on step - 2 steps
- 2 yrs. time on step - 3 steps
- 3 yrs. time on step - 4 steps

STEP 1, B (not on shortened ranges), 2, C, 3, D, 4, E, L1, L2, L3, L4, F, G

- 1 yr time on step - 1 step
- 2 yrs. time on step - 2 steps
- 3 yrs. time on step - 3 steps

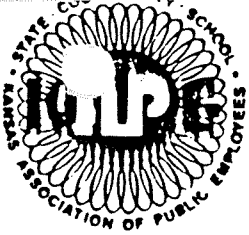
4. Cost estimates for Step 1 were figured according to the following breakdown of employees: ..

- Less than one year - one step
- One to two years - two steps
- Over two years - three steps

5. No one has more than three years on their current step.
6. No employees on steps A and B of shortened ranges have less than 6 months on their current steps.
7. No employees on steps 1, B (not on shortened ranges), 2, C, 3, D, 4, E, L1, L2, L3, L4, F, G and H have less than one year on their current step.

OPTION III - MAINTENANCE

8. Persons place on steps A, 1, B, 2, C and 3 were moved one step, persons on steps D, D3, D6, D9, D12 and D15 could not meet the three year time on step requirement and therefore did not move during FY 87.



Kansas Association of Public Employees

701 Jackson, Suite 220, Topeka, Kansas 66603

Area 913-235-0262

RECOMMENDED ADJUSTMENTS TO ADMINISTRATION

PROPOSED PAY PLAN FOR STATE EMPLOYEES

1. Set maximum number of steps an employee could receive on conversion to the new "job rate" pay matrix at two steps.

IMPACT:

- (a) 1,394 employees would receive two steps instead of recommended four steps.
- (b) 1,542 employees would receive two steps instead of recommended three steps.
- (c) Reduces costs of conversion from \$20,888,052 to approximately \$18,810,648, or a savings of \$2,077,404.

2. Implement a system of longevity pay beginning in FY 1985-86 at \$40 for each year of service, beginning at end of third year of employment, with maximum at fifteen years. Increase amount by \$20 per year for next three fiscal years.

IMPACT: FY 1985-86 cost (estimated) \$6,200,000.

3. Drop proposed \$500 bonuses with maximum payment set at 20% of work force.

IMPACT: \$3,000,000 savings from proposal.

4. Cost of Administration Proposal; \$24,000,000 (estimated).
Costs of proposal with suggested adjustments; \$25,000,000 (estimated).

- COMPARATIVE ANALYSIS -

1. Administration Proposal:

(a)	<u>Number of Employees</u>	<u>Percent Increase</u>
	1,386	0%
	707	Less than 1%
	1,042	1% to 2%
	5,604	2.1% to 3.5%
	14,019	3.6% to 6.0%
	1,551	6.1% to 9.9%
	1,394	10% to 15%

- (b) 20% of employees would be eligible for \$500 bonuses under a program similar to existing merit pay.

(over)

D 4-11-85

2. Proposal with suggested adjustments:

(a) <u>Number of Employees</u>	<u>Percent Increase</u>
1,386	0%
707	Less than 1%
1,042	1% to 2%
5,604	2.1% to 3.5%
16,964	3.6% to 6%

- (b) Every employee who completes 36th month of employment in FY 1986-87 would be eligible to receive \$40 x number of years employment. (\$600 maximum payment.)
- (c) As a general rule, there would be an inverse relationship between the size of longevity payment and the percentage salary increase from (a) above.

ANALYSIS OF PROPOSED PAY MATRIX
AND CONVERSION PLAN

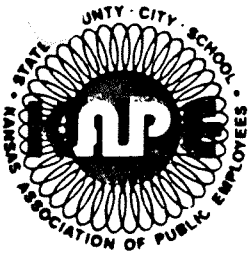
NUMBER OF EMPLOYEES	PERCENT INCREASES
1386	∅
707	Less Than 1%
1042	1% to 2%
5604	2.1% to 3½%
14019	3.6% to 6%
1551	6.1% to 10%
1394	More than 10%

LONG-TERM EMPLOYEES

	AVERAGE INCREASE	LOW (1)	HIGH (1)
At Least 15 Years Service	3.37	0.3%	6.1%
At Least 20 Years Service	3.7%	∅	7.8%
Employees in Longevity Step L ₁ thru L ₄	3.55%	∅	7.8%
(1) Groups with More than One Employee			

INCREASES PROPOSED FOR EMPLOYEES WHO HAVE RECEIVED
MERIT INCREASES INTO MERIT RANGES

STEP	NUMBER OF EMPLOYEES	AVERAGE INCREASE
ALL MERIT STEPS	1805	1.23%
M ₁	445	5%
M ₂	764	0
M ₃	596	0



Kansas Association of Public Employees

701 Jackson, Suite 220, Topeka, Kansas 66603

Area 913-235-0262

PROPOSED LONGEVITY PAY PLAN

<u>YEARS OF SERVICE</u>	<u>1985-86</u>	<u>1986-87</u>	<u>1987-88</u>	<u>1988-89</u>
1	\$ 0	\$ 0	\$ 0	\$ 0
2	0	0	0	0
3	120	180	240	300
4	160	240	320	400
5	200	300	400	500
6	240	360	480	600
7	280	420	560	700
8	320	480	640	800
9	360	540	720	900
10	400	600	800	1000
11	440	660	880	1100
12	480	720	960	1200
13	520	780	1040	1300
14	560	840	1120	1400
15 or More	600	900	1200	1500

~~\$ 6.2M~~ ~~\$ 8.70M~~
 \$ 2.5M / #20

SENATE BILL NO. _____

By

AN ACT relating to public warehousemen; concerning certain grain purchase contracts; defining certain terms; amending section 1 of 1985 Senate Bill No. 300 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. Section 1 of 1985 Senate Bill No. 300 is hereby amended to read as follows: Section 1. (a) Whenever a public warehouseman offers to purchase grain ~~received--by--the--public~~ warehouseman pursuant to a grain purchase contract which includes ~~previsiens~~ provision for deferred ~~payments~~ payment or delayed pricing of the grain, the public warehouseman shall inform the seller that such grain purchase contract is a voluntary extension of credit and is not protected by the surety bond of the public warehouseman.

(b) Each grain purchase contract which contains ~~previsiens~~ a provision for deferred ~~payments~~ payment or delayed pricing of ~~the-grain~~, or both such provisions, shall be in writing and shall include the following statement: "THIS CONTRACT CONSTITUTES A VOLUNTARY EXTENSION OF CREDIT BY THE SELLER TO THE PUBLIC WAREHOUSEMAN AND IS NOT PROTECTED BY THE SURETY BOND OF THE PUBLIC WAREHOUSEMAN." The statement shall be prominently displayed in capital letters which are at least as large as 10-point type and shall be followed by a signature line which has the following statement in parentheses under the line: "Must be signed by seller." Such statements and signature line shall be framed in a box and placed on the first page of the grain purchase contract as a part thereof so that it stands out from the other provisions of the grain purchase contract.

(c) ~~Upon--demand--of--the--seller--who--produced--the--grain--which~~

~~is-being-purchased-by-a-public-warehouseman-under-a-grain purchase-contract-which-includes-provisions-for-deferred-payments or-delayed-pricing-of-the-grain,-or-both-such-provisions,-the public-warehouseman-shall-grant-the-seller-an-irrevocable-letter of-credit-issued-by-a-financial-institution-for-the-total-dollar amount-of-such-grain-purchase-agreement.-The-letter-of-credit shall-name-the-seller-as-the-beneficiary-or-payee.-Each-public warehouseman-shall-post-a-sign-providing-notice-of-the availability-of-such-letter-of-credit.~~ If a public warehouseman has entered into a written grain purchase contract with a seller that produced the grain and if such grain purchase contract provides for either deferred payment or delayed pricing, or both, then, upon demand of the seller made after delivery of such grain to the public warehouseman, the public warehouseman shall cause a financial institution whose deposits, shares or accounts are insured by a federal agency to issue to the seller a standby letter of credit in the amount of the unpaid balance under the grain purchase contract at the time such demand is made. Each public warehouseman who offers to enter into such a grain purchase contract with any seller that produced the grain shall post a sign providing public notice of the availability of such standby letter of credit.

(d) As used in this section:

(1) "Deferred payment" shall mean any payment to be made under the terms of a grain purchase contract after delivery of the grain to the public warehouseman;

(2) "Delayed pricing" shall mean any method of pricing grain under the terms of a grain purchase contract after such grain has been delivered to the public warehouseman;

(3) "Standby letter of credit" shall mean a letter of credit within the meaning of K.S.A. 84-5-103(1)(a) and amendments thereto which, by its terms:

(A) Is irrevocable;

(B) is nontransferable;

(C) names the seller that produced the grain as

beneficiary;

(D) shall not expire earlier than 60 days after the final payment is due under the terms of the underlying grain purchase contract; and

(E) cannot be drawn upon by the beneficiary in the absence of a default in payment under the terms of the underlying grain purchase contract;

(4) "Unpaid balance" shall mean that portion of the purchase price, together with interest thereon, if any, remaining unpaid to the seller under the terms of a grain purchase contract at the time the seller makes demand as provided in this section. Where the grain purchase contract provides for delayed pricing and the price has not been established at the time demand is made by the seller, then, for the purposes of this section only, the "unpaid balance" shall be determined as though the price had been established at the time of the closing of the relevant futures market on the last trading day before demand is made by the seller under this section.

~~(d)~~ (e) As used in this section, the words and phrases set out defined in K.S.A. 34-223 and amendments thereto shall have the meanings ascribed to them in that statute ~~unless-the-context requires-a-different-meaning.~~

(f) This section shall be construed as supplemental to the statutes contained in article 2 of chapter 34 of the Kansas Statutes Annotated and amendments thereto.

Sec. 2. Section 1 of 1985 Senate Bill No. 300 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

Testimony on SB 362
Before the Senate Ways and Means Committee
By: Larry W. Magill, Jr., Executive Vice President
Independent Insurance Agents of Kansas

We are here today to ask this committee to amend SB 362 to allow easy and convenient financing of health care stabilization fund surcharges without tying up the health care providers' line of credit with their bank. With the recent surge in HCSF surcharges brought on by a variety of factors and especially with the announcement last week that the surcharge for next year will be 120%, we are convinced there will be a significant need among health care providers to finance their surcharge payments next year. This is not a new idea. We have been discussing it for nearly a year, but wanted to have the more important debate over medical malpractice tort reform behind us before tackling this issue.

The Fund has never been allowed to refund premium except where insurance companies were changed mid-term. If carriers were changed mid-term, then once the new primary coverage was confirmed by the Insurance Department, the Fund would return any excess surcharge based on a new lower primary premium (the converse would also be true).

A premium financing company's only security when they finance insurance premiums is the return of the unearned premium in the event of nonpayment. Generally they require a 25% down payment with a maximum of nine installments. If the premium (including surcharge) is approximately \$5,000 or greater, they will charge somewhere between 2-2½ points over prime (approximately 13% now).

If an installment is not paid, they have the authority under the premium financing agreement to request cancellation by the company who return any unearned premium to the finance company. Since the Fund has been unable to return unearned premiums for a health care provider, premium financing or surcharge financing has not been available as an option to health care providers.

Financing offers advantages to the health care provider of not tying up their bank line of credit, no collateral is required and the financing agreement is convenient and easy to enter into.

Our amendment would first of all include the HCSF surcharge under the definition of premium in the premium finance company statute, K.S.A. 40-2601 et seq.

Secondly, by amending K.S.A. 40-3403, it would allow the Department to return unearned premium to the premium finance company - an absolutely essential ingredient for them to agree to finance premiums or surcharges.

This would not change present statutes, which require 30 days notice to cancel medical malpractice coverage and that the notice must be sent to the Department, the licensing board and the health care provider. It would be up to the board in the case of nonpayment, to take disciplinary proceedings if the health care provider failed to obtain other insurance without a gap in coverage.

In the interest of equity, our amendment also would allow the Department to return premium to: (a) deceased health care providers; (b) retiring health care providers; and (c) HCP's moving out of state.

On this last point, before the 1984 changes to the Health Care Provider Insurance Availability Act, it was felt that since the fund did not charge for "tail" coverage, there should be no return premium when a health care provider retired, died or moved out of state. Now under the accrual system implemented in 1984, the fund does include in the surcharge the ultimate expected claims cost for each year plus some "catch-up" for past accrued liabilities. In view of how the surcharge is now set, it seems logical to return the unearned premium if the future exposure to loss ceases, i.e., death, retirement or move out of state.

Further, as a practical matter under present law, a smart health care provider and/or agent can get around the present "no return" policy by obtaining a short term policy at renewal if they know they will be retiring or moving on a certain date, thus reducing their surcharge.

We realize it is late in the session, but with the 120% surcharge announced last week, our amendment would be an extremely practical change for the legislature to consider making and one with some urgency for all health care providers. We appreciate the committee's favorable consideration.

Amendment to SB 362

Section 1. K.S.A. 40-2602 is hereby amended to read as follows:

40-2602. Definitions. For the purpose of this act: (a) "Insurance premium finance company" means a person engaged in the business of entering into insurance premium finance agreements under this act.

(b) "Premium finance agreement" means an agreement by which an insured or prospective insured promises to pay to a premium finance company the amount advanced or to be advanced under the agreement to an insurer or to an insurance agent in payment of premium on an insurance contract insuring against the perils of fire, extended coverage, marine and inland marine as defined in article 9 of chapter 40 of the Kansas Statutes Annotated, as amended, and insuring against casualty losses as defined in article 11 of chapter 40 of the Kansas Statutes Annotated and acts amendatory thereof, together with a service charge as authorized and limited by this act.

(c) "Licensee" means an insurance premium finance company holding a license issued by the commissioner under this act.

(d) "Commissioner" as used in this act means the commissioner of insurance of the state of Kansas.

(e) "premium" for purposes of this act shall include the annual premium surcharge for the Health Care Stabilization fund.

Section 2. 1984 Supp. K.S.A. 40-3403 is hereby amended to read as follows:

40-3403. Health care stabilization fund; establishment; administration; liability of fund; payments from fund; qualification of health care provider for coverage under fund. (a) For the purpose of paying damages for personal injury or death arising out of the rendering of or the failure to render professional services by a health care provider, self-insurer or inactive health care provider subsequent to the time that such health care provider or self-insurer has qualified for coverage under the provisions of this act, there is hereby established the health care stabilization fund. The fund shall be held in trust in a segregated fund in the state treasury. The commissioner shall administer the fund or contract for the administration of the fund with an insurance company authorized to do business in this state.

(b) (1) There is hereby created a board of governors. The board of governors shall provide:

(A) Technical assistance with respect to administration of the fund;

(B) such expertise as the commissioner may reasonably request with respect to evaluation of claims or potential claims;

(C) advice, information and testimony to the appropriate licensing or disciplinary authority regarding the qualifications of a health care provider.

(2) The board shall consist of 13 persons appointed by the commissioner of insurance, as follows: (A) The commissioner of insurance, or the designee of the commissioner, who shall act as chairperson; (B) one member appointed from the public at large who is not affiliated with any health care provider; (C) three members licensed to practice medicine and surgery in Kansas who are doctors of medicine; (D) three members who are representatives of Kansas hospitals; (E) two members licensed to practice medicine and surgery in Kansas who are doctors of osteopathic medicine; (F) one member licensed to practice chiropractic in Kansas; and (G) two members of other categories of health care providers. Meetings shall be called by the chairperson or by a written notice signed by three members of the board. The board, in addition to other duties imposed by this act, shall study and evaluate the operation of the fund and make such recommendations to the legislature as may be appropriate to ensure the viability of the fund.

(3) The board shall be attached to the insurance department and shall be within the insurance department as a part thereof. All budgeting, purchasing and related management functions of the board shall be administered under the direction and supervision of the commissioner of insurance. All vouchers for expenditures of the board shall be approved by the commissioner of insurance or a person designated by the commissioner.

(c) Subject to subsections (d), (e) and (g), the fund shall be liable to pay: (1) Any amount due from a judgment or settlement which is in excess of the basic coverage liability of all liable resident health care providers or resident self-insurers for any such injury or death arising out of the rendering of or the failure to render professional services within or without this state; (2) any amount due from a judgment or settlement which is in excess of the basic coverage liability of all liable nonresident health care providers or nonresident self-insurers for any such injury or death arising out of the rendering or the failure to render professional services within this state. In no

event shall the fund be obligated for claims against nonresident health care providers or nonresident self-insurers who have not complied with this act or for claims against nonresident health care providers or nonresident self-insurers that arose outside of this state; (3) any amount due from a judgment or settlement against a resident inactive health care provider for any such injury or death; (4) any amount due from a judgment or settlement against a nonresident inactive health care provider for any injury or death arising out of the rendering or failure to render professional services within this state. In no event shall the fund be obligated for claims against: (A) Nonresident inactive health care providers who have not complied with this act; or (B) nonresident inactive health care providers for claims that arose outside of this state, unless such health care provider was a resident health care provider or resident self-insurer at the time such act occurred; (5) reasonable and necessary expenses for attorney fees incurred in defending the fund against claims; (6) any amounts expended for reinsurance obtained to protect the best interests of the fund purchased by the commissioner, which purchase shall be subject to the provisions of K.S.A. 75-3738 to 75-3744, inclusive, and amendments thereto but shall not be subject to the provisions of K.S.A. 75-4101 and amendments thereto; (7) reasonable and necessary actuarial expenses incurred in administering the act, which expenditures shall not be subject to the provisions of K.S.A. 75-3738 to 75-3744, inclusive, and amendments thereto; (8) annually to the plan or plans, any amount due pursuant to subsection (a)(3) of K.S.A. 40-3413, and amendments thereto; and (9) reasonable and necessary expenses incurred by the insurance department and the board of governors in the administration of the fund.

and (10) return of any unearned surcharge.

(d) All amounts for which the fund is liable pursuant to paragraphs (1), (2), (3) or (4) of subsection (c) of this section shall be paid promptly and in full if less than \$300,000, or if \$300,000 or more, by installment payments of \$300,000 or 10% of the amount of the judgment including interest thereon, whichever is greater, per fiscal year, the first installment to be paid within 60 days after the fund becomes liable and each subsequent installment to be paid an-

nually on the same date of the year the first installment was paid, until the claim has been paid in full. Any attorney's fees payable from such installment shall be similarly prorated.

(e) In no event shall the fund be liable to pay in excess of \$3,000,000 pursuant to any one judgment or settlement against any one health care provider relating to any injury or death arising out of the rendering of or the failure to render professional services from and after July 1, 1984, subject to an aggregate limitation for all judgments or settlements arising from all claims made in any one fiscal year in the amount of \$6,000,000 for each provider.

(f) A health care provider shall be deemed to have qualified for coverage under the fund: (1) On and after the effective date of this act if basic coverage is then in effect; (2) subsequent to the effective date of this act, at such time as basic coverage becomes effective; or (3) upon qualifying as a self-insurer pursuant to K.S.A. 40-3414 and amendments thereto.

(g) Notwithstanding the provisions of K.S.A. 40-3402 and amendments thereto, if the board of governors determines that an individual health care provider presents a material risk of significant future liability to the fund, the board of governors is authorized by a vote of a majority of the members thereof, after notice and an opportunity for hearing, to terminate the liability of the fund for all claims against the health care provider for damages for death or personal injury arising out of the rendering of or the failure to render professional services after the date of termination. The date of termination shall be 30 days after the date of the determination by the board of governors. The board of governors, upon termination of the liability of the fund under this subsection (g), shall notify the licensing or other disciplinary board having jurisdiction over the health care provider involved of the name of the health care provider and the reasons for the termination.

SENATE BILL NO. _____

AN ACT concerning highways; designating certain highways in Johnson county as Shawnee Mission Parkway.

Be it enacted by the Legislature of the State of Kansas:

Section 1. State highway 12 from its intersection with state highway 7, thence easterly on state highway 12 to the intersection of United States highway 56 and Interstate highway I-35, thence northeasterly on United States highway 56 to the Kansas-Missouri line is hereby designated "Shawnee Mission Parkway." The secretary of transportation shall place markers along the highway right-of-way at proper intervals to indicate that the route described is "Shawnee Mission Parkway." Each city through which Shawnee Mission Parkway passes shall reimburse the secretary of transportation for the cost of placing such markers on such route in their city in such amount as each city is billed by the secretary.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.