

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by SENATOR AUGUST "GUS" BOGINA at  
Chairperson

6:00 ~~a.m.~~ p.m. on April 28, 19 88 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Research Department: Scott Rothe, Richard Ryan, Alan Conroy, Gloria Timmer  
Revisor's Office: Norman Furse  
Committee Office: Judy Bromich, Pam Parker

Conferees appearing before the committee:

HB 3112 - Health Care Stabilization fund, coverages and surcharges under health care provider insurance availability act.

Jerry Slaughter, Kansas Medical Society, distributed and reviewed copies of a balloon draft of HB 3112 with amendments. (Attachment 1) He explained that one objective of the bill with the proposed amendments is to close out the Health Care Stabilization Fund for medical malpractice claims for physicians, hospitals and other health care providers in five years. The Society feels that within five years the fund should be actuarially sound and they will try to get back into a private market. Should there not be the development of a private market, as currently anticipated, it would be the intention of KMS to continue the fund until such time that the private market would stabilize. The other major objective in the bill, with the proposed amendments, is to allow health care providers to select various levels of coverage under the fund, i.e., \$100,000; \$300,000; or \$1 million. To Mr. Slaughter's knowledge, the optional coverage is experimental and is not being used in other states.

Senator Talkington moved, Senator Winter seconded, to adopt the amendments in the balloon draft of HB 3112 (Attachment 1). The motion carried on a voice vote.

Senator Gaines moved, Senator Kerr seconded, to amend SB 630, subrogation rights under accident, health or sickness insurance, into HB 3112 with one change requested by the Kansas Medical Society which exempts medical malpractice claims as has been done in California. During discussion, Richard Mason, Kansas Trial Lawyers, voiced the opposition of the Kansas Trial Lawyers.

The motion carried on a voice vote.

Senator Kerr offered a motion to amend SB 631, as amended by the Senate Judiciary Committee, control on attorneys fees that are paid out of the Health Care Stabilization Fund, into HB 3112. Senator Gaines seconded the motion. During discussion, Mr. Smith stated that the current policy of the Kansas Bar Association opposes legislative regulation of contingent fees, the reason being that the Kansas legal profession, unlike any other profession, is fully regulated by a separate branch of government. He said the Kansas Bar Association would oppose this amendment, while they take no position on HB 3112 or the amendment on subrogation. The motion carried.

Senator Talkington moved, Senator Gaines seconded, that HB 3112 be passed as amended. The motion carried on a roll call vote.

HB 2838 - KPERs, purchase of participating service credit by double deduction method.

Senator Talkington reviewed the Senate Subcommittee Report regarding Retirement bills and Issues, copies of which were distributed. (Attachment 2)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,

room 123-S, Statehouse, at 6:00 ~~xxx~~p.m. on April 28, 1988.

Senator Doyen offered a motion to exempt teachers from the provision for reimbursement of benefits to KPERS by participating employers for KPERS retirants employed more than 30 days in a calendar year. (HB 2785) Item 5, Benefit Enhancements, Page Two, Attachment 2. Senator Gannon seconded the motion. During discussion, Senator Doyen pointed out that in a community like his there would not be much of a reserve upon which to draw for substitute teachers. Mr. Crowther noted that the real impetus for this measure from the House was the teachers. As a matter of policy school districts allow people to terminate for one day, retire under KPERS and be hired back for the next year. The definition of substitutes, re-hires, etc. were part of the issue discussed at great length. Senator Doyen asked if the substitute teacher couldn't be defined in such a way that they couldn't resign and be rehired and Mr. Crowther said they could try but their experience has not been very good. The question was raised as to whether the school district could negotiate a salary with the substitute teacher which would reflect the deduction. The motion carried on a voice vote.

Mr. Crowther pointed out that a major policy question appears in item 15 on page four (HB 3111) as this is the first time that a select group of individuals have been given the decision of electing KPERS or the Kansas Public Employees Deferred Compensation Plan. During discussion, Secretary Flentje stated that this issue came to his attention during recruitment of cabinet members. He pointed out that most of the cabinet members would not become eligible for KPERS as they most likely would not be in the system long enough to become vested in KPERS Options whereby these people, could contribute something for retirement that would be available to them when they move on.

In regard to Item nine, page three, concerning elected officials, Senator Kerr expressed concern about the retirement calculation based on two percent of the final average salary instead of the generally used 1.4 percent. Following discussion, Senator Kerr offered a motion to strike those portions of Item nine relating to the changes of service contribution with the exception of becoming a vested member after eight years instead of after 10 years. The motion died due to the lack of a second.

Senator Doyen moved, Senator Johnston seconded, an increase of three percent versus the one percent increase in the retirement benefits for all individuals who retired prior to January 1, 1987 as outlined in Item one, page one. Following discussion, the motion carried on a voice vote.

Senator Talkington moved, Senator Doyen seconded, the Senate Subcommittee Report on Retirement bills and Issues be adopted as amended. The motion carried on a voice vote.

Senator Talkington offered a conceptual motion to consolidate Volumes II and IIA of the statutes for printing in order to eliminate duplications. Senator Doyen seconded the motion and it carried on a voice vote.

Senator Talkington moved, Senator Doyen seconded, reporting HB 2838 favorably as amended. During discussion, Senator Johnston stated that he was uncomfortable with the bill and could not support it. He also apologized for not being able to reschedule his time in order to participate in the Subcommittee deliberations. The motion carried on a roll call vote.

HB 3096 - Indigents' defense services, panels of attorneys, disposition of certain moneys.

The Chairman announced that the first section of the bill would implement the House version of the public defender system and is not germane at this point in time, however, the second section is necessary. Senator

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

room 123-S Statehouse, at 6:00 ~~xxx~~p.m. on April 28, 1988

Gaines moved to amend HB 3096 by deleting Section 1 and amending the bill accordingly. Senator Gannon seconded the motion and it carried on a voice vote.

Senator Talkington moved, Senator Harder seconded, to report HB 3096 favorably as amended. The motion carried on a voll call vote.

**SB 774 - Appropriations for FY 1988, FY 1989 and the multiyear projects for the Department of Corrections and Correctional Institutions.**

Staff stated that there have been two adjustments to the Governor's recommendations. One, \$648,000 from the State General Fund to the Department of Corrections for inmate counselling services that had previously been appropriated to SRS. \$500,000 for construction and the balance of the acquisition funds for the Stockton Correctional Facility (contained in SB 762). \$500,000 was recommended by the Special Committee on Prisons for planning for a new 700-bed facility, \$100,000 for program statement and \$400,000 for preliminary planning is in SB 774. Staff noted that the items in the Governor's Budget amendment dated April 25, 1985 (Attachment 3) are not reflected in SB 774.

Staff distributed and reviewed the GBA dated April 25, 1988. In answer to questions, staff stated that the class action suit concerning Corrections officers, GBA 65, is currently pending before the district court judge and the judge has not issued his ruling at this time. In regard to GBA 69, Correctional Institutions Building Fund - Capital Improvements, staff reported that the Building for the 120-Bed Living Unit at KCIL is very close to going out for bid. They are waiting to see if the Legislature grants the additional funds. It was staff's understanding that it is the recommendation of the Secretary of Corrections to include air conditioning in the building. The Chairman strongly recommended the prohibition of air conditioning in the 120-bed living unit at KCIL. Staff pointed out that the Governor's original recommendation for the Correctional Institutions Building Fund was based on the continuation of the tax levy for an additional year. Since that bill has not passed to date there will be a shortfall in the CIBF so other funding sources may have to be considered.

In answer to questions, Secretary Endel stated that they are going to work very hard to meet the September 1 deadline set by the court, however it is going to be very difficult. Even with all of the steps taken by the legislature, i.e., probation, parole officers, and programs, the main problem of high security inmates at KSIR and KSP has not been addressed. He reported KSIR, which he capped at 1700 inmates, to date has 1704. He cannot put any more inmates at KSIR so from now on all inmates are going to KSP and will be kept there until 400 new beds are on line, hopefully in July or August. He stated that the American Correctional Association has standards which do not require airconditioning but they do require that temperatures be maintained between 64 and 80 degrees. What was planned for ECF was an air handling system which both heats and cools and mixes outside air, all one system.

Senator Talkington moved, Senator Feleciano seconded, to appropriate \$750,000 for the proposed new correctional facility, \$250,000 for the program statement and \$500,000 for preliminary planning. The motion carried on a voice vote.

Senator Talkington moved, Senator Harder seconded, to amend SB 774 by including those Governor Budget Amendments in Attachment 3 which are not in the bill. The motion carried on a voice vote.

Senator Winter moved, Senator Johnston seconded, the include funding for Community Corrections program of \$192,713 in FY 1988 and \$8,031,587 in FY 1989. The motion carried on a voice vote.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,  
room 123-S Statehouse, at 6:00 ~~x.x~~p.m. on April 28, 1988

Senator Harder moved, Senator Talkington seconded, to report SB 774 favorably as amended. Included in the motion was the funding of the shortfall in the CIBF in FY 1989 and FY 1990 from the SGF. The motion carried on a roll call vote.

INTRODUCTION OF BILLS

Senator Talkington moved, Senator Feleciano seconded, the introduction of bill draft 7 RS 2929, an act concerning the state historical society; authorizing the acquisition of certain property. The motion carried on a voice vote.

The meeting was adjourned.



GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS

DATE: 4-28-88

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Tom Bell	Topoka	Ks. Hosp Assn.
Chip Wheelen	Topoka	Ks Medical Society
Craig Grant	Topoka	H-NEA
Walt Darling	TOPOKA	DIVISION OF BUDGET
Kay Cole	Topoka	K-NEA
Susan Stephens	Topoka	KC USD #500
Rep Bill Bryant	Topoka	Leg
Dwight Young	Great Bend	Assn. Com. Mental Health
Bob Wunsch		Leg
Jim Mann	Spilva	KCPA
Norman	"	ICBA
Dick Brock	Topoka	Ins Dept.
Rep Dale Snaque	McPherson	Legisl.
Basil Covey	Topoka	KRTA
Jack Hannon	Topoka	KPERK
Marshall Grantham	Lawrence	KPERK
W. Harker	Topoka	Jack's Lungate
Lori Callahan	Topoka	Am. vno. Assn
Opal Burnett	Topoka	USD 501#
John McConaughy	Topoka	KSDR
Bill Munsch	Munseyville	SLBd Ed
Jim Cople	Wichita	KFTD
Jasque Dabson	Topoka	KC USD 500
Charles Dodson	TOPOKA	KAPE
Kitty & Stepmen	Topoka	Div. of Budget
Kay Hitt	Topoka	Dept of Corrections
John T. Torbet	"	KCAC
		SWAM 4-28-88

## HOUSE BILL No. 3112

By Committee on Appropriations

4-7

0017 AN ACT concerning the health care provider insurance availa-  
0018 bility act; relating to the health care stabilization fund; cover-  
0019 ages and surcharges; amending K.S.A. 1987 Supp. 40-3403 and  
0020 repealing the existing section.

0021 *Be it enacted by the Legislature of the State of Kansas:*

0022 Section 1. K.S.A. 1987 Supp. 40-3403 is hereby amended to  
0023 read as follows: 40-3403. (a) For the purpose of paying damages  
0024 for personal injury or death arising out of the rendering of or the  
0025 failure to render professional services by a health care provider,  
0026 self-insurer or inactive health care provider subsequent to the  
0027 time that such health care provider or self-insurer has qualified  
0028 for coverage under the provisions of this act, there is hereby  
0029 established the health care stabilization fund. The fund shall be  
0030 held in trust in a segregated fund in the state treasury. The  
0031 commissioner shall administer the fund or contract for the ad-  
0032 ministration of the fund with an insurance company authorized  
0033 to do business in this state.

0034 (b) (1) There is hereby created a board of governors. The  
0035 board of governors shall:

0036 (A) Provide technical assistance with respect to administra-  
0037 tion of the fund;

0038 (B) provide such expertise as the commissioner may reason-  
0039 ably request with respect to evaluation of claims or potential  
0040 claims;

0041 (C) provide advice, information and testimony to the appro-  
0042 priate licensing or disciplinary authority regarding the qualifi-  
0043 cations of a health care provider; and

0044 (D) prepare and publish, on or before October 1 of each year,  
0045 a summary of the fund's activity during the preceding fiscal year,

ATTACHMENT 1  
SWAM 4-28-88

0046 including but not limited to the amount collected from sur-  
0047 charges, the highest and lowest surcharges assessed, the amount  
0048 paid from the fund, the number of judgments paid from the fund,  
0049 the number of settlements paid from the fund and the amount in  
0050 the fund at the end of the fiscal year.

0051 (2) The board shall consist of 14 persons appointed by the  
0052 commissioner of insurance, as follows: (A) The commissioner of  
0053 insurance, or the designee of the commissioner, who shall act as  
0054 chairperson; (B) two members appointed from the public at large  
0055 who are not affiliated with any health care provider; (C) three  
0056 members licensed to practice medicine and surgery in Kansas  
0057 who are doctors of medicine; (D) three members who are repre-  
0058 sentatives of Kansas hospitals; (E) two members licensed to  
0059 practice medicine and surgery in Kansas who are doctors of  
0060 osteopathic medicine; (F) one member licensed to practice  
0061 chiropractic in Kansas; (G) one member who is a licensed pro-  
0062 fessional nurse authorized to practice as a registered nurse  
0063 anesthetist; and (H) one member of another category of health  
0064 care providers. Meetings shall be called by the chairperson or by  
0065 a written notice signed by three members of the board. The  
0066 board, in addition to other duties imposed by this act, shall study  
0067 and evaluate the operation of the fund and make such recom-  
0068 mendations to the legislature as may be appropriate to ensure the  
0069 viability of the fund.

0070 (3) The board shall be attached to the insurance department  
0071 and shall be within the insurance department as a part thereof.  
0072 All budgeting, purchasing and related management functions of  
0073 the board shall be administered under the direction and super-  
0074 vision of the commissioner of insurance. All vouchers for ex-  
0075 penditures of the board shall be approved by the commissioner  
0076 of insurance or a person designated by the commissioner.

0077 (c) Subject to subsections (d), (e), (f), (i) and (k), the fund shall  
0078 be liable to pay: (1) Any amount due from a judgment or settle-  
0079 ment which is in excess of the basic coverage liability of all liable  
0080 resident health care providers or resident self-insurers for any  
0081 personal injury or death arising out of the rendering of or the  
0082 failure to render professional services within or without this

0083 state; (2) any amount due from a judgment or settlement which is  
0084 in excess of the basic coverage liability of all liable nonresident  
0085 health care providers or nonresident self-insurers for any such  
0086 injury or death arising out of the rendering or the failure to  
0087 render professional services within this state but in no event  
0088 shall the fund be obligated for claims against nonresident health  
0089 care providers or nonresident self-insurers who have not com-  
0090 plied with this act or for claims against nonresident health care  
0091 providers or nonresident self-insurers that arose outside of this  
0092 state; (3) any amount due from a judgment or settlement against a  
0093 resident inactive health care provider for any such injury or  
0094 death arising out of the rendering of or failure to render profes-  
0095 sional services; (4) any amount due from a judgment or settle-  
0096 ment against a nonresident inactive health care provider for any  
0097 injury or death arising out of the rendering or failure to render  
0098 professional services within this state, but in no event shall the  
0099 fund be obligated for claims against: (A) Nonresident inactive  
0100 health care providers who have not complied with this act; or (B)  
0101 nonresident inactive health care providers for claims that arose  
0102 outside of this state, unless such health care provider was a  
0103 resident health care provider or resident self-insurer at the time  
0104 such act occurred; (5) reasonable and necessary expenses for  
0105 attorney fees incurred in defending the fund against claims; (6)  
0106 any amounts expended for reinsurance obtained to protect the  
0107 best interests of the fund purchased by the commissioner, which  
0108 purchase shall be subject to the provisions of K.S.A. 75-3738  
0109 through 75-3744, and amendments thereto but shall not be sub-  
0110 ject to the provisions of K.S.A. 75-4101 and amendments thereto;  
0111 (7) reasonable and necessary actuarial expenses incurred in  
0112 administering the act, which expenditures shall not be subject to  
0113 the provisions of K.S.A. 75-3738 through 75-3744, and amend-  
0114 ments thereto; (8) annually to the plan or plans, any amount due  
0115 pursuant to subsection (a)(3) of K.S.A. 40-3413 and amendments  
0116 thereto; (9) reasonable and necessary expenses incurred by the  
0117 insurance department and the board of governors in the admin-  
0118 istration of the fund; (10) return of any unearned surcharge; (11)  
0119 reasonable and necessary expenses for attorney fees and other



0120 costs incurred in defending a person engaged in residency  
0121 training from claims for personal injury or death arising out of the  
0122 rendering of or the failure to render professional services by such  
0123 health care provider; (12) any amount due from a judgment or  
0124 settlement for an injury or death arising out of the rendering of or  
0125 failure to render professional services by a person engaged in  
0126 residency training; (13) amounts authorized by the court pursu-  
0127 ant to K.S.A. ~~1986~~ 1987 Supp. 60-3411 and amendments thereto;  
0128 and (14) reasonable and necessary expenses for the development  
0129 and promotion of risk management education programs.

0130 (d) All amounts for which the fund is liable pursuant to  
0131 subsection (c) shall be paid promptly and in full except that, in  
0132 any case arising out of a cause of action which accrued before  
0133 July 1, 1986, if the amount for which the fund is liable is  
0134 \$300,000 or more, it shall be paid, by installment payments of  
0135 \$300,000 or 10% of the amount of the judgment including inter-  
0136 est thereon, whichever is greater, per fiscal year, the first in-  
0137 stallment to be paid within 60 days after the fund becomes liable  
0138 and each subsequent installment to be paid annually on the same  
0139 date of the year the first installment was paid, until the claim has  
0140 been paid in full. Any attorney fees payable from such install-  
0141 ment shall be similarly prorated.

0142 (e) In no event shall the fund be liable to pay in excess of  
0143 \$3,000,000 pursuant to any one judgment or settlement against  
0144 any one health care provider relating to any injury or death  
0145 arising out of the rendering of or the failure to render profes-  
0146 sional services on and after July 1, 1984, and before July 1, 1986,  
0147 subject to an aggregate limitation for all judgments or settle-  
0148 ments arising from all claims made in any one fiscal year in the  
0149 amount of \$6,000,000 for each provider.

0150 (f) (1) Except as provided by K.S.A. ~~1986~~ 1987 Supp. 60-3411  
0151 and amendments thereto, the fund shall not be liable to pay in  
0152 excess of \$1,000,000 pursuant to any one judgment or settlement  
0153 for any party against any one health care provider relating to any  
0154 injury or death arising out of the rendering of or the failure to  
0155 render professional services on and after July 1, 1986, and prior  
0156 to July 1, 1988, subject to an aggregate limitation for all judg-

0157 ments or settlements arising from all claims made in any one  
0158 fiscal year in the amount of \$3,000,000 for each provider.

0159 (2) After June 30, 1988, the fund shall not be liable to pay in  
0160 excess of the fund coverage limitation as designated ~~by each~~  
0161 ~~health care provider on a form proscribed by the commissioner~~  
0162 ~~and completed by each health care provider at the time of~~  
0163 ~~renewal of the basic liability coverage.~~ Such designation shall  
0164 be either \$100,000, \$300,000 or \$1,000,000, pursuant to any one  
0165 judgment or settlement for any party against any one health  
0166 care provider relating to any injury or death arising out of the  
0167 rendering of or the failure to render professional services after  
0168 June 30, 1988, subject to an aggregate limitation for all judg-  
0169 ments or settlements arising from all claims made in any one  
0170 fiscal year in the amount of three times the designated fund  
0171 coverage limitation. The fund coverage limitation ~~designated by~~  
0172 ~~each health care provider~~ may not be changed until one year  
0173 from the date of the last designation. The annual premium  
0174 surcharge for each health care provider shall be based upon the  
0175 fund coverage limitation designated by the health care provider.  
0176 The commissioner shall consider the designated fund coverage  
0177 limitation as described in this section in levying the annual fund  
0178 surcharge. In no event shall the fund be liable to pay any  
0179 amount due from a judgment or settlement arising out of the  
0180 rendering of or the failure to render professional services during  
0181 the period such election is in effect which is in excess of the level  
0182 designated ~~by the health care provider.~~

on the form required by K.S.A. 40-3402(a)(1) and (b)(2).

shall occur only at the initial or renewal date of the basic coverage liability insurance policy following the effective date of this act and

0183 (g) A health care provider shall be deemed to have qualified  
0184 for coverage under the fund: (1) On and after the effective date of  
0185 this act if basic coverage is then in effect; (2) subsequent to the  
0186 effective date of this act, at such time as basic coverage becomes  
0187 effective; or (3) upon qualifying as a self-insurer pursuant to  
0188 K.S.A. 40-3414 and amendments thereto.

The fund coverage limitation provided shall be the amount of \$1,000,000 until a different level is designated.

0189 (h) A health care provider who is qualified for coverage  
0190 under the fund shall have no vicarious liability or responsibility  
0191 1 for any injury or death arising out of the rendering of or the  
0192 .92 failure to render professional services inside or outside this state  
0193 by any other health care provider who is also qualified for

0194 coverage under the fund. The provisions of this subsection shall  
0195 apply to all claims filed on or after the effective date of this act.

0196 (i) Notwithstanding the provisions of K.S.A. 40-3402 and  
0197 amendments thereto, if the board of governors determines due to  
0198 the number of claims filed against a health care provider or the  
0199 outcome of those claims that an individual health care provider  
0200 presents a material risk of significant future liability to the fund,  
0201 the board of governors is authorized by a vote of a majority of the  
0202 members thereof, after notice and an opportunity for hearing, to  
0203 terminate the liability of the fund for all claims against the health  
0204 care provider for damages for death or personal injury arising out  
0205 of the rendering of or the failure to render professional services  
0206 after the date of termination. The date of termination shall be 30  
0207 days after the date of the determination by the board of gover-  
0208 nors. The board of governors, upon termination of the liability of  
0209 the fund under this subsection, shall notify the licensing or other  
0210 disciplinary board having jurisdiction over the health care pro-  
0211 vider involved of the name of the health care provider and the  
0212 reasons for the termination.

0213 (j) (1) Upon the payment of moneys from the health care  
0214 stabilization fund pursuant to subsection (c)(11), the commis-  
0215 sioner shall certify to the director of accounts and reports the  
0216 amount of such payment, and the director of accounts and reports  
0217 shall transfer an amount equal to the amount certified from the  
0218 state general fund to the health care stabilization fund.

0219 (2) Upon the payment of moneys from the health care stabi-  
0220 lization fund pursuant to subsection (c)(12), the commissioner  
0221 shall certify to the director of accounts and reports the amount of  
0222 such payment which is equal to the basic coverage liability of  
0223 self-insurers, and the director of accounts and reports shall  
0224 transfer an amount equal to the amount certified from the state  
0225 general fund to the health care stabilization fund.

0226 (k) Notwithstanding any other provision of the health care  
0227 provider insurance availability act, no psychiatric hospital li-  
0228 censed under K.S.A. 75-3307b and amendments thereto shall be  
0229 assessed a premium surcharge or be entitled to coverage under  
0230 the fund if such hospital has not paid any premium surcharge

0231 pursuant to K.S.A. 40-3404 and amendments thereto prior to  
0232 January 1, 1988.

0233 New Sec. 2. The health care stabilization fund shall not be  
0234 liable to pay any amount due from a judgment or settlement  
0235 relating to any injury or death arising out of the rendering of or  
0236 the failure to render professional services after July 1, 1993.

0237 Sec. 3. K.S.A. 1987 Supp. 40-3403 is hereby repealed.

0238 Sec. 4. This act shall take effect and be in force from and  
0239 after its publication in the Kansas register.

, nor receive any surplus of premiums or pay  
any losses of the plan required by K.S.A.  
1987 Supp. 40-3413(a)(3) and K.S.A. 1987  
Supp. 40-3403(c)(8),

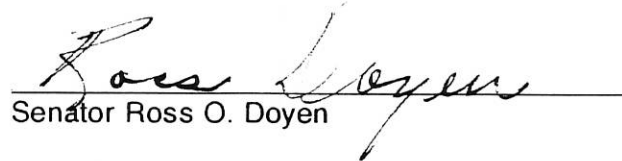


SENATE SUBCOMMITTEE REPORT

RETIREMENT BILLS AND ISSUES

  
\_\_\_\_\_  
Senator Robert V. Talkington  
Subcommittee Chairman

  
\_\_\_\_\_  
Senator August Bogina, Jr.

  
\_\_\_\_\_  
Senator Ross O. Doyen

\_\_\_\_\_  
Senator Michael L. Johnston

ATTACHMENT 2  
SWAM 4-28-88

## SUBCOMMITTEE REPORT

Agency: Retirement Issues

Bill No. 2838

Bill Sec.

Analyst: Conroy/Ryan

Analysis Pg. No. --

Budget Pg. No. --

The Senate Subcommittee on retirement consisting of Senators Talkington, Bogina, Doyen, and Johnston held meetings to review the Kansas Public Employees Retirement System (KPERs) budget, specific retirement bills, and general retirement policy issues. Information was received from Mr. Marshall Crowther, Executive Secretary of KPERs and from other various interested parties concerning the retirement issues. Based on the available information, the Subcommittee recommends the following changes to the KPERs employer contribution rates and benefit enhancements.

### KPERs Employer Contribution Rate

Legislation enacted last year (House Bill No. 2354) combined the KPERs School and Nonschool employer contribution rates into a single rate of 3.04 percent. If the rates had not been combined the employers contribution rate for KPERs School would have been 3.84 percent and the KPERs Nonschool rate would have been 1.64 percent. The 1987 legislation also provided that the unfunded past service liability would be amortized over a period of 15 years from July 1, 1987. Under current law, the single KPERs employer contribution rate will increase from 3.04 percent for the fiscal years beginning in 1988 to 3.1 percent for the fiscal years beginning in 1989.

After reviewing the impact of 1987 H.B. 2354 concerning a combined single employer contribution rate the Subcommittee recommends that a change be made in the area of employer contribution rates. Specifically, the Subcommittee recommends that two employer contribution rates be established, a State rate and a local rate. The Subcommittee further recommends that the remaining School amortization period be increased from 15 years to 24 years. These two recommended actions would provide for a KPERs State employer contribution rate of 3.1 percent for the fiscal year beginning in 1989 and a local employer contribution rate of 2.0 percent for the fiscal year beginning in 1989. The estimated first year savings to the KPERs local employers is \$5,102,900.

### Benefit Enhancements

The Subcommittee also recommends numerous enhancements, many of which have no actuarial cost, for retirants and active members of KPERs, Kansas Police and Fire (KP&F), and the Judge's Retirement System. The Subcommittee requested that all of the following enhancements be combined into H.B. 2838 to form an omnibus retirement bill:

### Kansas Public Employees Retirement System

1. Increase the retirement benefits by one percent for all individuals who retired prior to January 1, 1987. The fiscal impact of this

enhancement is 0.06 percent in additional employer's contributions, which would first be reflected in FY 1991, is a total of \$678,000 (\$400,000 to the State for both School and State Nonschool, of which \$317,000 is from the State General Fund, and \$278,000 to local units of government).

2. Permit early retirement at age 55 with 10 years of service rather than the present 15 year requirement. This enhancement would not have any actuarial cost since the retiree takes the full actuarial reduction in benefits of .6 percent per month for each month the individual is less than age 60. (House Bill No. 2790).\*
3. Provide for payment of excess contributions if benefits paid to a member and a joint annuitant do not equal the KPERS member's accumulated contributions at the time of death of both the member and joint annuitant. No actuarial cost for this enhancement. (House Bill No. 2783).\*
4. Permit purchase of the year-of-service waiting period by double or triple deductions. Currently, a member may purchase the year-of-service waiting period only through lump-sum payment. No actuarial cost for this enhancement. (House Bill No. 2838).\*
5. Provide for reimbursement of benefits to KPERS by participating employers for KPERS retirants employed more than 30 days in a calendar year; however, this provision will only be applicable to future retirants. Currently, there is no restrictions on KPERS retirants post-retirement employment. No actuarial cost for this enhancement. (House Bill No. 2785).\*
6. Require local governments which provide employer sponsored group health care benefits plans to make coverage under such plans available to former employees and their dependents who retire prior to age 65, until attainment of age 65. The local retiree could be responsible for up to 125 percent of the active employees premium. No estimate is available on the impact on local units of government. (Senate Bill No. 464).\*
7. Extended the early retirement "window" for one year or until July 1, 1989. The early retirement "window" which allows for full retirement benefits if the individual has 40 years of service regardless of age or is at least age 60 with 35 years of service is scheduled to expire on July 1, 1988. No actuarial cost for this enhancement. (H.B. 2784).\*
8. Effective August 1, 1989, change the early retirement reduction factor from .3 percent per month for each month the individual is less than age 65 to .2 percent per month for each month the individual is less than age 65. The fiscal impact of 0.02 percent in additional employer's contributions, which would first be reflected in FY 1991, is a total of \$447,000 (\$354,000 to the State for both School and Nonschool, of which \$304,000 is from the State General Fund, and \$93,000 to local units of government).

9. Provide for a special class of members who are elected state officials. Elected state officials include the Governor, Lieutenant Governor, Attorney General, Secretary of State, Insurance Commissioner, State Treasurer, and members of the Legislature. The retirement provisions are as recommended by the Governor, plus inclusion of inactive vested KPERS members (10 years of service) who were elected state officials. The provisions include increasing the employee contribution from 4 to 5 percent; becoming a vested member after eight years of service; a final average salary of three years instead of four years; and a retirement calculation based two percent of final average salary instead of generally 1.4 percent. The fiscal impact of 4.7 percent in additional employer's contributions which would first be reflected in FY 1989 is \$400,000, all in KPERS State Nonschool and all from the State General Fund.
10. Provide for new favorable retirement option factors based on the latest valuation and creation of two new options. The new retirement benefit options are both reduced monthly benefits payable for life: (1) if death occurs within 5 years of retirement and (2) if death occurs within 15 years of the retirement date, the same amount is payable to the beneficiary for the remainder of the 5 year period or the 15 year period. The current and recommended option factors are indicated in the following table.

KPERS Retirement Option Factors

	<u>Percent of Basic Benefit</u>	
	<u>Current</u>	<u>Recommendation</u>
A	88%	91%
B	79	83
C - 10 years	94	95
- 5 years	--	98
- 15 years	--	88
D	83	87

11. Provide for prior service credit with Wichita State University prior to July 1, 1964, if those years of service are not the basis for other pension rights.
12. Extend the one year special disability coverage for KPERS-Correctional until June 30, 1989. The current special KPERS-Correctional benefits are scheduled to expire on June 30, 1988.
13. Provide TIAA-CREF assistance for any TIAA-CREF member who takes a leave of absence from a Board of Regents institution immediately prior to an appointment to a state position. The



employer's contribution of eight percent would continue during the state appointment and would be paid by the Regents' institution from which the individual is on leave of absence. The fiscal impact amount is not available.

14. Provide military service credit for an individual meeting the "year of service" requirement during military service. No actuarial cost for this enhancement.
15. Provide that selected individuals may elect not to be a KPERS member and instead the state agency employing the individual would contribute eight percent of the employee's salary to the Kansas Public Employees Deferred Compensation Plan. Approximately 59 individuals would be allowed the option of KPERS membership or receiving contributions through a deferred compensation plan. The individuals include all cabinet secretaries, Superintendent of the Kansas Highway Patrol, State Grain Inspector, Executive Director of the Kansas Lottery, Executive Director of the Kansas Racing Commission, President of the Kansas Development Finance Authority, State Fire Marshall, State Librarian, State Securities Commissioner, Adjutant General, members of the Governor's staff, Board of Tax Appeal members, Kansas Corporation Commission members, and Kansas Parole Board members. The exact fiscal impact is not immediately available; however, the employer contribution for the aforementioned individuals would increase from 3.1 percent to 8.0 percent for those individuals that elect the deferred compensation plan.

#### Kansas Police and Fire (KP&F) Retirement System

1. Increase the retirement benefits by one percent for all individuals who retired prior to January 1, 1987. The fiscal note on this enhancement is 0.06 percent in additional employer's contributions, which would first be reflected in FY 1991.
2. Provide for new favorable retirement option factors based on the latest valuation and creation of two new options. The new retirement benefits options are both reduced monthly benefits payable for life; (1) if death occurs within five years of retirement and (2) if death occurs within 15 years of the retirement date, the same amount is payable the beneficiary for the remainder of the five or 15 year period. The current and recommended option factors are indicated in the following table.

KP&F Retirement Option Factor's

	<u>Percent of Basic Benefit</u>	
	<u>Current</u>	<u>Recommendation</u>
A	92%	94.5%
B	85	88.0
C - 10 years	97	98.0
- 5 years	--	99.0
- 15 years	--	92.0
D	88	91.0

3. Require local governments which provide employer sponsored group health care benefits plans to make coverage under such plans available to former employees and their dependents who retire prior to age 65, until attainment of age 65. The local retiree could be responsible for up to 125 percent of the active employees premium. No estimate is available on the impact on local units of government. (Senate Bill No. 464).\*
4. Provide for prior service credit for members whose fire district is consolidated with another fire district. Currently, prior service cannot be granted as a result of consolidation of fire districts.
5. Transfer of the Board of Regents campus police from KPERS to KP&F at the option of the head of the respective institution. The exact fiscal impact is not able to be determined since it is not known which campus police officers would actually be transferred to KP&F. However, the employer's contribution would increase from 3.1 percent in FY 1989 to 7.3 percent if the option is exercised. (Senate Bill No. 733).\*
6. Provide for payment of excess contributions if benefits paid to a member and a joint annuitant do not equal the KP & F30emember's accumulated contributions at the time of death of both the member and joint annuitant. No actuarial cost for this enhancement. (House Bill No. 2783).\*

Judge's Retirement System

1. Increase the retirement benefits by one percent for all individuals who retired prior to January 1, 1987. The fiscal impact of this enhancement is 0.06 percent in additional employer's contributions which would first be reflected in FY 1991.
2. Provide for new favorable retirement option factors based on the latest valuation and creation of two new options. The new retirement benefit options are both reduced monthly benefits payable for life (1) if death occurs within five years of retirement and (2) if death occurs within 15 years of the retirement

date, the same amount is payable to the beneficiary for the remainder of the five year or 15 year period. The current and the recommended option factors are indicated in the following table.

Judge's Retirement Option Factor's

	<u>Percent of Basic Benefit</u>	
	<u>Current</u>	<u>Recommendation</u>
A	88%	91%
B	79	83
C - 10 years	94	95
- 5 years	--	98
- 15 years	--	88
D	83	87

3. Provide for payment of excess contributions if benefits paid to a member and a joint annuitant do not equal the member's accumulated contributions at the time of death of both the member and joint annuitant. No actuarial cost for this enhancement. (House Bill No. 2783).\*

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\* References to Senate Bills and House Bills indicates only that the subject is contained in the bill. Subjects above may or may not reflect the actual provisions of the bills.

STATE OF KANSAS



OFFICE OF THE GOVERNOR

State Capitol  
Topeka 66612-1590  
(913) 296-3232

Mike Hayden Governor

April 25, 1988

Governor's Budget Amendment

The Honorable Gus Bogina, Chairperson  
Committee on Ways and Means  
Senate Chamber  
Third Floor, Statehouse

and

The Honorable Bill Bunten, Chairperson  
Committee on Appropriations  
House of Representatives  
Third Floor, Statehouse

Gentlemen:

This letter represents several amendments to my budget recommendations for fiscal years 1988 and 1989. These amendments are summarized as follows:

On Budget:	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$59,266,840	\$61,801,797
All Other Funds	<u>(13,876,988)</u>	<u>5,030,838</u>
All Funds	\$45,389,852	\$66,832,635
Off Budget:		
State General Fund	\$ --	\$ --
All Other Funds	<u>606,166</u>	<u>1,386,110</u>
All Funds	\$ 606,166	\$ 1,386,110

The summary overstates the true expenditures, however. The amendment numbered 1, 2, and 3 includes incorporation of House Bill No. 2634, revised demand transfers resulting from the

ATTACHMENT 3  
SWAM 4-28-88



revised consensus revenue estimate, and earmarking funds to provide for property tax relief and rewriting the school finance act to help absorb the effects of reappraisal. House Bill No. 2634 shifts over \$46.0 million from the revenue transfer to the expenditure category. These are shown in the following table:

	<u>FY 1988</u>	<u>FY 1989</u>
Demand Transfers (No. 1)	\$ --	\$46,280,000
Revised Revenue Estimate (No.2)	1,206,269	3,018,000
Property Tax Relief and School Finance Fund (No. 3)	<u>25,000,000</u>	<u>--</u>
Total	\$26,206,269	\$49,298,000

The amendment also includes necessary expenditures to respond to the court order concerning prison overcrowding. These expenditures are shown in the following table:

	<u>FY 1988</u>	<u>FY 1989</u>
SB 758 (No. 70)	\$ 4,763,786	\$ 7,829,039
SB 762 (No. 71)	21,900,000	--
Hutchinson (No. 72)	--	2,120,000
Norton (No. 80)	<u>--</u>	<u>1,730,227</u>
Total	\$26,663,786	\$11,679,266

Amended State General Fund expenditures excluding these major items are shown below:

	<u>FY 1988</u>	<u>FY 1989</u>
Amended, as submitted:	\$59,266,840	\$61,801,797
Excluding Nos. 1-3 only:	(26,206,269)	(49,298,000)
	\$33,060,571	\$12,503,797
Excluding Corrections only:	(26,663,786)	(11,679,266)
	\$32,603,054	\$50,122,531
Excluding Both:	<u>--</u>	<u>--</u>
	\$ 6,396,785	\$ 824,531

  
 MIKE HAYDEN  
 Governor

Department of Corrections

## 60. Parole Officer Clerical Support

The Governor recommended expenditure of \$61,734 from the State General Fund for FY 1989 for 4.0 FTE positions. These positions would provide clerical support for the regional parole offices operated by Parole Services of the Department of Corrections.

The positions are mentioned on page 8-4 of Volume 1 of the FY 1989 Governor's Report on the Budget and on page 4-23 of Volume 2. Funds were erroneously omitted in the budget files that produced page 4-18.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$ --	\$61,734
All Other Funds	<u>    --</u>	<u>    --</u>
All Funds	\$ --	\$61,734

## 61. Inmate Health Care Expenditures

The Department's systemwide proposal for meeting the cost of inmate health care was to provide an additional \$1.2 million in state general funds for FY 1988 and FY 1989. The proposal allocated the funds to the institutions based on FY 1987 average per inmate health care expenditures, which were adjusted for inmate populations in FY 1988 and FY 1989. Essentially, the Department's proposal allocated \$52,000 of the \$1.2 million in FY 1988 to the Honor Camps budget for inmate health care services. The \$52,000 was included as part of the Governor's budget recommendation but because of a posting error, only \$30,000 was included in Senate Bill No. 571 as a supplemental appropriation.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$22,000	\$ --
All Other Funds	<u>    --</u>	<u>    --</u>
All Funds	\$22,000	\$ --

## 62. Inmate Health Care Claims Processing System

The Department of Corrections contracts for the payment of inmate health care claims. The original concept was to use the rate schedule for the medical programs operated by the Department of Social and Rehabilitation Services. However, medical providers were not amenable to reimbursement based on the Medicaid rate schedule. The Department renegotiated the rates, which required the provider of payment services to reprogram its computer to reflect the new rates. The

Department was charged \$9,570 for that service. In addition, the Department underestimated the number of claims that would be filed monthly, which has caused the Department to exhaust the budgeted contract expenditures.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$68,860	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$68,860	\$ --

### 63. Obtaining Institutional Accreditation

The Department of Corrections has attempted to meet the American Corrections Association standards for accreditation for several years. Institutions that are accredited are seen as model institutions that have attained an acceptable standard for inmate bedspace, programs and services. The Department views accreditation as an insurance policy against inmate lawsuits in that, inevitably, the lawsuit is based on the institution not being in compliance with standards as set out by the American Corrections Association. The court has routinely corrected deficiencies based on these standards.

The state agreed to pursue accreditation as part of the 1980 consent decree. The inmate's suit in District Court involves awarding injunctive relief that would require the state to pursue accreditation.

The Department requested \$14,100 in its budget submission for FY 1989 to address the cost of re-audits for parole services, pre-release centers and SCVTC. The Department has revised its request to provide for the audit of SRDC and the re-audit of parole services and SCVTC at a total State General Fund cost of \$18,025.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$ --	\$18,025
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$18,025

### 64. Inmate Transportation System

The Governor recommended an inmate transportation system to meet the transportation demands for inmate movement for FY 1989. The system was recommended because of the widespread distribution of the present facilities coupled with the central and western Kansas expansions. The Department has determined that the transportation program can serve the system most efficiently and effectively, if located in the central office.

The FY 1989 recommendation shifts funding for the State Industrial Reformatory (\$139,377) and the State Reception and Diagnostic Center (\$40,558) to the Department's budget.

Department of Corrections:	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$ --	\$179,935
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$179,935
SRDC:	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$ --	\$(40,558)
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$(40,558)
Industrial Reformatory:	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$ --	\$(139,377)
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$(139,377)

#### 65. A Class Action Suit Concerning Corrections Officers

Corrections officers filed a suit against the state in June, 1986 claiming they were entitled to overtime for roll call. Roll call is a policy used by the institution to brief incoming shift officers concerning the status of the inmate population. Essentially, corrections officers are required to arrive 15 minutes before their shift to be briefed and to stay 15 minutes after to brief the next shift. This practice extends the officers' work week by approximately 2.5 hours over their normal shift. Generally, roll call is more prevalent in the higher security institutions. The action has been certified as a class action suit and will affect about 2,200 corrections officers who have worked at state corrections institutions between June 11, 1981, and June 11, 1986. The Governor recommended \$2.0 million in FY 1988 to fund the liability. Reappropriation language is necessary to ensure available funds in the event of delayed settlement.

#### 66. Supplemental Request for State Aid-Community Corrections Program

The Department of Corrections requests an additional \$29,618 for FY 1988 because of lower than estimated chargebacks. In addition, the Department is requesting an additional \$289,391 in FY 1989. These requests are predominantly a result of the passage of House Bill No. 2341 during the 1987 Session. This is in addition to the supplemental appropriation request for \$165,000 contained in the FY 1989 Governor's Report on the Budget.

House Bill No. 2341 eliminated any chargeback fees on juveniles who are transferred administratively by SRS to a youth center. Previous to House Bill No. 2341, the state assistance for a community corrections program would have been reduced relative to the number of juveniles transferred multiplied by \$6,000. House Bill No. 2341 will affect only three quarters of FY 1988. This is due to: (1) the effective date of the bill, July 1, 1987; and (2) the chargebacks and the assistance are calculated based on the previous quarter's experience.

The 1987 Legislature appropriated \$375,000 to offset the costs of the bill. The Department's fiscal note on House Bill No. 2341 was \$480,000 based on 80 juveniles being transferred. The Department has revised that estimate to 90 and lowered the chargeback percentage to reflect the entitlement experience accurately.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$29,618	\$289,391
All Other Funds	--	--
All Funds	<u>\$29,618</u>	<u>\$289,391</u>

67. Increased Average Daily Population at the Wichita Work Release Center

The Department of Corrections moved inmates from other institutions to the Wichita Work Release Center in order to free up bedspace for inmates at the State Penitentiary. The FY 1988 budget at the Wichita Work Release Center is based on an ADP of 75. Approximately March 1, 1988, 25 additional inmates were transferred to the Center. A total of \$7,920 is included to pay for food costs for the 25 inmates for approximately 120 days in FY 1988. In addition, \$7,896 is provided for a half-time clerical position and \$40,268 for marginal costs associated with the unbudgeted 25 ADP in FY 1989.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$7,920	\$48,164
All Other Funds	--	--
All Funds	<u>\$7,920</u>	<u>\$48,164</u>

68. Claim - Honor Camps

A claim contained in House Bill No. 2996 settles an award for Mr. Archie Cheatum for injuries sustained while assigned to a work detail at the Toronto Honor Camp. The award is \$40,469 payable in FY 1988.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$40,469	\$ --
All Other Funds	<u>    --</u>	<u>    --</u>
All Funds	\$40,469	\$ --

69. Correctional Institutions Building Fund - Capital Improvements

The Governor's recommendation for FY 1989 includes five projects totaling \$5,648,820 and three projects totaling \$1,027,729 in FY 1990. All projects are funded from the Correctional Institutions Building Fund. Of the projects listed below, the 120-bed living unit at the Kansas Correctional Institution at Lansing and the cellhouse A renovation at the Kansas State Penitentiary represent multi-year appropriations approved by previous Legislatures. The Governor's recommendation of \$1,847,428 represents an additional \$660,000 to fund a consultant's error in estimating costs for construction excavation. In addition, the Department revised the estimate for the Electrical Improvements project at the Kansas State Penitentiary. The original estimate provided for total expenditures of \$1,092,495 or \$834,459 in FY 1989 and \$258,036 in FY 1990. These are the amounts contained in the Governor's budget recommendation for those two years. However, the Department hired a consultant who revised the Department's estimate to \$2,185,550 or \$200,000 in FY 1989 and \$1,985,550 in FY 1990. The following table displays the revised estimates:

	<u>FY 1989</u>	<u>FY 1990</u>
Kansas Correctional Institution at Lansing 120-Bed Living Unit	\$1,847,428	\$ 378,820
Kansas State Industrial Reformatory Power Supply Upgrade	360,490	390,873
Kansas Department of Corrections Bedspace Expansion	1,139,470	--
Kansas State Penitentiary Cellhouse A Renovation Electrical Improvements	1,466,973 <u>    200,000</u>	-- <u>1,985,550</u>
Total	\$5,014,361	\$2,755,243

Based on the consultant's estimate, KSP's project budget for the Electrical Improvements project is reduced from \$834,459 to \$200,000, and \$1,727,514 is added to the present recommendation of \$258,036 for this project in FY 1990.



	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$ --	\$ --
Correctional Institutions		
Building Fund	<u>--</u>	<u>(634,459)</u>
All Funds	\$ --	\$(634,459)

70. Senate Bill No. 758 - Program and Alternatives to Incarceration

Senate Bill No. 758 provides appropriations for FY 1988 and FY 1989 for the following agencies:

	<u>FY 1988</u>	<u>FY 1989</u>
Judicial Branch	\$ 65,408	\$ 1,711,074
Department of Corrections	924,173	9,340,922
Kansas State Penitentiary	<u>42,403</u>	<u>508,845</u>
 TOTAL	 \$1,031,984	 \$11,560,841

Funds are provided for the Judicial Branch to hire 75.0 Court Services Officers I and 8.0 clerical positions. Thirty court services officers will be hired, effective May 18, 1988. An additional 20.0 will be hired on June 18, 1988, along with the 8.0 clerical positions. The remaining 25.0 court services officers will be hired effective December 18, 1988. The recommendation includes all training and operations expenditures associated with these positions.

Funding totaling \$355,545 for FY 1988 is included for 7.0 FTE positions to provide systemwide coordination of medical, pharmacy, legal and program issues. Three clerical positions are also included.

A total of \$3,040,745 is included to provide contract placement of 400 inmates in community settings.

Funding of \$52,480 is provided for the Department to hire 23.0 parole officers, beginning May 18, 1988. An additional \$1,600,000 is appropriated for FY 1989 to continue the 23.0 positions and to hire 8.0 clerical positions (June 18, 1988) and 9.0 parole officers (December 18, 1988).

In FY 1988, \$565,000 is included for a design and construction management service to coordinate the design and construction of the Department's capital plan.

An amount of \$75,000 is provided in FY 1988 and \$4,017,965 in FY 1989 to the Department for additional inmate substance abuse, sex offender, mental health and education programs. In

addition, \$58,000 is appropriated in FY 1988 and \$500,000 in FY 1989 for the renovation of correctional institution space to accommodate the additional inmate programs.

A total of 12.0 additional medical staff positions at the Kansas State Penitentiary are funded for FY 1988 at a cost of \$551,248. These positions are in response to the deficiencies cited in the District Court order and are funded as of May 18, 1988.

All unexpended balances in FY 1988 are reappropriated to FY 1989. In total, an amount of \$3,731,802 is shifted from FY 1989 to FY 1988.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$4,763,786	\$7,829,039
All Other Funds	--	--
All Funds	<u>\$4,763,786</u>	<u>\$7,829,039</u>

#### 71. Senate Bill No. 762 - Corrections' Capital Improvements

Senate Bill No. 762 is an appropriations bill that provides \$22,400,000 for the construction and renovation at Hutchinson, Stockton, Norton and Ellsworth. The entire appropriation is from the State General Fund for FY 1988 with any unexpended balances to be appropriated to FY 1989. All preliminary and final plans must be presented to the Joint Committee on State Building Construction and the Secretary must consult with the Committee on those plans.

Hutchinson Correctional Facility	\$ 6,100,000
Stockton Correctional Facility	500,000
Norton Correctional Facility	6,600,000
Ellsworth Correctional Facility	<u>9,200,000</u>
	\$22,400,000

The Hutchinson appropriation is for the acquisition of a mobile home manufacturing plant and real property and for the construction of a correctional work facility to house not less than 400 inmates. The total appropriation for this project is \$6,100,000.

Expenditures for the Stockton Correctional Facility are for the purchase and renovation of the building and purchase of the real property to provide housing for not less than 110 inmates. The appropriation for this project is \$500,000 FY 1988.

Senate Bill No. 762 provides \$6,600,000 for the renovation and expansion at Norton. Essentially, this expansion would lead to the Department of Corrections assuming full operation

and responsibility for the Norton State Hospital site. The proviso requires the addition of 260 beds, which provides for a total capacity of not less than 500 inmates.

The Ellsworth appropriation will expand facility capacity to not less than 512 inmates and will allow for the additional acquisition of not more than 160 acres of real property at a cost not to exceed \$200,000. The additional appropriation for the Ellsworth Correctional Work Facility is \$9,200,000.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$21,900,000	\$ --
All Other Funds	<u>    --</u>	<u>    --</u>
All Funds	\$21,900,000	\$ --

#### 72. Operations Expenditures for Hutchinson

The amendment provides \$2,120,000 to fund the Hutchinson Correctional Facility for four months in FY 1989, assuming Hutchinson will be occupied within 10 months following approval of funds to purchase the site.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$ --	\$2,120,000
All Other Funds	<u>    --</u>	<u>    --</u>
All Funds	\$ --	\$2,120,000

#### 73. Construction and Operation of a New 700-Bed Facility

The Secretary of Corrections' plan to meet the existing critical need for developing additional inmate bedspace includes construction of a 700-bed multi-security facility in the Sedgwick County area. The facility will provide comprehensive correctional services from maximum custody to community programs. The Department estimates construction costs for the new facility will be \$34.0 million with a first partial year operating cost of approximately \$6.6 million in FY 1991.

Bond financing of the capital costs would be \$.7 million in FY 1990, \$3.3 million in FY 1991 and \$3.6 million in FY 1992.

This 700-bed facility will be constructed with 80 percent of the cells sized to be double occupied. In addition, construction costs of \$34.0 million will be bonded through the Kansas Development Finance Authority. The first bond payment is to be made in FY 1990.

Crime Victims Reparations Board

## 74. Request for an Increase to the Federal Reparations Account

The Director of the Crime Victims Reparations Board is requesting an expenditure limitation increase for the agency's Victims of Crime Assistance Fund. The federal application for funds in FY 1988 was delayed until this spring, but apparently funds will be available prior to the end of state FY 1988. The agency reports that approximately \$134,000 will be available.

The agency has reported higher than usual reparations in FY 1988 and, along with a reparations carryover of approximately \$103,000 from FY 1987, has exhausted the expenditure limitation for payment of reparations. Presently, the agency is estimating total reparations for FY 1988 of \$788,806, including carryover, which compares with an expenditure limitation of \$569,455. This expenditure limitation is split between the Victims of Crime Assistance Fund (\$131,000) and the Crime Victims Reparations Fund (\$438,455).

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$ --	\$ --
Victims of Crime Assistance		
Act -- Federal Fund	134,000	--
All Funds	\$134,000	\$ --

Kansas State Industrial Reformatory

## 75. Staff Adjustments

The State Industrial Reformatory requests 23.0 positions to address the rising inmate populations and to improve the staff to inmate ratio. The positions consist of two Corrections Officers III, seven Corrections Officers II, one Safety Specialist, two Administrative Officers, one Physician Assistant, one Dietician, one Storekeeper I, one Library Assistant, two Corrections Counselors, one Facility Maintenance Supervisor, one Laundry Manager and three Office Assistants. Total expenditures for these positions are \$566,027 and consist of \$490,660 for salaries and wages and \$75,367 in other operating expenditures. The State Industrial Reformatory also reports higher than budgeted average daily populations. Because of overcrowding at other institutions, the population is estimated to rise at the Reformatory from the Governor's recommendation of 1,540 to 1,614 in FY 1988 and from 1,500 to 1,650 in FY 1989.

Two Corrections Officers III and seven Corrections Officers II are recommended for FY 1989. The recommendation is

\$163,599, which consists of salaries and wages of \$160,647 and uniform costs of \$2,952. In addition, \$116,449 is provided in FY 1988 and \$240,000 in FY 1989 for marginal costs associated with the higher than budgeted average daily populations.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$116,449	\$403,599
All Other Funds	--	--
All Funds	<u>\$116,449</u>	<u>\$403,599</u>

Kansas State Penitentiary

76. Expansion of Inmate Counseling and Parole Drug Screening Program

The Governor recommended expenditures of \$98,082 from the State General Fund for FY 1989 for 5.0 FTE positions to be transferred from the Department of Corrections' budget to the State Penitentiary. These positions are associated with the expansion of the inmate counseling and parole drug screening program, which the Governor recommended and the Legislature approved during the 1987 Session. The program is designed to provide treatment to parole eligible inmates to enhance their chances of receiving parole. While funds and the positions for this program were removed from the Department of Corrections' budget, the funds for the positions were inadvertently omitted from the State Penitentiary's budget.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$ --	\$98,082
All Other Funds	--	--
All Funds	<u>\$ --</u>	<u>\$98,082</u>

77. Staff Adjustments

Savings have accrued in FY 1988 because of the delay in receiving approval of funding for the 31.0 FTE recommended by the Governor. These positions were to enhance the health care subprogram and the security program and were funded effective December 18, 1987. The Governor's recommendation included \$350,388 in salaries and wages in the current year. Based on information from the Department of Corrections, the positions will be filled for only one month in FY 1988.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$(291,992)	\$ --
All Other Funds	--	--
All Funds	<u>\$(291,992)</u>	<u>\$ --</u>

## 78. Average Daily Population Savings

In order to comply with the District Court order, the State Penitentiary must reduce the population by 702 ADP by September 1, 1988. Presently, the Governor's budget recommendation is based on an ADP of 2,773. Based on marginal costs for housing, food, inmate pay, medical care and clothing for inmates, the institution's budget can be reduced by \$1,123,200. This amount assumes a marginal cost of \$1,600 per inmate.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$ --	\$(1,123,200)
All Other Funds	--	--
All Funds	\$ --	\$(1,123,200)

## 79. Holiday Pay for Security Officers

The Governor's recommended budget for the State Penitentiary includes five new security positions. Holiday pay, however, is funded for the 14 new positions requested in FY 1989. Consequently, excess holiday pay was included in the amount of \$5,402.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$ --	\$(5,402)
All Other Funds	--	--
All Funds	\$ --	\$(5,402)

## 80. Revised Timetable for Closing Norton State Hospital

In the FY 1989 Governor's Report on the Budget, the Norton State Hospital budget includes monies sufficient to provide care and training for 60 residents through FY 1989. Subsequent to publication of the FY 1989 Governor's Report on the Budget, the Governor reviewed alternatives for resident movement out of state institutions, including plans for Norton State Hospital.

The Commissioner of Mental Health and Retardation Services proposed that until it is closed, funding for the hospital and alternative residential and training services for Norton residents following their discharge to community placements, be appropriated to the Division of Mental Health and Retardation Services. He further requested that the Division be authorized to expend the funds for both the operation of Norton State Hospital and for community grants, as needed, at the discretion of the Division. Further, it was proposed that the Norton facility be transferred to the Kansas Department of Corrections by October 1, 1988.



To accomplish that goal, 60 residents will be transferred to group homes and intermediate care facilities for the mentally retarded during the remainder of this fiscal year and the first part of FY 1989. These transfers will be coupled with commitments to serve 40 persons on community waiting lists. Per diem for community placements is estimated to be \$80 (these are average costs; actual costs for Norton transfers are expected to be higher while services for waiting list clients would cost less). The remainder of community placements currently recommended by the Governor (40 from other institutions and 60 from the waiting list) is estimated to cost \$50 per day.

The Division of Mental Health and Retardation Services requests that the appropriation language for Norton State Hospital and the Department of Social and Rehabilitation Services be adjusted to give the agency the flexibility to implement the revised program. Federal home and community based services funds will be transferred to Mental Health and Retardation Services to provide added federal funding.

The Department of Corrections will take over the operations of Norton State Hospital within 30 days after the last Norton State Hospital resident is discharged, but no later than October 1, 1988, except upon the approval of the State Finance Council. Every effort will be made to find alternative employment for Norton State Hospital employees. It is anticipated that 65 employees will be hired by the Department of Corrections, 60 by other Department of Social and Rehabilitation Services installations, 60 by group homes for the mentally retarded and 45 by other state agencies. The Governor encourages all area agencies to give consideration to hiring Norton State Hospital employees. Moving expense reimbursement will be available to assist employees transferring to other state positions.

The Department of Corrections has developed an expenditure plan that will employ 65.0 FTE as of October 1, 1988. The Department will utilize these employees to provide maintenance and physical plant operations at this facility, provide support services to the present population and employees and assist in the renovation of the facility for housing 260 inmates. An amount of \$1.29 million is requested for salaries and wages and \$1.03 million for other operating expenditures for a total of \$2.32 million.

Norton State Hospital:	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$ --	\$(2,131,292)
Norton State Hospital Fee Fund	--	(202,421)
Title XIX Fund	--	(3,118,692)

## SRS:

MHRS-NSH State General Fund	--	1,541,519
MHRS Fee Fund - Norton State Hospital/Placement Grants	--	61,175
MHRS Title XIX - Norton State Hospital/Placement Grants	--	<u>2,105,160</u>
All Funds	\$ --	\$(1,744,551)

## Department of Corrections:

State General Fund	\$ --	\$ 2,320,000
All Other Funds	--	--
All Funds	\$ --	\$ 2,320,000

Department on Aging

## 81. Expansion of Services for Frail Older Kansans

The Division of the Budget was informed on 23 February 1988 that the Kansas Department on Aging would receive \$52,358 in Title III, Part D in-home services for frail older individuals funds in federal FY 1988. The Department proposes that the funds be allocated to area agencies using the same intrastate funding formula utilized for the distribution of Part B and C funds. A five percent state match is required to receive these funds. The Governor's recommendations for FY 1988 and FY 1989 contain sufficient state general funds in nutrition and transportation services to provide the match. The agency proposes that these funds be included in the general community grants subprogram. The Department on Aging assumes it will receive a similar allocation in federal FY 1989.

	<u>FY 1988</u>	<u>FY 1989</u>
State General Fund	\$ --	\$ --
Older Americans Act - Federal Fund - Frail Elderly	<u>29,919</u>	<u>61,707</u>
All Funds	\$29,919	\$61,707

## 82. Move the Department on Aging's Offices to the Docking Building

The Department on Aging intends to move its administrative offices from the Credit Union Building to the first floor of the Docking State Office Building. While increased costs associated with the move in FY 1988 can be absorbed by the agency, \$20,701 is requested in FY 1989. This amount is based upon the rental of 5,100 square feet at \$11.75 per square foot for a total cost of \$59,925. The budget of the Department for FY 1989 currently includes \$39,224 for office rent.