

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Melvin Neufeld at 9:00 a.m. on March 11, 2003, in Room 514-S of the Capitol.

All members were present except: Representative Bob Bethell, Excused
Representative Larry Campbell, Excused

Committee staff present: Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Amy Deckard, Legislative Research Department
Becky Krahl, Legislative Research Department
Melissa Calderwood, Legislative Research Department
Julian Efird, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Sue Fowler, Committee Secretary

Conferees appearing before the committee: Duane Goossen, Director, Division of the Budget
Alan Conroy, Director, Legislative Research Department
Joan Wagnon, Secretary, Kansas Department of Revenue
David Patton, Chairman, Kansas Board of Tax Appeals
Tony Folsom, State Board of Tax Appeals
Chad Luce, Public Information Officer, Department of
Wildlife and Parks
Chris Tymeson, Legal Counsel, Department of Wildlife
and Parks

Others attending: See Attached

Representative Nichols moved for reintroduction of HB 2349 which changes the requirements determining mental retardation for purposes of applying the death penalty. Motion was seconded by Representative Henry. Motion carried.

Representative Shriver moved for proposed legislation regarding Department of Human Resources to move the powers of the Boiler Safety Program and the Inspection of Industrial Health and Safety to the State Fire Marshal. Motion was seconded by Representative Howell. Motion carried.

Representative Shriver moved for proposed legislation regarding Department of Human Resources relating to Dislocated Workers Program and transfer the Advisory Commission on Hispanic Affairs, Commission on Disability Concerns, and Commission on African-American Affairs to the Governor's Office. Motion was seconded by Representative Howell. Motion carried.

Representative Klein moved for introduction of proposed legislation for one-half of 13th check for KPERs members. Motion was seconded by Representative Gatewood. Motion carried.

Staff distributed copies of the Responses to Cigarette Tax Questions concerning the cigarette tax requested at the February 6, 2003 meeting of the House Appropriations Committee. In addition, a spreadsheet is attached showing current fiscal year receipts to date (by month) for the cigarette tax (including the inventory tax), as well as receipts for the past two fiscal years.

SB 187 was referred to Tax, Transportation, Judiciary and Retirement Budget Committee. **SB 191** was referred to Agriculture and Natural Resources Budget Committee.

Duane A. Goossen, Director of the Budget, presented the March revenue estimate update on General Fund Receipts (Attachment 1). The Division of the Budget, the Department of Revenue, and consulting economists met this week to consider tax revenue projections for the State General Fund in FY 2003 and FY 2004. Given current information, FY 2003 tax revenue is expected to be \$105.0 million below the last Consensus Revenue

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS at 9:00 a.m. on March 11, 2003, in Room 514-S of the Capitol.

Estimate made on November 5, 2002, and FY 2004 revenue is expected to be \$125.0 million below the November estimate. Refinements to this updated forecast are expected to be made April 22, 2003, at the Consensus Revenue Estimate meeting.

Alan Conroy, Director of Legislative Research, presented information on the State General Fund Receipt Estimates (Attachment 2). Total SGF receipts through February of FY 2003 were \$99.4 million or 4.0 percent above FY 2002 for the same period. Tax receipts only for the same period exceeded FY 2002 by \$84.4 million or 3.3 percent. Based on the revised estimate of State General Fund receipts in FY 2003 made last November, it was estimated that receipts in November through February would total \$2.617 billion. Actual receipts for those four months were \$2.609 billion or 0.3 percent below the estimate.

For FY 2004, while the Legislative Research Department does not have an official revision to the November consensus estimate, it might be reasonable to assume that the size of the shortfall for FY 2004 will be of at least the same magnitude as the FY 2003 shortfall. The combined potential impact for the two fiscal years would therefore be \$180 million, but a figure of more than \$200 million could be justified if the Department of Revenue or university economists were to provide information about major tax sources or the economic outlook that would necessitate additional cuts in the estimates.

Hearing on SB 115 – Reducing membership of the state board of tax appeals to three members

Amy Deckard, Legislative Research Department, presented an overview on **SB 115**. As amended, **SB 115** would reduce the membership of the State Board of Tax Appeals (SBOTA) from five to three, effective January 15, 2003. The bill would provide that no successors would be appointed for the two SBOTA members whose terms expired on that date. The bill also would make several adjustments to statutory requirements concerning SBOTA members. Under current law, at least one member must be appointed from each of the state's congressional districts. The bill would amend that requirement such that no more than one member may be appointed from any one congressional district. Current law also requires that three of the five SBOTA members either have been regularly admitted to practice law or have been engaged in the practice of law for at least five years or have been a certified public accountant who has maintained registration as an active attorney. This requirement would be retained but would apply to two of the three SBOTA members (in lieu of three of five). A requirement that the votes of at least three members are necessary for SBOTA to take any action would be amended such that a minimum of two votes would be necessary. This will impact the State General Fund expenditures would be reduced by \$56,710 in FY 2003 and by \$230,130 in FY 2004 pursuant to the elimination of the two positions.

Duane Goossen, Director of the Budget, appeared to verbally support **SB 115**. The Division of the Budget assumed the passage of this bill in building the Governor's budget. By reducing the Board from five to three members there is an annual savings of approximately \$230,000 and that amount was built into the budget for FY 2004. Additionally, they built in \$300,000 to the budget on the expectation that the Board could begin charging a filing fee for parties appearing before the Board. At the time the budget was built and the \$300,000 was put into it, it was thought possible for the Board to do that without any kind of legislation. Upon further discussions, it was decided it would be advisable to include some language allowing them to do that and there is an amendment coming to this bill which will specifically allow the Board to charge filing fees. Which then supports the \$300,000 which is built into the budget for FY 2004. From budget perspective, Director Goossen encourages that **SB 115** be passed.

Joan Wagon, Secretary of the Department of Revenue appeared to testify on behalf of the Governor and the Department of Revenue in support of **SB 115** (Attachment 3), which proposes to reduce the number of members of the Board of Tax Appeals from five to three. Secretary Wagon also requests that the provisions attached hereto be amended into **SB 115**, as it passed the Senate. The purpose of these provisions is to establish in the State Treasury a case filing fee fund for appeals filed with the Board, to be administered by the Board.

David Patton, Chair of the State Board of Tax Appeals, explained the operation of the State Board of Tax Appeals.

Tony Folsom, State Board of Tax Appeals, reported on the suggested filing fees and the breakdown of the proposed fees. Committee members requested additional information concerning the proposed fees, typical

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number of cases filed with Board per year and the amount of moneys to be charged and collected.

Chair Neufeld announced that the hearing on **SB 115** is closed.

Hearing on SB 43 – Wildlife and Parks; service fees

Julian Efird, Legislative Research Department, presented an overview of **SB 43**. The bill would increase service fees charged for issuing licenses, permits and stamps provided by the Department of Wildlife and Parks. County clerks, private vendors and the agency currently sell the various documents and the service fee would rise from \$.50 to \$1.00 on licenses, permits and stamps, and from \$.25 to \$.50 on state migratory waterfowl stamps. In addition, the bill would authorize the agency to contract with private vendors to sell licenses and other documents over the telephone or internet. Finally, the bill would allow additional negotiated service fees to be charged under the provisions of a contract with the agency. The bill would be effective July 1, 2003.

The bill was requested by the Department of Wildlife and Parks. It was noted that the service fees had not been increased since 1989. About two-thirds of the various sales are handled by the county clerks and local vendors on behalf of the agency. The agency currently contracts with the Information Network of Kansas to issue licenses over the internet and the contract allows for a service fee of \$1.75 to be collected. The fiscal note indicates that the agency would receive an estimated \$300,000 increase in services fees and that the vendors, including county clerks, would receive an estimated \$640,000 increase. The bill was supported by the Kansas County Clerks and Election Officials Association.

Chad Luce, Public Information Officer, Department of Wildlife and Parks provided testimony in support of **SB 43** (Attachment 4). The bill would provide the department additional revenue to recover administrative costs associated with issuing licenses, permits and stamps, including an estimated additional \$200,000 annually to the park fee fund. The bill would also provide an additional financial incentive for county clerks and other vendors to continue to participate in the department's vendor program. In addition, the bill would allow the department to contract with telephone-or Internet-based vendors, who could charge an additional transaction fee, to be negotiated by the Secretary of Wildlife and Parks.

The department would like to request an amendment to **SB 43**, pertaining to the settlement of unpaid camping or vehicle entry fees. During the 2001 Session, legislation was passed that allowed persons who failed to purchase a required permit two options to prevent the issuance of a citation:

- The person may pay both the permit fee and a \$15 late payment fee within 24 hours
- The person may purchase an annual vehicle or camping permit

The provisions of this statute are set to expire on December 31, 2003. The department requests that the sunset provision be stricken, making this provision permanently effective.

Chris Tighman, Legal Counsel for the Department of Wildlife and Parks, reported on the tourism aspect this bill could provide the state, also reporting there had been no negative comments received from the private vendors engaged in this process.

Chair Neufeld announced that the hearing on **SB 43** is closed.

Representative Henry, Member of the Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the State Hospitals for FY 2003 and moved for the adoption of the Budget Committee recommendations with notations and observations for FY 2003 (Attachment 5). Motion was seconded by Representative Ballard.

The Committee discussed changing the wording in the State Hospitals FY 2003, Item 1 to insert "community mental health centers statewide" following the words "Kansas City area". The Senate report has different language in Item 1 and Item 2 and wants all stakeholders to get together to review and make recommendations for the Rainbow Mental Health Center.

Representative Nichols moved to amend the Budget Committee report by inserting "community mental health

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MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS at 9:00 a.m. on March 11, 2003, in Room 514-S of the Capitol.

centers statewide” following the words “Kansas City area” in Item 1. Motion was seconded by Representative Henry. Motion carried.

Chair Neufeld requested Representative Nichols to write up additional language to consider for continuation or closure of State Hospitals.

The consideration of the Budget Committee report on state hospitals will be continued on March 12, 2003

The meeting was adjourned at 11:00 a.m. The next meeting is scheduled for March 12, 2003.



Melvin Neufeld, Chair

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: March 11, 2003

NAME	REPRESENTING
DON COOPER	COMMERCIAL GROUP, INC.
DAVID PATTON	KS. BOARD OF TAX APPEALS
Toby Folsom	BOTA
Vidilynn Hessel	Budget
Richard Crum	KDOB
Mike Huttles	Ks. Governmental Consulting



KANSAS

DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

MEMORANDUM

TO: Governor Kathleen Sebelius and Legislative Budget Committee

FROM: Duane A. Goossen, Director of the Budget

DATE: March 7, 2003

SUBJECT: March Revenue Update

The Division of the Budget, the Department of Revenue, and consulting economists met this afternoon to consider tax revenue projections for the State General Fund in FY 2003 and FY 2004. Given current information, FY 2003 tax revenue is expected to be \$105.0 million below the last Consensus Revenue Estimate made on November 5, 2002, and FY 2004 revenue is expected to be \$125.0 million below the November estimate. Refinements to this updated forecast are expected to be made April 22, 2003, at the Consensus Revenue Estimate meeting.

The tax sources that were reduced for the FY 2003 estimate include lowered projections for individual income taxes of \$1.8 billion, down \$45.0 million from the November estimate; corporate income taxes of \$100.0 million, down \$25.0 million; sales taxes of \$1.57 billion, down \$30.0 million; and estate and succession taxes of \$50.0 million, down \$5.0 million.

The key factors that were considered in revising the estimate downward included experience in revenue collections through February 2003, lingering uncertainty in both the national and state economies, an increase in the savings rate, and lagging consumer confidence.

Forecast revisions were made only to tax sources. Other revenues from interest, transfers, and agency earnings were not discussed.

HOUSE APPROPRIATIONS

STATE CAPITOL BUILDING, ROOM 152-E, TOPEKA, KS 66
Voice 785-296-2436 Fax 785-296-0231 <http://da.st>

DATE 3-11-03
ATTACHMENT 1

**March Revenue Update for Fiscal Years 2003 and 2004
and FY 2002 Actual Receipts**
(Dollars in Thousands)

	FY 2002 (Actual)		FY 2003				FY 2004			
	Amount	Percent Change	Estimate 11/5/2002	Update 3/7/2003	Difference	Percent Change	Estimate 11/5/2002	Update 3/7/2003	Difference	Percent Change
Tax:	\$18,067	0.8 %	\$16,500	\$16,500	\$ --	-- %	\$17,000	\$17,000	\$ --	-- %
Income Tax:										
Individual	\$1,829,609	(7.5) %	\$1,845,000	\$1,800,000	(\$45,000)	(2.4) %	\$1,920,000	\$1,870,000	(\$50,000)	(2.6) %
Corporation	93,958	(55.7)	125,000	100,000	(25,000)	(20.0)	140,000	105,000	(35,000)	(25.0)
Financial Inst.	27,919	12.5	29,500	29,500	--	--	31,000	31,000	--	--
Total	\$1,951,486	(11.9) %	\$1,999,500	\$1,929,500	(\$70,000)	(3.5) %	\$2,091,000	\$2,006,000	(\$85,000)	(4.1) %
Estate/Succession Taxes	\$48,083	16.7 %	\$55,000	\$50,000	(\$5,000)	(9.1) %	\$60,000	\$55,000	(\$5,000)	(8.3) %
Excise Taxes:										
Retail Sales	\$1,470,599	3.3 %	\$1,600,000	\$1,570,000	(\$30,000)	(1.9) %	\$1,640,000	\$1,605,000	(\$35,000)	(2.1) %
Compensating Use	233,764	(0.9)	230,000	230,000	--	--	240,000	240,000	--	--
All Other	187,567	(18.4)	294,300	294,300	--	--	312,000	312,000	--	--
Total	\$1,891,930	0.2 %	\$2,124,300	\$2,094,300	(\$30,000)	(1.4) %	\$2,192,000	\$2,157,000	(\$35,000)	(1.6) %
Other Taxes	\$86,907	24.5 %	\$88,500	\$88,500	\$ --	-- %	\$88,500	\$88,500	\$ --	-- %
Total Taxes	\$3,996,473	(5.6) %	\$4,283,800	\$4,178,800	(\$105,000)	(2.5) %	\$4,448,500	\$4,323,500	(\$125,000)	(2.8) %
Other Revenues	\$111,847	(39.0)	(\$131,753)	(\$131,753)	\$ --	--	\$77,167	\$77,167	\$ --	--
Total Revenues	\$4,108,320	(6.9) %	\$4,152,047	\$4,047,047	(\$105,000)	(2.5) %	\$4,525,667	\$4,400,667	(\$125,000)	(2.8) %

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March 6, 2003

To: Legislative Budget Committee

STATE GENERAL FUND (SGF) RECEIPTS July through February, FY 2003

Based on the revised estimate of SGF receipts in FY 2003 made last November, it was estimated that receipts in November through February would total \$2.617 billion. Actual receipts for those four months were \$2.609 billion or 0.3 percent below the estimate. (Remember that the figures in the "Estimate" and "Actual" columns under FY 2003 in the following table include actual receipts in July-October.)

Total receipts from July through February of FY 2003 were \$8.7 million or 0.3 percent below the estimate (but see the note regarding SGF transfers). The component of SGF receipts from taxes only was \$47.1 million or 1.8 percent below the estimate. Total taxes only at the end of January, were \$31.9 million or 1.3 percent below the estimate.

Taxes falling below the estimate by more than \$1.0 million were corporation income (\$19.0 million or 39.5 percent), individual income (\$16.4 million or 1.4 percent), retail sales (\$14.7 million or 1.4 percent), estate (\$4.5 million or 12.5 percent), compensating use (\$1.8 million or 1.2 percent). Of note is, even after a rate increase (4.9 percent to 5.3 percent), February 2003 sales tax receipts were \$2.1 million or 1.8 percent below February 2002 sales tax receipts.

The only tax source that exceeded the estimate by more than \$1.0 million was insurance premiums (\$7.0 million or 19.4 percent).

Net transfers out of the SGF were \$33.7 million less than the estimate. The estimate, as previously discussed in prior monthly reports, assumed that three transfers to local units of government totaling \$48.0 million for payments to the Local Ad Valorem Tax Reduction Fund (\$26.2 million), County-City Revenue Sharing Fund (\$16.7 million), and the Special City-County Highway Fund (\$5.0 million) would have been made in December or January. Because of Governor Graves' allotment or reduction of SGF expenditures in November 2002, these three revenue transfers were not made. As a further note, Governor Sebelius has also recommended not making these three payments and her recommendation has been enacted into law by the 2003 Legislature (HB 2026). **The net result of not making these three transfers out of the SGF has a positive impact on total SGF receipts of \$48.0 million.** Interest earnings exceeded the estimate by \$1.2 million and agency earnings exceeded the estimate by \$3.5 million.

Total SGF receipts through February of FY 2003 were \$99.4 million or 4.0 percent above FY 2002 for the same period. **Tax receipts only for the same period exceeded FY 2002 by \$84.4 million or 3.3 percent.**

This report excludes the July 1 deposit to the SGF of \$450.0 million pursuant to the issuance of a certificate of indebtedness. This certificate will be discharged prior to the end of the fiscal year.

HOUSE APPROPRIATIONS

DATE 3-11-03

ATTACHMENT 2

STATE GENERAL FUND RECEIPTS
July-February, FY 2003
(dollar amounts in thousands)

	Actual FY 2002	FY 2003			Percent Increase-- FY 2003 Over	
		Estimate*	Actual	Difference	FY 2002	Estimate
Property Tax:						
Motor Carriers	\$ 12,481	\$ 10,550	\$ 11,302	\$ 752	(9.4) %	7.1 %
Income Taxes:						
Individual	\$ 1,151,308	\$ 1,133,000	\$ 1,116,587	\$ (16,413)	(3.0) %	(1.4) %
Corporation	28,144	48,000	29,041	(18,959)	3.2	(39.5)
Financial Inst.	13,566	15,100	15,014	(86)	10.7	(0.6)
Total	\$ 1,193,017	\$ 1,196,100	\$ 1,160,642	\$ (35,458)	(2.7) %	(3.0) %
Estate/Inher Tax	\$ 35,510	\$ 36,100	\$ 31,591	\$ (4,509)	(11.0) %	(12.5) %
Excise Taxes:						
Retail Sales	\$ 995,280	\$ 1,073,000	\$ 1,058,257	\$ (14,743)	6.3 %	(1.4) %
Comp. Use	166,482	150,000	148,243	(1,757)	(11.0)	(1.2)
Cigarette	32,187	87,100	86,932	(168)	170.1	(0.2)
Tobacco Prod.	2,839	3,000	3,031	31	6.8	1.0
Cereal Malt Bev.	1,611	1,735	1,552	(183)	(3.7)	(10.5)
Liquor Gallonage	9,795	10,275	10,022	(253)	2.3	(2.5)
Liquor Enforce.	24,911	25,300	26,023	723	4.5	2.9
Liquor Dr. Places	4,318	4,550	4,411	(139)	2.2	(3.1)
Corp. Franchise	8,025	11,200	11,836	636	47.5	5.7
Severance	40,082	42,350	42,507	157	6.1	0.4
Gas	30,284	31,100	31,933	833	5.4	2.7
Oil	9,798	11,250	10,574	(676)	7.9	(6.0)
Total	\$ 1,285,531	\$ 1,408,510	\$ 1,392,814	\$ (15,696)	8.3 %	(1.1) %
Other Taxes:						
Insurance Prem.	\$ 30,499	\$ 36,000	\$ 42,971	\$ 6,971	40.9 %	19.4 %
Miscellaneous	698	1,925	2,814	889	303.2	46.2
Total	\$ 31,196	\$ 37,925	\$ 45,785	\$ 7,860	46.8 %	20.7 %
Total Taxes	\$ 2,557,735	\$ 2,689,185	\$ 2,642,134	\$ (47,051)	3.3 %	(1.8) %
Other Revenue:						
Interest	\$ 30,442	\$ 12,300	\$ 13,514	\$ 1,214	(55.6) %	9.9 %
Transfers (net)	(114,031)	(117,630)	(83,940)	33,690	(26.4)	28.6
Agency Earnings and Misc.	35,077	33,450	36,900	3,450	5.2	10.3
Total	\$ (48,512)	\$ (71,880)	\$ (33,526)	\$ 38,354	(30.9) %	53.4 %
TOTAL RECEIPTS	\$ 2,509,223	\$ 2,617,305	\$ 2,608,607	\$ (8,698)	4.0 %	(0.3) %

* Consensus estimate as of November 5, 2002.

Excludes \$450 million to SGF due to issuance of a certificate of indebtedness.

NOTE: Details may not add to totals due to rounding.

Kansas Legislative Research Department
March 5, 2003

March 11, 2003

To: Representative Melvin Neufeld

Office No.: 517S

From: Alan D. Conroy, Director and Chris W. Courtwright, Principal Analyst

Re: State General Fund Receipt Estimates

The purpose of this memo is to respond to your request as to what the Kansas Legislative Research Department (KLRD) currently estimates both FY 2003 and FY 2004 State General Fund (SGF) receipts would be in comparison to the November consensus estimate. While we do not have an official revised KLRD estimate at this point that differs from the November numbers, we can draw some conclusions and inferences based on what has transpired the last four months that may assist you in your deliberations about the budget and the state's fiscal condition.

KLRD does believe that SGF receipts will fall below the November consensus estimate for FY 2003, perhaps significantly below that estimate. For FY 2004, it is harder to make such a definitive statement because of potential changes in the economy and other variables that will influence tax collections through June of 2004. But we do believe that unless current conditions improve markedly, an adjustment to the FY 2004 estimate similar in magnitude to that which is appropriate for FY 2003 would probably be realistic.

FY 2003

Total receipts through February were \$8.7 million below the consensus estimate made in November for the November-February period. But because of the allotment process and subsequent legislative elimination of various local government revenue transfers that originally had been contemplated as part of the November estimate, net transfers out of the SGF for FY 2003 should be reduced \$48.0 million from the November forecast. Thus, SGF receipts absent these transfer eliminations would be running about \$57 million below the estimate for the previous four months.

If the rate of slippage through the first four months since the estimate (November-February) were to remain constant for the final four months of FY 2003 (March-June), the size of the FY 2003 shortfall relative to the November estimate obviously would be \$114 million. But arguably, Governors Graves and Sebelius and the 2003 Legislature have already opted to make a series of policy decisions (HB 2026 enacted into law) to address \$48 million of that shortfall through the aforementioned elimination of transfers. The remaining shortfall relative to the November estimate after making this adjustment and assuming that the rate of slippage will continue would therefore be \$66 million. HB 2026 also ratifies some other fiscal decisions that Governor Sebelius had recommended that will help SGF receipts. Two other FY 2003 notable items include: a delay in the repayment of

the Kansas Department of Transportation's \$94.5 million FY 2002 loan to the SGF (the four-year repayment will begin in FY 2007); and the shift of \$46.0 million in special revenue fund receipts to the SGF. The Consensus Revenue Estimating Group will take this action into account at its April meeting. Governor Sebelius has already factored these changes into her budget recommendations.

Of course, it is entirely possible that the FY 2003 shortfall will turn out to be much larger than this simplistic analysis would suggest, since the receipts-thru-February report is not necessarily an accurate indicator of how a fiscal year is going to turn out. As we have discussed on a number of occasions, individual income taxes are extremely "bottom-heavy" relative to the state's fiscal year in terms of the timing of receipts. The volatility of receipts from this source in recent fiscal years has contributed significantly to the margin of error in the consensus estimates. (You may recall that FY 2002 receipts fell \$211.7 million below the final estimate, \$180.4 million of which was attributable to a shortfall in individual income tax receipts.) We will be receiving a good deal of individual income tax filing data from the Department of Revenue in April prior to the consensus meeting which will help the consensus group ascertain whether a significant downward reduction in that source estimate is warranted—the size of which may not necessarily have been accurately predicted by the November-February receipts report. Remember that individual income taxes account for 44 percent of FY 2003 estimated receipts.

Another source requiring updated information from the Department of Revenue would appear to be corporation income taxes, which also have been running significantly below the November forecast (\$19.0 million down through February). The magnitude of a potential downward adjustment to this estimate will again depend upon what the Department tells the full Consensus Revenue Estimating Group about filing patterns, refunds, ongoing litigation, and a number of other factors.

FY 2004

For FY 2004, while KLRD again does not have an official revision to the November consensus estimate, we could probably advise you that unless you think that the potential FY 2003 revision is going to have been attributable to some "one-time" events (which at this point KLRD does not), it might be reasonable to assume that the size of the shortfall for FY 2004 will be of at least the same magnitude as the FY 2003 shortfall.

(So, for example, if you thought FY 2003 was going to conclude with a shortfall of \$80 million, it might be reasonable to conclude that FY 2004 would need to be revised by at least that much. In an "ending-balance" sense for FY 2004 relative to the Governor's budget recommendations, this example—and please remember that it is just an example—obviously would suggest a shortfall of at least \$160 million.)

A number of the same caveats need to be applied to this sort of analysis for FY 2004 as were applicable for FY 2003. In other words, if you believe the Kansas economy is going to be recovering more slowly than had been forecast by the Consensus Revenue Estimating Group in November, then perhaps the estimate for FY 2004 receipts would need to be cut

by more than the FY 2003 estimate. On the other hand, if you were to buy into a more positive outlook, you might want to suggest that the FY 2004 estimate would be in for a different magnitude of adjustment. At this point, we cannot be any more definitive in terms of speculating about any further adjustments. The overall economic outlook for the state, of course, is an important component of the consensus estimating process, and we anticipate receiving updated economic variables from the university economists at a preliminary economic outlook meeting in April a week or so before the main Consensus Revenue Estimating Group meeting.

In conclusion, it would not be unrealistic to assume that FY 2003 SGF receipts will be at least \$114 million below the November estimate—but that relative to the Governor's recommendations and HB 2026 an "adjusted" figure of \$66 million should be used. Assuming a similar adjustment should be made for FY 2004, a downward adjustment of another \$114 million would be possible. The combined potential impact for the two fiscal years would therefore be \$180 million, but a figure of more than \$200 million could be justified if the Department of Revenue or university economists were to provide information about major tax sources or the economic outlook that would necessitate additional cuts in the estimates.

We hope this discussion has been helpful to you. If you have any further questions, please let us know.

ADC/CC/aem



K A N S A S

JOAN WAGNON, ACTING SECRETARY

DEPARTMENT OF REVENUE
OFFICE OF THE SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Testimony to House Appropriations
Joan Wagon
Secretary of Revenue

March 11, 2003

Chairman Neufeld and Members of the Committee:

I am testifying on behalf of the Governor and the Department of Revenue in support of Senate Bill 115, which proposes to reduce the number of members of the Board of Tax Appeals from 5 to 3. I am also requesting that the provisions attached hereto be amended into Senate Bill 115, as it passed the Senate. The purpose of these provisions is to establish in the State Treasury a case filing fee fund for appeals filed with the Board, to be administered by the Board.

I would be pleased to answer any questions that you may have.

HOUSE APPROPRIATIONS

DATE 3-11-03

ATTACHMENT 3

By Committee on Appropriations

AN ACT concerning the board of tax appeals; establishing the BOTA filing fee fund.

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

Section 1. (a) The executive director of the state board of tax appeals shall charge and collect a filing fee, established by rules and regulations adopted by the state board of tax appeals, for any appeal in any proceeding under the tax protest, tax grievance or tax exemption statutes or in any other original proceeding for such board to recover all or part of the costs of processing such actions incurred by the state board of tax appeals.

(b) There is hereby created in the state treasury the BOTA filing fee fund.

(c) The executive director of the board of tax appeals shall remit to the state treasurer at least monthly all tax appeal filing fees received by the state board of tax appeals. Upon receipt of any such remittance, the state treasurer shall deposit the amount in the state treasury to the credit of the BOTA filing fee fund.

(d) All expenditures from the BOTA filing fee fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the executive director of the state board of tax appeals or a person or persons designated by such executive director.

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



STATE OF KANSAS
DEPARTMENT OF WILDLIFE & PARKS

Office of the Secretary
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SENATE BILL 43
Testimony provided to
House Committee on Appropriations
March 11, 2003

Thank you for the opportunity to provide testimony on Senate Bill 43.

This bill would increase the service charge fee that vendors, including county clerks, and the department receive for selling licenses, permits and stamps from 50-cents to \$1.00, and from 25-cents to 50-cents on the sale of state migratory waterfowl stamps. The 50-cent fee has been in place since 1989.

The bill's fiscal impact is directly related to the number of issuances sold by the department and the participating vendors. In calendar year 2001, the most recent year that all receipts are available, the department received \$307,904.00 in service fee charges. Of that total, \$209,147 was allocated to the park fee fund.

All other participating vendors collected \$641,917.50 combined.

The bill would provide the department additional revenue to recover administrative costs associated with issuing licenses, permits, and stamps, including an estimated additional \$200,000 annually to the park fee fund. The bill would also provide an additional financial incentive for county clerks and other vendors to continue to participate in the department's vendor program.

In addition, the bill would allow the department to contract with telephone or Internet based vendors, who could charge an additional transaction fee, to be negotiated by the secretary.

This bill is one of the department's initiatives and is also supported by the Kansas County Clerks and Election Officials Association.

The department would like to request an amendment to Senate Bill 43, pertaining to the settlement of unpaid camping or vehicle entry fees. During the 2001 Session, legislation was passed that allowed persons who failed to purchase a required permit two options to prevent the issuance of a citation:

1. The person may pay both the permit fee and a \$15 late payment fee within 24 hours; or,
2. The person may purchase a annual vehicle or camping permit, as the case may be.

HOUSE APPROPRIATIONS

DATE 3-11-03
ATTACHMENT 4


The provisions of this statute are set to expire on December 31, 2003. The department requests that the sunset provision be struck, making this provision permanently effective.


Of the approximately 3500 written citations written in calendar year 2002, approximately 1500 people chose to purchase the annual park permit. Most of those purchases occurred early in the season. About 260 citations are pending or are headed to court. The remainder of the citations were paid using the daily permits and the \$15 dollar late fee.

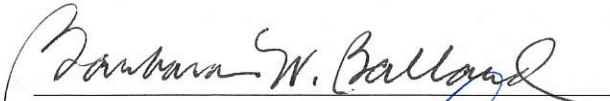
FY 2003 and FY 2004

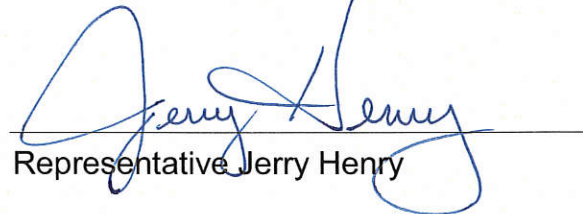
Social Services Budget Committee

**Developmental Disability Institutions
Mental Health Institutions
State Hospitals**


Representative Brenda Landwehr, Chair



Representative John Edmonds

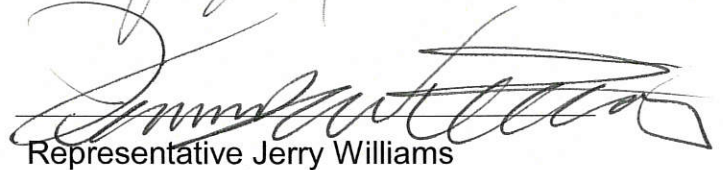

Representative Barbara Ballard



Representative Jerry Henry


Representative Bob Bethell


Representative Melvin Neufeld


Representative Eric Carter


Representative Jerry Williams


Representative Willa DeCastro

HOUSE APPROPRIATIONS

DATE 3-11-03
ATTACHMENT 5

Senate Subcommittee Report

Agency: State Hospitals

Bill No. SB 62

Bill Sec. 21

Analyst: Calderwood

Analysis Pg. No. Vol. 1 - 635-750 **Budget Page No.** 285, 327, 331,337

Expenditure Summary	Agency Est. FY 03	Governor's Recommendation FY 03	Subcommittee Adjustments
All Funds:			
State Operations	\$ 107,213,570	\$ 103,194,975	\$ 0
Aid to Local Units	0	0	0
Other Assistance	7,700	7,700	0
TOTAL	\$ 107,221,270	\$ 103,202,675	\$ 0
State General Fund:			
State Operations	\$ 37,127,620	\$ 32,953,082	\$ 0
Aid to Local Units	0	0	0
Other Assistance	3,295	3,295	0
TOTAL	\$ 37,130,915	\$ 32,956,377	\$ 0
FTE Positions	2,566.0	2,270.6	0.0
Non FTE Uncl. Perm. Pos.	9.9	9.9	0.0
TOTAL	2,575.9	2,280.5	0.0

Agency Estimate/ Governor's Recommendation

The state hospitals request \$107,221,270 in operating expenditures for FY 2003 which includes State General Fund expenditures of \$37,130,915. Expenditures by major object are estimated as follows: salaries and wages of \$87,754,527; contractual services of \$10,412,683; commodities of \$8,989,360; capital outlay of \$47,000; and other assistance of \$7,700. The state hospitals estimate staffing of 2,566.0 FTE positions.

The Governor recommends \$103,202,675 in operating expenditures for FY 2003 which includes State General Fund expenditures of \$32,956,377. Expenditures by major object are estimated as follows: salaries and wages of \$85,461,208; contractual services of \$9,460,654; commodities of \$8,276,113; capital outlay of \$0; and other assistance of \$7,700. The Governor recommends staffing of 2,270.6 FTE positions.

The following table reflects the agency estimates and Governor's recommendation for each of the individual institutions:

Institution	Agency Estimate	Governor's Recommendation
	FY 2003	FY 2003
Larned State Hospital		
State General Fund	\$ 13,117,896	\$ 12,062,205
All Other Funds	20,562,616	20,431,316
TOTAL	<u>\$ 33,680,512</u>	<u>\$ 32,493,521</u>
Osawatomie State Hospital		
State General Fund	\$ 6,786,359	\$ 5,286,669
All Other Funds	14,242,263	14,742,263
TOTAL	<u>\$ 21,028,622</u>	<u>\$ 20,028,932</u>
Rainbow Mental Health Facility		
State General Fund	\$ 613,812	\$ 587,613
All Other Funds	6,089,799	6,089,799
TOTAL	<u>\$ 6,703,611</u>	<u>\$ 6,677,412</u>
Kansas Neurological Institute		
State General Fund	\$ 9,693,826	\$ 8,877,702
All Other Funds	15,110,012	15,110,012
TOTAL	<u>\$ 24,803,838</u>	<u>\$ 23,987,714</u>
Parsons State Hospital and Training Center		
State General Fund	\$ 6,919,022	\$ 6,142,188
All Other Funds	14,075,665	13,872,908
TOTAL	<u>\$ 20,994,687</u>	<u>\$ 20,015,096</u>
FTE Positions		
Larned State Hospital	792.8	699.8
Osawatomie State Hospital	477.4	413.9
Rainbow Mental Health Facility	126.8	112.3
Kansas Neurological Institute	655.5	589.5
Parsons State Hospital and Training Center	513.5	455.1
TOTAL	<u>2,566.0</u>	<u>2,270.6</u>
Current Year Allotment*	July	November
SRS (for SRS Hospitals)	\$ (479,129)	\$ 0
Larned State Hospital	0	(412,715)
Osawatomie State Hospital	0	(292,802)
Rainbow Mental Health Facility	0	(26,199)
Kansas Neurological Institute	(200,000)	(422,000)
Parsons State Hospital and Training Center	0	(308,566)
TOTAL	<u>\$ (679,129)</u>	<u>\$ (1,462,282)</u>

*The SRS hospitals were assessed a \$679,129 allotment on August 15, 2002. The Department of Social and Rehabilitation Services absorbed \$479,129 of the allotment and the remaining \$200,000 was reflected in the Kansas Neurological Institute budget. The second allotment amount was increased by SRS by \$50,000 each for Larned State Hospital, Osawatomie State Hospital, Kansas Neurological Institute, and Parsons State Hospital and Training Center.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation with the following notations and observations:

1. The Subcommittee recommends that a task force be created and convened during the current Legislative Session. The Subcommittee further recommends that the state hospitals and the Department of Social and Rehabilitative Services convene the task force, which will include the Kansas Mental Health Coalition Task force and the Governor's Mental Health Coalition, in a continuing dialogue addressing the concerns of individuals in need of mental health care. The task force would be required to provide a report to Ways and Means and Appropriations during the 2004 Legislative Session.

The Subcommittee recommends that the task force study the following critical issues related to the state mental health and developmental disability institutions: the closure and consolidation of the Rainbow Mental Health Facility; the impact of FTE position reductions and the challenges of average daily census growth; the loss of private psychiatric beds and growing admissions in the state mental health institutions; Disproportionate Share (DSH) funding for Mental Health institutions; an evaluation of average length of stay and patient outcomes; continuing evaluation of the cost of pharmaceuticals and options available to increase the purchasing power for the Department of Social and Rehabilitation Services.

2. The Subcommittee recommends that the Department of Social and Rehabilitation Services shall take no action regarding the closure and consolidation of Rainbow Mental Health Facility in FY 2003 or FY 2004. The Subcommittee further recommends that an interim Legislative committee be appointed by the Legislative Coordinating Council to study the agency's FY 2004 proposal for the closure and consolidation of the Rainbow Mental Health Facility. This committee will seek input from the Department of Social and Rehabilitation Services and various stakeholders, as well as the task force convened during the 2003 Session of the Legislature, to better understand issues relating to the closure and consolidation and the more global issues related to the state hospitals. The committee would provide reports to the Senate Ways and Means Committee and the House Appropriations Committee.
3. The Subcommittee recommends the elimination of the proviso relating to the use of salary and wages' funds for other operating expenditures. The Subcommittee expresses concern about the institutions' needs for funding to support unanticipated capital outlay expenditures. The Subcommittee endorses the recommendation that has been made by the full Ways and Means Committee.
4. The Subcommittee expresses concern about the Governor's recommended reductions for the state hospitals' FTE positions in both FY 2003 and FY 2004. The recommended reductions, 295.4 FTE positions for FY 2003 and a total of 443.2 FTE positions in FY 2004, are a cause for concern. The Subcommittee notes that future shrinkage recommendations, at a point where shrinkage has been virtually eliminated by the FTE position reductions, would not allow the institutions any flexibility to adjust staffing related to the needs of the institution.

The Subcommittee notes the importance of having sufficient numbers of well-trained staff in order to successfully treat seriously ill patients.

5. The Subcommittee recommends that the state hospitals and the Department of Social and Rehabilitation Services continue to work with other states to combine their purchasing power to purchase pharmaceuticals at a lower cost. The current state hospital budgets do not have the resources to accommodate the rising costs of the pharmaceuticals necessary to provide for patients at all of the state hospitals.
6. The Subcommittee expresses concern about the availability of federal monies available to the state hospitals. The Subcommittee recommends that the Department of Social and Rehabilitation Services continue to pursue all eligible dollars, including those monies for Disproportionate Share for Hospitals (DSH).
7. The Subcommittee notes that the state hospitals' infrastructure, in light of the current budget situation, needs to be monitored on an on-going basis to ensure that the maintenance needs for each institution are addressed.
8. The Subcommittee expresses concern about the continuing increase of the Sexual Predator Treatment Program at Larned State Hospital and the impact of additional demands on staff and support services. The program's average daily census is currently 73, with projections for 75 by the end of the current year and 85 for FY 2004. The Department of Social and Rehabilitation Services testified that, on average, the program is gaining one individual per month.
9. The Subcommittee notes the importance of the current 250-bed building project, the State Security Hospital (SSH), at Larned State Hospital. The Subcommittee notes that the SSH is currently serving a reduced number of inmates, projected at 98 for the current year and budget year, and the facility, projected to open in January 2006, would be able to serve a greater capacity. The facility plans include the addition of 90 beds to serve the current needs of the Kansas Department of Corrections. The Subcommittee recognizes the need for greater capacity and notes, despite the loss of 42 beds, the State Security Program has experienced only a one percent decrease in admissions over the past five years. Increased capacity will better meet the needs of the mentally ill from our courts, jails, and prisons. In addition, the Subcommittee notes that the opening of the new facility would allow for the Sexual Predator Treatment Program to expand its current operations in the Dillon building. The Subcommittee notes that the Dillon Building will require remodeling to accommodate the program's needs.
10. The Subcommittee recommends a Governor's Budget Amendment to make a technical adjustment to SB 62. The lapse amount for Larned State Hospital is reported as \$642,296. The lapse amended amount for Larned State Hospital is \$141,634.

Senate Committee Recommendation

The Senate Committee concurs with the Senate Subcommittee's recommendation.

Senate Committee of the Whole Recommendation

The Senate Committee of the Whole has not yet considered this budget.

House Budget Committee Report

Agency: State Hospitals

Bill No. SB 62

Bill Sec. 21

Analyst: Calderwood

Analysis Pg. No. 635-750 **Budget Page No.** 285, 309, 327, 331,337

Expenditure Summary	Agency Est. FY 03	Governor's Recommendation FY 03	Budget Committee Adjustments
All Funds:			
State Operations	\$ 107,213,570	\$ 103,194,975	\$ 0
Aid to Local Units	0	0	0
Other Assistance	7,700	7,700	0
TOTAL	\$ 107,221,270	\$ 103,202,675	\$ 0
State General Fund:			
State Operations	\$ 37,127,620	\$ 32,953,082	\$ 0
Aid to Local Units	0	0	0
Other Assistance	3,295	3,295	0
TOTAL	\$ 37,130,915	\$ 32,956,377	\$ 0
FTE Positions	2,566.0	2,270.6	0.0
Non FTE Uncl. Perm. Pos.	9.9	9.9	0.0
TOTAL	2,575.9	2,280.5	0.0

Agency Estimate/ Governor's Recommendation

The state hospitals request \$107,221,270 in operating expenditures for FY 2003 which includes State General Fund expenditures of \$37,130,915. Expenditures by major object are estimated as follows: salaries and wages of \$87,754,527; contractual services of \$10,412,683; commodities of \$8,989,360; capital outlay of \$47,000; and other assistance of \$7,700. The state hospitals estimate staffing of 2,566.0 FTE positions.

The Governor recommends \$103,202,675 in operating expenditures for FY 2003 which includes State General Fund expenditures of \$32,956,377. Expenditures by major object are estimated as follows: salaries and wages of \$85,461,208; contractual services of \$9,460,654; commodities of \$8,276,113; capital outlay of \$0; and other assistance of \$7,700. The Governor recommends staffing of 2,270.6 FTE positions.

The following table reflects the agency estimates and Governor's recommendation for each of the individual institutions:

Institution	Agency Estimate FY 2003	Gov. Rec. FY 2003
Larned State Hospital		
State General Fund	\$ 13,117,896	\$ 12,062,205
All Other Funds	20,562,616	20,431,316
TOTAL	<u>\$ 33,680,512</u>	<u>\$ 32,493,521</u>
Osawatomie State Hospital		
State General Fund	\$ 6,786,359	\$ 5,286,669
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TOTAL	<u>\$ 21,028,622</u>	<u>\$ 20,028,932</u>
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State General Fund	\$ 613,812	\$ 587,613
All Other Funds	6,089,799	6,089,799
TOTAL	<u>\$ 6,703,611</u>	<u>\$ 6,677,412</u>
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State General Fund	\$ 9,693,826	\$ 8,877,702
All Other Funds	15,110,012	15,110,012
TOTAL	<u>\$ 24,803,838</u>	<u>\$ 23,987,714</u>
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State General Fund	\$ 6,919,022	\$ 6,142,188
All Other Funds	14,075,665	13,872,908
TOTAL	<u>\$ 20,994,687</u>	<u>\$ 20,015,096</u>
FTE Positions		
Larned State Hospital	792.8	699.8
Osawatomie State Hospital	477.4	413.9
Rainbow Mental Health Facility	126.8	112.3
Kansas Neurological Institute	655.5	589.5
Parsons State Hospital and Training Center	513.5	455.1
TOTAL	<u>2,566.0</u>	<u>2,270.6</u>
Current Year Allotment*	July	November
SRS (for SRS Hospitals)	\$ (479,129)	\$ 0
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Kansas Neurological Institute	(200,000)	(422,000)
Parsons State Hospital and Training Center	0	(308,566)
TOTAL	<u>\$ (679,129)</u>	<u>\$ (1,462,282)</u>

*The SRS hospitals were assessed a \$679,129 allotment on August 15, 2002. The Department of Social and Rehabilitation Services absorbed \$479,129 of the allotment and the remaining \$200,000 was reflected in the Kansas Neurological Institute budget. The second allotment amount was increased by SRS by \$50,000 each for Larned State Hospital, Osawatomie State Hospital, Kansas Neurological Institute, and Parsons State Hospital and Training Center.

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation with the following notations and observations:

1. The Budget Committee notes that the Governor's Budget Recommendation retains funding for Rainbow Mental Health Facility in FY 2004. The Budget Committee recommends that SRS enter into discussions with community stakeholders in the Kansas City area regarding the future role and function of Rainbow, with a focus on continuing the provision of acute mental health services and retaining Rainbow as a community resource. These discussions should include:
 - identification of models that would provide services to children in a family-based setting rather than in a state hospital;
 - exploration of public-private partnership options; and
 - identification of alternative services models for the Rainbow facility, other than its current designation as an Institute for Mental Disease (IMD), and the Medicaid financing implications of a different model of service.

The Budget Committee further recommends that SRS report on these discussions and any planned implementation of new models to the Legislative Budget Committee or an appropriate interim committee identified by the Legislative Coordinating Council.

2. The Budget Committee recommends that SRS enter into discussions with stakeholders, including Community Developmental Disability Organizations and parents/ guardians of persons living in the Kansas Neurological Institute, regarding the future role and function of the Kansas Neurological Institute, with a focus on the availability of providing services in community-based settings. These discussions should include:
 - identification of models that would provide services to individuals in a community-based setting rather than in a state hospital and the impact those models may have on the Parsons State Hospital and Training Center;
 - Exploration of public-private partnership options; and
 - identification of alternative services models for the KNI facility, and the financing implications of a different model of service, including the need to move existing funding from hospitals to community-based services.

The Budget Committee further recommends that SRS report on these discussions and any planned implementation of new models to the Legislative Budget Committee or an appropriate interim committee identified by the Legislative Coordinating Council.

3. The Budget Committee recommends the removal of the current year proviso relating to the use of salary and wages' funds for other operating expenditures. The Budget Committee notes testimony from the Department of Social and Rehabilitation Services (SRS) about the needs of each institution to have sufficient funding for necessary capital outlay expenditures. The Budget Committee recommends restoration of the proviso language in FY 2004.

4. The Budget Committee recommends a review of the federal funding for the State Hospitals, including Disproportionate Share (DSH) and Title XIX, prior to Omnibus.
5. The Budget Committee notes that a number of issues will determine the future structure and role of the state hospitals and recommends continued monitoring of the average daily census and the impact of increasing admissions in mental health institutions; an evaluation of outcomes associated with the reduction of average length of stay; staffing and recruitment for direct care staff, in light of current staffing reductions; the need for inpatient (acute) psychiatric beds in urban areas; evaluation of pharmaceutical costs; and the service delivery system for community-based services.
6. The Budget Committee recommends a review of education services provided for children and adolescents within the state hospitals' setting, prior to Omnibus.

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Senate Subcommittee Report

Agency: State Hospitals

Bill No. - -

Bill Sec. - -

Analyst: Calderwood

Analysis Pg. No. Vol. 1 - 635-750

Budget Page No. 285, 309,
327, 331, 337

<u>Expenditure Summary</u>	<u>Agency Request FY 04</u>	<u>Governor's Recommendation FY 04</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 102,648,007	\$ 105,889,777	\$ 0
Aid to Local Units	0	0	0
Other Assistance	6,500	6,500	0
TOTAL	\$ 102,654,507	\$ 105,896,277	\$ 0
State General Fund:			
State Operations	\$ 51,719,535	\$ 54,249,719	\$ 0
Aid to Local Units	0	0	0
Other Assistance	3,320	3,320	0
TOTAL	\$ 51,722,855	\$ 54,253,039	\$ 0
FTE Positions	2,509.2	2,165.8	0.0
Non FTE Uncl. Perm. Pos.	9.9	9.9	0.0
TOTAL	2,519.1	2,175.7	0.0

Agency Request/ Governor's Recommendation

The state hospitals request \$102,654,507 in operating expenditures for FY 2004 which includes State General Fund expenditures of \$51,722,855. Expenditures by major object are estimated as follows: salaries and wages of \$83,759,089; contractual services of \$9,614,129; commodities of \$9,274,789; capital outlay of \$0; and other assistance of \$6,500. The state hospitals estimate staffing of 2564.1 FTE positions.

The Governor recommends \$105,896,277 in operating expenditures for FY 2004 which includes State General Fund expenditures of \$54,253,039. Expenditures by major object are estimated as follows: salaries and wages of \$86,705,469; contractual services of \$10,253,524; commodities of \$8,930,784; capital outlay of \$0; and other assistance of \$6,500. The Governor recommends staffing of 2,165.8 FTE positions.

The following table reflects the agency estimates and Governor's recommendation for each of the individual institutions:

Institution	Agency Estimate FY 2004	Governor's Recommendation FY 2004
Larned State Hospital		
State General Fund	\$ 25,785,280	\$ 25,527,686
All Other Funds	9,284,229	9,284,229
TOTAL	<u>\$ 35,069,509</u>	<u>\$ 34,811,915</u>
Osawatomie State Hospital		
State General Fund	\$ 9,305,027	\$ 8,225,647
All Other Funds	13,670,889	11,430,025
TOTAL	<u>\$ 22,975,916</u>	<u>\$ 19,655,672</u>
Rainbow Mental Health Facility		
State General Fund	\$ 0	\$ 3,867,158
All Other Funds	0	2,952,450
TOTAL	<u>\$ 0</u>	<u>\$ 6,819,608</u>
Kansas Neurological Institute		
State General Fund	\$ 9,765,684	\$ 9,765,684
All Other Funds	14,481,732	14,481,732
TOTAL	<u>\$ 24,247,416</u>	<u>\$ 24,247,416</u>
Parsons State Hospital and Training Center		
State General Fund	\$ 6,866,864	\$ 6,866,864
All Other Funds	13,494,802	13,494,802
TOTAL	<u>\$ 20,361,666</u>	<u>\$ 20,361,666</u>
FTE Positions		
Larned State Hospital	792.8	663.0*
Osawatomie State Hospital	549.4	436.3
Rainbow Mental Health Facility	0.0	112.3
Kansas Neurological Institute	653.5	530.0
Parsons State Hospital and Training Center	513.5	424.2
TOTAL	<u>2,509.2</u>	<u>2,165.8</u>

* The Governor's recommendation includes the addition of 45.0 FTE for the Sexual Predator Treatment Program.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation with the following notations and observations:

1. The Subcommittee recommends that a task force be created and convened during the current Legislative Session. The Subcommittee further recommends that the state hospitals and the Department of Social and Rehabilitative Services convene the task force, which will include the Kansas Mental Health Coalition Task force and the Governor's Mental Health Coalition, in a continuing dialogue addressing the concerns of individuals in need of mental health care. The task force would be required to provide a report to Ways and Means and Appropriations during the 2004 Legislative Session.

The Subcommittee recommends that the task force study the following critical issues related to the state mental health and developmental disability institutions: the closure and consolidation of the Rainbow Mental Health Facility; the impact of FTE position reductions and the challenges of average daily census growth; the loss of private psychiatric beds and growing admissions in the state mental health institutions; Disproportionate Share (DSH) funding for Mental Health institutions; an evaluation of average length of stay and patient outcomes; continuing evaluation of the cost of pharmaceuticals and options available to increase the purchasing power for the Department of Social and Rehabilitation Services.

2. The Subcommittee recommends that the Department of Social and Rehabilitation Services shall take no action regarding the closure and consolidation of Rainbow Mental Health Facility in FY 2003 or FY 2004. The Subcommittee further recommends that an interim Legislative committee be appointed by the Legislative Coordinating Council to study the agency's FY 2004 proposal for the closure and consolidation of the Rainbow Mental Health Facility. This committee will seek input from the Department of Social and Rehabilitation Services and various stakeholders, as well as the task force convened during the 2003 Session of the Legislature, to better understand issues relating to the closure and consolidation and the more global issues related to the state hospitals. The committee would provide reports to the Senate Ways and Means Committee and the House Appropriations Committee.
3. The Subcommittee recommends the elimination of the proviso relating to the use of salary and wages' funds for other operating expenditures. The Subcommittee expresses concern about the institutions' needs for funding to support unanticipated capital outlay expenditures. The Subcommittee endorses the recommendation that has been made by the full Ways and Means Committee.
4. The Subcommittee expresses concern about the Governor's recommended reductions for the state hospitals' FTE positions in both FY 2003 and FY 2004. The recommended reductions, 295.4 FTE positions for FY 2003 and a total of 443.2 FTE positions in FY 2004, are a cause for concern. The Subcommittee notes that future shrinkage recommendations, at a point where shrinkage has been virtually eliminated by the FTE position reductions, would not allow the institutions any flexibility to adjust staffing related to the needs of the institution.

The Subcommittee notes the importance of having sufficient numbers of well-trained staff in order to successfully treat seriously ill patients.

5. The Subcommittee recommends that the state hospitals and the Department of Social and Rehabilitation Services continue to work with other states to combine their purchasing power to purchase pharmaceuticals at a lower cost. The current state hospital budgets do not have the resources to accommodate the rising costs of the pharmaceuticals necessary to provide for patients at all of the state hospitals.
6. The Subcommittee expresses concern about the availability of federal monies available to the state hospitals. The Subcommittee recommends that the Department of Social and Rehabilitation Services continue to pursue all eligible dollars, including those monies for Disproportionate Share for Hospitals (DSH).
7. The Subcommittee notes that the state hospitals' infrastructure, in light of the current budget situation, needs to be monitored on an on-going basis to ensure that the maintenance needs for each institution are addressed.
8. The Subcommittee expresses concern about the continuing increase of the Sexual Predator Treatment Program at Larned State Hospital and the impact of additional demands on staff and support services. The program's average daily census is currently 73, with projections for 75 by the end of the current year and 85 for FY 2004. The Department of Social and Rehabilitation Services testified that, on average, the program is gaining one individual per month.
9. The Subcommittee notes the importance of the current 250-bed building project, the State Security Hospital (SSH), at Larned State Hospital. The Subcommittee notes that the SSH is currently serving a reduced number of inmates, projected at 98 for the current year and budget year, and the facility, projected to open in January 2006, would be able to serve a greater capacity. The facility plans include the addition of 90 beds to serve the current needs of the Kansas Department of Corrections. The Subcommittee recognizes the need for greater capacity and notes, despite the loss of 42 beds, the State Security Program has experienced only a one percent decrease in admissions over the past five years. Increased capacity will better meet the needs of the mentally ill from our courts, jails, and prisons. In addition, the Subcommittee notes that the opening of the new facility would allow for the Sexual Predator Treatment Program to expand its current operations in the Dillon building. The Subcommittee notes that the Dillon Building will require remodeling to accommodate the program's needs.
10. The Subcommittee recommends a Governor's Budget Amendment to make a technical adjustment to SB 62. The lapse amount for Larned State Hospital is reported as \$642,296. The lapse amended amount for Larned State Hospital is \$141,634.

Senate Committee Recommendation

The Senate Committee concurs with the Senate Subcommittee's recommendation.

Senate Committee of the Whole Recommendation

The Senate Committee of the Whole has not yet considered this budget.

House Budget Committee Report

Agency: State Hospitals

Bill No. - -

Bill Sec. - -

Analyst: Calderwood

Analysis Pg. No. 635-750

Budget Page No. 285,309, 327,
331, 337

Expenditure Summary	Agency Request FY 04	Governor's Recommendation FY 04	Budget Committee Adjustments
All Funds:			
State Operations	\$ 102,648,007	\$ 105,889,777	\$ 0
Aid to Local Units	0	0	0
Other Assistance	6,500	6,500	0
TOTAL	\$ 102,654,507	\$ 105,896,277	\$ 0
State General Fund:			
State Operations	\$ 51,719,535	\$ 54,249,719	\$ 0
Aid to Local Units	0	0	0
Other Assistance	3,320	3,320	0
TOTAL	\$ 51,722,855	\$ 54,253,039	\$ 0
FTE Positions	2,554.2	2,165.8	0.0
Non FTE Uncl. Perm. Pos.	9.9	9.9	0.0
TOTAL	2,564.1	2,175.7	0.0

Agency Request/Governor's Recommendation

The state hospitals request \$102,654,507 in operating expenditures for FY 2004 which includes State General Fund expenditures of \$51,722,855. Expenditures by major object are estimated as follows: salaries and wages of \$83,759,089; contractual services of \$9,614,129; commodities of \$9,274,789; capital outlay of \$0; and other assistance of \$6,500. The state hospitals estimate staffing of 2564.1 FTE positions.

The Governor recommends \$103,202,675 in operating expenditures for FY 2004 which includes State General Fund expenditures of \$54,253,039. Expenditures by major object are estimated as follows: salaries and wages of \$86,705,469; contractual services of \$10,253,524; commodities of \$8,930,784; capital outlay of \$0; and other assistance of \$6,500. The Governor recommends staffing of 2,175.7 FTE positions.

The following table reflects the agency estimates and Governor's recommendation for each of the individual institutions:

Institution	Agency Estimate FY 2004	Governor's Recommendation FY 2004
Larned State Hospital		
State General Fund	\$ 25,785,280	\$ 25,527,686
All Other Funds	9,284,229	9,284,229
TOTAL	<u>\$ 35,069,509</u>	<u>\$ 34,811,915</u>
Osawatomie State Hospital		
State General Fund	\$ 9,305,027	\$ 8,225,647
All Other Funds	13,670,889	11,430,025
TOTAL	<u>\$ 22,975,916</u>	<u>\$ 19,655,672</u>
Rainbow Mental Health Facility		
State General Fund	\$ 0	\$ 3,867,158
All Other Funds	0	2,952,450
TOTAL	<u>\$ 0</u>	<u>\$ 6,819,608</u>
Kansas Neurological Institute		
State General Fund	\$ 9,765,684	\$ 9,765,684
All Other Funds	14,481,732	14,481,732
TOTAL	<u>\$ 24,247,416</u>	<u>\$ 24,247,416</u>
Parsons State Hospital and Training Center		
State General Fund	\$ 6,866,864	\$ 6,866,864
All Other Funds	13,494,802	13,494,802
TOTAL	<u>\$ 20,361,666</u>	<u>\$ 20,361,666</u>
FTE Positions		
Larned State Hospital	792.8	663.0*
Osawatomie State Hospital	594.4	436.3
Rainbow Mental Health Facility	0.0	112.3
Kansas Neurological Institute	653.5	530.0
Parsons State Hospital and Training Center	513.5	424.2
TOTAL	<u>2,554.2</u>	<u>2,165.8</u>

* The Governor's recommendation includes the addition of 45.0 FTE for the Sexual Predator Treatment Program.

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation, with notations and observations as reflected in the FY 2003 report.

Senate Subcommittee Report

Agency: Developmental Disability Institutions **Bill No.** SB 62

Bill Sec. 21

Analyst: Calderwood

Analysis Pg. No. Vol. 1 - 635, 657 **Budget Page No.** 285, 331

Expenditure Summary	Agency Estimate FY 03	Governor's Recommendation FY 03	Subcommittee Adjustments
All Funds:			
State Operations	\$ 45,794,525	\$ 43,998,810	\$ 0
Aid to Local Units	0	0	0
Other Assistance	4,000	4,000	0
TOTAL	\$ 45,798,525	\$ 44,002,810	\$ 0
State General Fund:			
State Operations	\$ 16,612,053	\$ 15,019,095	\$ 0
Aid to Local Units	0	0	0
Other Assistance	795	795	0
TOTAL	\$ 16,612,848	\$ 15,019,890	\$ 0
FTE Positions	1,169.0	1,044.6	0.0
Non FTE Uncl. Perm. Pos.	1.9	1.9	0.0
TOTAL	1,170.9	1,046.5	0.0

Agency Estimate/ Governor's Recommendation

The developmental disability institutions request \$45,798,525 in operating expenditures for FY 2003 which includes State General Fund expenditures of \$16,612,848. Expenditures by major object are estimated as follows: salaries and wages of \$39,322,141; contractual services of \$3,417,520; commodities of \$3,054,864; capital outlay of \$0; and other assistance of \$4,000. The developmental disability institutions estimate staffing of 1,169.0 FTE positions.

The Governor recommends \$44,002,810 in operating expenditures for FY 2003 which includes State General Fund expenditures of \$15,019,890. Expenditures by major object are estimated as follows: salaries and wages of \$38,282,911; contractual services of \$3,054,684; commodities of \$2,664,215; capital outlay of \$0; and other assistance of \$4,000. The Governor recommends staffing of 1,044.6 FTE positions.

The following table reflects the agency estimates and the Governor's recommendation for each of the individual institutions.

Institution	Agency Estimate FY 2003	Governor's Recommendation FY 2003
Kansas Neurological Institute		
State General Fund	\$ 9,693,826	\$ 8,877,702
All Other Funds	<u>15,110,012</u>	<u>15,110,012</u>
TOTAL	<u>\$ 24,803,838</u>	<u>\$ 23,987,714</u>
Parsons State Hospital and Training Center		
State General Fund	\$ 6,919,022	\$ 6,142,188
All Other Funds	<u>14,075,665</u>	<u>13,872,908</u>
TOTAL	<u>\$ 20,994,687</u>	<u>\$ 20,015,096</u>
FTE Positions		
Kansas Neurological Institute	655.5	589.5
Parsons State Hospital and Training Center	<u>513.5</u>	<u>455.1</u>
TOTAL	<u>1,169.0</u>	<u>1,044.6</u>

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation with the following notations and observations:

1. The Subcommittee recommends that a task force be created and convened during the current Legislative Session. The Subcommittee further recommends that the state hospitals and the Department of Social and Rehabilitative Services convene the task force, which will include the Kansas Mental Health Coalition Task force and the Governor's Mental Health Coalition, in a continuing dialogue addressing the concerns of individuals in need of mental health care. The task force would be required to provide a report to Ways and Means and Appropriations during the 2004 Legislative Session.

The Subcommittee recommends that the task force study the following critical issues related to the state mental health and developmental disability institutions: the closure and consolidation of the Rainbow Mental Health Facility; the impact of FTE position reductions and the challenges of average daily census growth; the loss of private psychiatric beds and growing admissions in the state mental health institutions; Disproportionate Share (DSH) funding for Mental Health institutions; an evaluation of average length of stay and patient outcomes; continuing evaluation of the cost of pharmaceuticals and options available to increase the purchasing power for the Department of Social and Rehabilitation Services.

2. The Subcommittee recommends that the Department of Social and Rehabilitation Services shall take no action regarding the closure and consolidation of Rainbow Mental Health Facility in FY 2003 or FY 2004. The Subcommittee further recommends that an interim Legislative committee be appointed by the Legislative Coordinating Council to study the agency's FY 2004 proposal for the closure and consolidation of the Rainbow Mental Health Facility. This committee will seek input from the Department of Social and Rehabilitation Services and various stakeholders, as well as the task force convened during the 2003 Session of the Legislature, to better understand issues relating to the closure and consolidation and the more global issues related to the state hospitals. The committee would provide reports to the Senate Ways and Means Committee and the House Appropriations Committee.
3. The Subcommittee recommends the elimination of the proviso relating to the use of salary and wages' funds for other operating expenditures. The Subcommittee expresses concern about the institutions' needs for funding to support unanticipated capital outlay expenditures. The Subcommittee endorses the recommendation that has been made by the full Ways and Means Committee.
4. The Subcommittee expresses concern about the Governor's recommended reductions for the state hospitals' FTE positions in both FY 2003 and FY 2004. The recommended reductions, 295.4 FTE positions for FY 2003 and a total of 443.2 FTE positions in FY 2004, are a cause for concern. The Subcommittee notes that future shrinkage recommendations, at a point where shrinkage has been virtually eliminated by the FTE position reductions, would not allow the institutions any flexibility to adjust staffing related to the needs of the institution. The Subcommittee notes the importance of having sufficient numbers of well-trained staff in order to successfully treat seriously ill patients.
5. The Subcommittee recommends that the state hospitals and the Department of Social and Rehabilitation Services continue to work with other states to combine their purchasing power to purchase pharmaceuticals at a lower cost. The current state hospital budgets do not have the resources to accommodate the rising costs of the pharmaceuticals necessary to provide for patients at all of the state hospitals.
6. The Subcommittee expresses concern about the availability of federal monies available to the state hospitals. The Subcommittee recommends that the Department of Social and Rehabilitation Services continue to pursue all eligible dollars, including those monies for Disproportionate Share for Hospitals (DSH).
7. The Subcommittee notes that the state hospitals' infrastructure, in light of the current budget situation, needs to be monitored on an on-going basis to ensure that the maintenance needs for each institution are addressed.
8. The Subcommittee expresses concern about the continuing increase of the Sexual Predator Treatment Program at Larned State Hospital and the impact of additional demands on staff and support services. The program's average daily census is currently 73, with projections for 75 by the end of the current

year and 85 for FY 2004. The Department of Social and Rehabilitation Services testified that, on average, the program is gaining one individual per month.

9. The Subcommittee notes the importance of the current 250-bed building project, the State Security Hospital (SSH), at Larned State Hospital. The Subcommittee notes that the SSH is currently serving a reduced number of inmates, projected at 98 for the current year and budget year, and the facility, projected to open in January 2006, would be able to serve a greater capacity. The facility plans include the addition of 90 beds to serve the current needs of the Kansas Department of Corrections. The Subcommittee recognizes the need for greater capacity and notes, despite the loss of 42 beds, the State Security Program has experienced only a one percent decrease in admissions over the past five years. Increased capacity will better meet the needs of the mentally ill from our courts, jails, and prisons. In addition, the Subcommittee notes that the opening of the new facility would allow for the Sexual Predator Treatment Program to expand its current operations in the Dillon building. The Subcommittee notes that the Dillon Building will require remodeling to accommodate the program's needs.
10. The Subcommittee recommends a Governor's Budget Amendment to make a technical adjustment to SB 62. The lapse amount for Larned State Hospital is reported as \$642,296. The lapse amended amount for Larned State Hospital is \$141,634.

Senate Committee Recommendation

The Senate Committee concurs with the Senate Subcommittee's recommendation.

Senate Committee of the Whole Recommendation

The Senate Committee of the Whole has not yet considered this budget.

House Budget Committee Report

Agency: Developmental Disability Institutions Bill No. SB 62

Bill Sec. 21

Analyst: Calderwood

Analysis Pg. No. Vol. I - 635, 657

Budget Page No. 285, 331

Expenditure Summary	Agency Estimate FY 03	Governor's Recommendation FY 03	Budget Committee Adjustments
All Funds:			
State Operations	\$ 45,794,525	\$ 43,998,810	\$ 0
Aid to Local Units	0	0	0
Other Assistance	4,000	4,000	0
TOTAL	\$ 45,798,525	\$ 44,002,810	\$ 0
State General Fund:			
State Operations	\$ 16,612,053	\$ 15,019,095	\$ 0
Aid to Local Units	0	0	0
Other Assistance	795	795	0
TOTAL	\$ 16,612,848	\$ 15,019,890	\$ 0
FTE Positions	1,169.0	1,044.6	0.0
Non FTE Uncl. Perm. Pos.	1.9	1.9	0.0
TOTAL	1,170.9	1,046.5	0.0

Agency Estimate/ Governor's Recommendation

The developmental disability institutions request \$45,798,525 in operating expenditures for FY 2003 which includes State General Fund expenditures of \$16,612,848. Expenditures by major object are estimated as follows: salaries and wages of \$39,322,141; contractual services of \$3,417,520; commodities of \$3,054,864; capital outlay of \$0; and other assistance of \$4,000. The developmental disability institutions estimate staffing of 1,169.0 FTE positions.

The Governor recommends \$44,002,810 in operating expenditures for FY 2003 which includes State General Fund expenditures of \$15,019,890. Expenditures by major object are estimated as follows: salaries and wages of \$38,282,911; contractual services of \$3,054,684; commodities of \$2,664,215; capital outlay of \$0; and other assistance of \$4,000. The Governor recommends staffing of 1,044.6 FTE positions.

The following table reflects the agency estimates and the Governor's recommendation for each of the individual institutions.

Institution	Agency Estimate FY 2003	Governor's Recommendation FY 2003
Kansas Neurological Institute		
State General Fund	\$ 9,693,826	\$ 8,877,702
All Other Funds	15,110,012	15,110,012
TOTAL	\$ 24,803,838	\$ 23,987,714
Parsons State Hospital and Training Center		
State General Fund	\$ 6,919,022	\$ 6,142,188
All Other Funds	14,075,665	13,872,908
TOTAL	\$ 20,994,687	\$ 20,015,096
FTE Positions		
Kansas Neurological Institute	655.5	589.5
Parsons State Hospital and Training Center	513.5	455.1
TOTAL	1,169.0	1,044.6

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation with the following notations and observations:

1. The Budget Committee recommends that SRS enter into discussions with stakeholders, including Community Developmental Disability Organizations and parents/ guardians of persons living in the Kansas Neurological Institute, regarding the future role and function of the Kansas Neurological Institute, with a focus on the availability of providing services in community-based settings. These discussions should include:
 - identification of models that would provide services to individuals in a community-based setting rather than in a state hospital and the impact those models may have on the Parsons State Hospital and Training Center;
 - exploration of public-private partnership options;
 - identification of alternative services models for the KNI facility, and the financing implications of a different model of service, including the need to move existing funding from hospitals to community-based services.

The Budget Committee further recommends that SRS report on these discussions and any planned implementation of new models to the Legislative Budget Committee or an appropriate interim committee identified by the Legislative Coordinating Council.

2. The Budget Committee recommends the removal of the current year proviso relating to the use of salary and wages' funds for other operating expenditures. The Budget Committee notes testimony from the Department of Social and Rehabilitation Services (SRS) about the needs of each institution to have sufficient funding for necessary capital outlay expenditures. The Budget Committee recommends restoration of the proviso language in FY 2004.
3. The Budget Committee recommends a review of the federal funding for the State Hospitals, including Disproportionate Share (DSH) and Title XIX, prior to Omnibus.
4. The Budget Committee notes that a number of issues will determine the future structure and role of the state hospitals and recommends continued monitoring of the average daily census and the impact of increasing admissions in mental health institutions; an evaluation of outcomes associated with the reduction of average length of stay; staffing and recruitment for direct care staff, in light of current staffing reductions; the need for inpatient (acute) psychiatric beds in urban areas; evaluation of pharmaceutical costs; and the service delivery system for community-based services.

Senate Subcommittee Report

Agency: Developmental Disability Institutions **Bill No. - -**

Bill Sec. - -

Analyst: Calderwood

Analysis Pg. No. Vol. 1 - 635, 657

Budget Page No. 285, 331

Expenditure Summary	Agency Request FY 04	Governor's Recommendation FY 04	Subcommittee Adjustments
All Funds:			
State Operations	\$ 44,605,082	\$ 44,605,082	\$ 0
Aid to Local Units	0	0	0
Other Assistance	4,000	4,000	0
TOTAL	\$ 44,609,082	\$ 44,609,082	\$ 0
State General Fund:			
State Operations	\$ 16,631,728	\$ 16,631,728	\$ 0
Aid to Local Units	0	0	0
Other Assistance	820	820	0
TOTAL	\$ 16,632,548	\$ 16,632,548	\$ 0
FTE Positions	1,167.0	954.2	0.0
Non FTE Uncl. Perm. Pos.	1.9	1.9	0.0
TOTAL	1,168.9	956.1	0.0

Agency Request/ Governor's Recommendation

The developmental disability institutions request \$44,609,082 in operating expenditures for FY 2004 which includes State General Fund expenditures of \$16,632,548. Expenditures by major object are requested as follows: salaries and wages of \$38,127,887 for salaries and wages; contractual services of \$3,590,123; commodities of \$2,968,072; capital outlay of \$0; and other assistance of \$4,000. The developmental disability institutions request staffing of 1,168.9 FTE positions.

The Governor concurs with the agency FY 2004 operating expenditures request. The Governor recommends staffing of 956.1 FTE positions.

The following table reflects the agency estimates and the Governor's recommendation for each of the individual institutions.

Institution	Agency Estimate FY 2004	Governor's Recommendation FY 2004
Kansas Neurological Institute		
State General Fund	\$ 9,765,684	\$ 9,765,684
All Other Funds	14,481,732	14,481,732
TOTAL	<u>\$ 24,247,416</u>	<u>\$ 24,247,416</u>
Parsons State Hospital and Training Center		
State General Fund	\$ 6,866,864	\$ 6,142,188
All Other Funds		13,872,908
TOTAL	<u>\$ 20,994,687</u>	<u>\$ 20,015,096</u>
FTE Positions		
Kansas Neurological Institute	653.5	530.0
Parsons State Hospital and Training Center	513.5	424.2
TOTAL	<u>1,167.0</u>	<u>954.2</u>

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation with the following notations and observations:

1. The Subcommittee recommends that a task force be created and convened during the current Legislative Session. The Subcommittee further recommends that the state hospitals and the Department of Social and Rehabilitative Services convene the task force, which will include the Kansas Mental Health Coalition Task force and the Governor's Mental Health Coalition, in a continuing dialogue addressing the concerns of individuals in need of mental health care. The task force would be required to provide a report to Ways and Means and Appropriations during the 2004 Legislative Session.

The Subcommittee recommends that the task force study the following critical issues related to the state mental health and developmental disability institutions: the closure and consolidation of the Rainbow Mental Health Facility; the impact of FTE position reductions and the challenges of average daily census growth; the loss of private psychiatric beds and growing admissions in the state mental health institutions; Disproportionate Share (DSH) funding for Mental Health institutions; an evaluation of average length of stay and patient outcomes; continuing evaluation of the cost of pharmaceuticals and options available to increase the purchasing power for the Department of Social and Rehabilitation Services.

2. The Subcommittee recommends that the Department of Social and Rehabilitation Services shall take no action regarding the closure and consolidation of Rainbow Mental Health Facility in FY 2003 or FY 2004. The Subcommittee further recommends that an interim Legislative committee be appointed by the Legislative Coordinating Council to study the agency's FY 2004 proposal for the closure and consolidation of the Rainbow Mental Health Facility. This committee will seek input from the Department of Social and Rehabilitation Services and various stakeholders, as well as the task force convened during the 2003 Session of the Legislature, to better understand issues relating to the closure and consolidation and the more global issues related to the state hospitals. The committee would provide reports to the Senate Ways and Means Committee and the House Appropriations Committee.
3. The Subcommittee recommends the elimination of the proviso relating to the use of salary and wages' funds for other operating expenditures. The Subcommittee expresses concern about the institutions' needs for funding to support unanticipated capital outlay expenditures. The Subcommittee endorses the recommendation that has been made by the full Ways and Means Committee.
4. The Subcommittee expresses concern about the Governor's recommended reductions for the state hospitals' FTE positions in both FY 2003 and FY 2004. The recommended reductions, 295.4 FTE positions for FY 2003 and a total of 443.2 FTE positions in FY 2004, are a cause for concern. The Subcommittee notes that future shrinkage recommendations, at a point where shrinkage has been virtually eliminated by the FTE position reductions, would not allow the institutions any flexibility to adjust staffing related to the needs of the institution. The Subcommittee notes the importance of having sufficient numbers of well-trained staff in order to successfully treat seriously ill patients.
5. The Subcommittee recommends that the state hospitals and the Department of Social and Rehabilitation Services continue to work with other states to combine their purchasing power to purchase pharmaceuticals at a lower cost. The current state hospital budgets do not have the resources to accommodate the rising costs of the pharmaceuticals necessary to provide for patients at all of the state hospitals.
6. The Subcommittee expresses concern about the availability of federal monies available to the state hospitals. The Subcommittee recommends that the Department of Social and Rehabilitation Services continue to pursue all eligible dollars, including those monies for Disproportionate Share for Hospitals (DSH).
7. The Subcommittee notes that the state hospitals' infrastructure, in light of the current budget situation, needs to be monitored on an on-going basis to ensure that the maintenance needs for each institution are addressed.
8. The Subcommittee expresses concern about the continuing increase of the Sexual Predator Treatment Program at Larned State Hospital and the impact of additional demands on staff and support services. The program's average daily census is currently 73, with projections for 75 by the end of the current

year and 85 for FY 2004. The Department of Social and Rehabilitation Services testified that, on average, the program is gaining one individual per month.

9. The Subcommittee notes the importance of the current 250-bed building project, the State Security Hospital (SSH), at Larned State Hospital. The Subcommittee notes that the SSH is currently serving a reduced number of inmates, projected at 98 for the current year and budget year, and the facility, projected to open in January 2006, would be able to serve a greater capacity. The facility plans include the addition of 90 beds to serve the current needs of the Kansas Department of Corrections. The Subcommittee recognizes the need for greater capacity and notes, despite the loss of 42 beds, the State Security Program has experienced only a one percent decrease in admissions over the past five years. Increased capacity will better meet the needs of the mentally ill from our courts, jails, and prisons. In addition, the Subcommittee notes that the opening of the new facility would allow for the Sexual Predator Treatment Program to expand its current operations in the Dillon building. The Subcommittee notes that the Dillon Building will require remodeling to accommodate the program's needs.
10. The Subcommittee recommends a Governor's Budget Amendment to make a technical adjustment to SB 62. The lapse amount for Larned State Hospital is reported as \$642,296. The lapse amended amount for Larned State Hospital is \$141,634.

Senate Committee Recommendation

The Senate Committee concurs with the Senate Subcommittee's recommendation.

Senate Committee of the Whole Recommendation

The Senate Committee of the Whole has not yet considered this budget.

House Budget Committee Report

Agency: Developmental Disability Institutions **Bill No. - -**

Bill Sec. - -

Analyst: Calderwood

Analysis Pg. No. 635, 657

Budget Page No. 285, 331

<u>Expenditure Summary</u>	<u>Agency Request FY 04</u>	<u>Governor's Recommendation FY 04</u>	<u>Budget Committee Adjustments</u>
All Funds:			
State Operations	\$ 44,605,082	\$ 44,605,082	\$ 0
Aid to Local Units	0	0	0
Other Assistance	4,000	4,000	0
TOTAL	\$ 44,609,082	\$ 44,609,082	\$ 0
State General Fund:			
State Operations	\$ 16,631,728	\$ 16,631,728	\$ 0
Aid to Local Units	0	0	0
Other Assistance	820	820	0
TOTAL	\$ 16,632,548	\$ 16,632,548	\$ 0
FTE Positions	1,342.2	1,211.6	0.0
Non FTE Uncl. Perm. Pos.	1.9	1.9	0.0
TOTAL	1,344.1	1,213.5	0.0

Agency Request/ Governor's Recommendation

The developmental disability institutions request \$44,609,082 in operating expenditures for FY 2004 which includes State General Fund expenditures of \$16,632,548. Expenditures by major object are requested as follows: salaries and wages of \$38,127,887 for salaries and wages; contractual services of \$3,590,123; commodities of \$2,968,072; capital outlay of \$0; and other assistance of \$4,000. The developmental disability institutions request staffing of 1,342.2 FTE positions.

The Governor concurs with the agency FY 2004 operating expenditures request. The Governor recommends staffing of 1,211.6 FTE positions.

The following table reflects the agency estimates and the Governor's recommendation for each of the individual institutions.

Institution	Agency Estimate FY 2004	Governor's Recommendation FY 2004
Kansas Neurological Institute		
State General Fund	\$ 9,765,684	\$ 9,765,684
All Other Funds	14,481,732	14,481,732
TOTAL	<u>\$ 24,247,416</u>	<u>\$ 24,247,416</u>
Parsons State Hospital and Training Center		
State General Fund	\$ 6,866,864	\$ 6,142,188
All Other Funds		13,872,908
TOTAL	<u>\$ 20,994,687</u>	<u>\$ 20,015,096</u>
FTE Positions		
Kansas Neurological Institute	655.5	589.5
Parsons State Hospital and Training Center	513.5	455.1
TOTAL	<u>1,169.0</u>	<u>1,044.6</u>

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation, with notations and observations as reflected in the FY 2003 report.

Senate Subcommittee Report

Agency: Mental Health Institutions **Bill No.** SB 62

Bill Sec. 21

Analyst: Calderwood **Analysis Pg. No.** Vol. 1-680, 708, 730 **Budget Page No.** 309, 327, 337

Expenditure Summary	Agency Estimate FY 03	Governor's Recommendation FY 03	Subcommittee Adjustments
All Funds:			
State Operations	\$ 61,409,045	\$ 59,196,165	\$ 0
Aid to Local Units	0	0	0
Other Assistance	3,700	3,700	0
TOTAL	\$ 61,412,745	\$ 59,199,865	\$ 0
State General Fund:			
State Operations	\$ 20,515,567	\$ 17,933,987	\$ 0
Aid to Local Units	0	0	0
Other Assistance	2,500	2,500	0
TOTAL	\$ 20,518,067	\$ 17,937,687	\$ 0
FTE Positions	1,397.0	1,226.0	0.0
Non FTE Uncl. Perm. Pos.	8.0	8.0	0.0
TOTAL	1,405.0	1,234.0	0.0

Agency Estimate/ Governor's Recommendation

The mental health institutions request \$61,412,745 in operating expenditures for FY 2003 which includes State General Fund expenditures of \$20,518,067. Expenditures by major object are estimated as follows: salaries and wages of \$48,432,386; contractual services of \$6,995,163; commodities of \$5,934,496; capital outlay of \$47,000; and other assistance of \$3,700. The mental health institutions estimate staffing of 1,397.0 FTE positions.

The Governor recommends \$59,199,865 in operating expenditures for FY 2003 which includes State General Fund expenditures of \$17,937,687. Expenditures by major object are estimated as follows: salaries and wages of \$47,148,297; contractual services of \$6,405,970; commodities of \$5,611,898; capital outlay of \$0; and other assistance of \$3,700. The Governor recommends staffing of 1,226.0 FTE positions.

The following table reflects the agency estimates and Governor's recommendation for each of the individual institutions:

Institution	Agency Estimate FY 2003	Governor's Recommendation FY 2003
Larned State Hospital		
State General Fund	\$ 13,117,896	\$ 12,062,205
All Other Funds	20,562,616	20,431,316
TOTAL	<u>\$ 33,680,512</u>	<u>\$ 32,493,521</u>
Osawatomie State Hospital		
State General Fund	\$ 6,786,359	\$ 5,286,669
All Other Funds	14,242,263	14,742,263
TOTAL	<u>\$ 21,028,622</u>	<u>\$ 20,028,932</u>
Rainbow Mental Health Facility		
State General Fund	\$ 613,812	\$ 587,613
All Other Funds	6,089,799	6,089,799
TOTAL	<u>\$ 6,703,611</u>	<u>\$ 6,677,412</u>
FTE Positions		
Larned State Hospital	792.8	699.8
Osawatomie State Hospital	477.4	413.9
Rainbow Mental Health Facility	126.8	112.3
TOTAL	<u>1,397.0</u>	<u>1,126.0</u>

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation with the following notations and observations:

1. The Subcommittee recommends that a task force be created and convened during the current Legislative Session. The Subcommittee further recommends that the state hospitals and the Department of Social and Rehabilitative Services convene the task force, which will include the Kansas Mental Health Coalition Task force and the Governor's Mental Health Coalition, in a continuing dialogue addressing the concerns of individuals in need of mental health care. The task force would be required to provide a report to Ways and Means and Appropriations during the 2004 Legislative Session.

The Subcommittee recommends that the task force study the following critical issues related to the state mental health and developmental disability institutions: the closure and consolidation of the Rainbow Mental Health Facility; the impact of FTE position reductions and the challenges of average daily census growth; the loss of private psychiatric beds and growing admissions in the state mental health institutions; Disproportionate Share (DSH) funding for Mental Health institutions; an evaluation of average length of stay and patient outcomes; continuing evaluation of the cost of pharmaceuticals and options

available to increase the purchasing power for the Department of Social and Rehabilitation Services.

2. The Subcommittee recommends that the Department of Social and Rehabilitation Services shall take no action regarding the closure and consolidation of Rainbow Mental Health Facility in FY 2003 or FY 2004. The Subcommittee further recommends that an interim Legislative committee be appointed by the Legislative Coordinating Council to study the agency's FY 2004 proposal for the closure and consolidation of the Rainbow Mental Health Facility. This committee will seek input from the Department of Social and Rehabilitation Services and various stakeholders, as well as the task force convened during the 2003 Session of the Legislature, to better understand issues relating to the closure and consolidation and the more global issues related to the state hospitals. The committee would provide reports to the Senate Ways and Means Committee and the House Appropriations Committee.
3. The Subcommittee recommends the elimination of the proviso relating to the use of salary and wages' funds for other operating expenditures. The Subcommittee expresses concern about the institutions' needs for funding to support unanticipated capital outlay expenditures. The Subcommittee endorses the recommendation that has been made by the full Ways and Means Committee.
4. The Subcommittee expresses concern about the Governor's recommended reductions for the state hospitals' FTE positions in both FY 2003 and FY 2004. The recommended reductions, 295.4 FTE positions for FY 2003 and a total of 443.2 FTE positions in FY 2004, are a cause for concern. The Subcommittee notes that future shrinkage recommendations, at a point where shrinkage has been virtually eliminated by the FTE position reductions, would not allow the institutions any flexibility to adjust staffing related to the needs of the institution. The Subcommittee notes the importance of having sufficient numbers of well-trained staff in order to successfully treat seriously ill patients.
5. The Subcommittee recommends that the state hospitals and the Department of Social and Rehabilitation Services continue to work with other states to combine their purchasing power to purchase pharmaceuticals at a lower cost. The current state hospital budgets do not have the resources to accommodate the rising costs of the pharmaceuticals necessary to provide for patients at all of the state hospitals.
6. The Subcommittee expresses concern about the availability of federal monies available to the state hospitals. The Subcommittee recommends that the Department of Social and Rehabilitation Services continue to pursue all eligible dollars, including those monies for Disproportionate Share for Hospitals (DSH).
7. The Subcommittee notes that the state hospitals' infrastructure, in light of the current budget situation, needs to be monitored on an on-going basis to ensure that the maintenance needs for each institution are addressed.

8. The Subcommittee expresses concern about the continuing increase of the Sexual Predator Treatment Program at Larned State Hospital and the impact of additional demands on staff and support services. The program's average daily census is currently 73, with projections for 75 by the end of the current year and 85 for FY 2004. The Department of Social and Rehabilitation Services testified that, on average, the program is gaining one individual per month.
9. The Subcommittee notes the importance of the current 250-bed building project, the State Security Hospital (SSH), at Larned State Hospital. The Subcommittee notes that the SSH is currently serving a reduced number of inmates, projected at 98 for the current year and budget year, and the facility, projected to open in January 2006, would be able to serve a greater capacity. The facility plans include the addition of 90 beds to serve the current needs of the Kansas Department of Corrections. The Subcommittee recognizes the need for greater capacity and notes, despite the loss of 42 beds, the State Security Program has experienced only a one percent decrease in admissions over the past five years. Increased capacity will better meet the needs of the mentally ill from our courts, jails, and prisons. In addition, the Subcommittee notes that the opening of the new facility would allow for the Sexual Predator Treatment Program to expand its current operations in the Dillon building. The Subcommittee notes that the Dillon Building will require remodeling to accommodate the program's needs.
10. The Subcommittee recommends a Governor's Budget Amendment to make a technical adjustment to SB 62. The lapse amount for Larned State Hospital is reported as \$642,296. The lapse amended amount for Larned State Hospital is \$141,634.

Senate Committee Recommendation

The Senate Committee concurs with the Senate Subcommittee's recommendation.

Senate Committee of the Whole Recommendation

The Senate Committee of the Whole has not yet considered this budget.

House Budget Committee Report

Agency: Mental Health Institutions Bill No. SB 62

Bill Sec. 21

Analyst: Calderwood

Analysis Pg. No. 680, 708, 730 Budget Page No. 309, 327, 337

Expenditure Summary	Agency Estimate FY 03	Governor's Recommendation FY 03	Budget Committee Adjustments
All Funds:			
State Operations	\$ 61,409,045	\$ 59,196,165	\$ 0
Aid to Local Units	0	0	0
Other Assistance	3,700	3,700	0
TOTAL	\$ 61,412,745	\$ 59,199,865	\$ 0
State General Fund:			
State Operations	\$ 20,515,567	\$ 17,933,987	\$ 0
Aid to Local Units	0	0	0
Other Assistance	2,500	2,500	0
TOTAL	\$ 20,518,067	\$ 17,937,687	\$ 0
FTE Positions	1,397.0	1,226.0	0.0
Non FTE Uncl. Perm. Pos.	8.0	8.0	0.0
TOTAL	1,405.0	1,234.0	0.0

Agency Estimate/ Governor's Recommendation

The mental health institutions request \$61,412,745 in operating expenditures for FY 2003 which includes State General Fund expenditures of \$20,518,067. Expenditures by major object are estimated as follows: salaries and wages of \$48,432,386; contractual services of \$6,995,163; commodities of \$5,934,496; capital outlay of \$47,000; and other assistance of \$3,700. The mental health institutions estimate staffing of 1,397.0 FTE positions.

The Governor recommends \$59,199,865 in operating expenditures for FY 2003 which includes State General Fund expenditures of \$17,937,687. Expenditures by major object are estimated as follows: salaries and wages of \$47,148,297; contractual services of \$6,405,970; commodities of \$5,611,898; capital outlay of \$0; and other assistance of \$3,700. The Governor recommends staffing of 1,226.0 FTE positions.

The following table reflects the agency estimates and Governor's recommendation for each of the individual institutions:

Institution	Agency Estimate FY 2003	Governor's Recommendation FY 2003
Larned State Hospital		
State General Fund	\$ 13,117,896	\$ 12,062,205
All Other Funds	20,562,616	20,431,316
TOTAL	<u>\$ 33,680,512</u>	<u>\$ 32,493,521</u>
Osawatomie State Hospital		
State General Fund	\$ 6,786,359	\$ 5,286,669
All Other Funds	14,242,263	14,742,263
TOTAL	<u>\$ 21,028,622</u>	<u>\$ 20,028,932</u>
Rainbow Mental Health Facility		
State General Fund	\$ 613,812	\$ 587,613
All Other Funds	6,089,799	6,089,799
TOTAL	<u>\$ 6,703,611</u>	<u>\$ 6,677,412</u>
FTE Positions		
Larned State Hospital	792.8	699.8
Osawatomie State Hospital	477.4	413.9
Rainbow Mental Health Facility	126.8	112.3
TOTAL	<u>1,397.0</u>	<u>1,126.0</u>

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation with the following notations and observations:

- The Budget Committee notes that the Governor's Budget Recommendation retains funding for Rainbow Mental Health Facility in FY 2004. The Budget Committee recommends that SRS enter into discussions with community stakeholders in the Kansas City area regarding the future role and function of Rainbow, with a focus on continuing the provision of acute mental health services and retaining Rainbow as a community resource. These discussions should include:
 - identification of models that would provide services to children in a family-based setting rather than in a state hospital;
 - exploration of public-private partnership options; and
 - identification of alternative services models for the Rainbow facility, other than its current designation as an Institute for Mental Disease (IMD), and the Medicaid financing implications of a different model of service.

The Budget Committee further recommends that SRS report on these discussions and any planned implementation of new models to the Legislative Budget Committee or an appropriate interim committee identified by the Legislative Coordinating Council.

2. The Budget Committee recommends the removal of the current year proviso relating to the use of salary and wages' funds for other operating expenditures. The Budget Committee notes testimony from the Department of Social and Rehabilitation Services (SRS) about the needs of each institution to have sufficient funding for necessary capital outlay expenditures. The Budget Committee recommends restoration of the proviso language in FY 2004.
3. The Budget Committee recommends a review of the federal funding for the State Hospitals, including Disproportionate Share (DSH) and Title XIX, prior to Omnibus.
4. The Budget Committee notes that a number of issues will determine the future structure and role of the state hospitals and recommends continued monitoring of the average daily census and the impact of increasing admissions in mental health institutions; an evaluation of outcomes associated with the reduction of average length of stay; staffing and recruitment for direct care staff, in light of current staffing reductions; the need for inpatient (acute) psychiatric beds in urban areas; evaluation of pharmaceutical costs; and the service delivery system for community-based services.
5. The Budget Committee recommends a review of education services provided for children and adolescents within the state hospitals' setting, prior to Omnibus.

Senate Subcommittee Report

Agency: Mental Health Institutions **Bill No. - -**

Bill Sec. - -

Analyst: Calderwood

Analysis Pg. No. Vol. 1 - 680, 708, 730

Budget Page No. 309,
327, 337

Expenditure Summary	Agency Request FY 04	Governor's Recommendation FY 04	Subcommittee Adjustments
All Funds:			
State Operations	\$ 58,042,925	\$ 61,284,695	\$ 0
Aid to Local Units	0	0	0
Other Assistance	2,500	2,500	0
TOTAL	\$ 58,045,425	\$ 61,287,195	\$ 0
State General Fund:			
State Operations	\$ 35,087,807	\$ 37,617,991	\$ 0
Aid to Local Units	0	0	0
Other Assistance	2,500	2,500	0
TOTAL	\$ 35,090,307	\$ 37,620,491	\$ 0
FTE Positions	1,342.2	1,211.6	0.0
Non FTE Uncl. Perm. Pos.	8.0	8.0	0.0
TOTAL	1,350.2	1,219.6	0.0

Agency Request/ Governor's Recommendation

The mental health institutions request \$58,045,425 in operating expenditures for FY 2004 which includes State General Fund expenditures of \$37,090,307. Expenditures by major object are estimated as follows: salaries and wages of \$45,631,202; contractual services of \$6,105,006; commodities of \$6,306,717; capital outlay of \$0; and other assistance of \$2,500. The mental health institutions estimate staffing of 1,342.2 FTE positions.

The Governor recommends \$61,287,195 in operating expenditures for FY 2004 which includes State General Fund expenditures of \$37,620,491. Expenditures by major object are estimated as follows: salaries and wages of \$48,577,582; contractual services of \$6,744,401; commodities of \$5,962,712; capital outlay of \$0; and other assistance of \$2,500. The Governor recommends staffing of 1,211.6 FTE positions.

The following table reflects the agency estimates and Governor's recommendation for each of the individual institutions:

Institution	Agency Estimate FY 2004	Governor's Recommendation FY 2004
Larned State Hospital		
State General Fund	\$ 25,785,280	\$ 25,527,686
All Other Funds	9,284,229	9,284,229
TOTAL	<u>\$ 35,069,509</u>	<u>\$ 34,811,915</u>
Osawatomie State Hospital		
State General Fund	\$ 9,305,027	\$ 8,225,647
All Other Funds	13,670,889	11,430,025
TOTAL	<u>\$ 22,975,916</u>	<u>\$ 19,655,672</u>
Rainbow Mental Health Facility		
State General Fund	\$ 0	\$ 3,867,158
All Other Funds	0	2,952,450
TOTAL	<u>\$ 0</u>	<u>\$ 6,819,608</u>
FTE Positions		
Larned State Hospital	792.8	663.0*
Osawatomie State Hospital	549.4	436.3
Rainbow Mental Health Facility	0.0	112.3
TOTAL	<u>1,342.2</u>	<u>1,211.6</u>

* The Governor's recommendation includes the addition of 45.0 FTE for the Sexual Predator Treatment Program.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation with the following notations and observations:

1. The Subcommittee recommends that a task force be created and convened during the current Legislative Session. The Subcommittee further recommends that the state hospitals and the Department of Social and Rehabilitative Services convene the task force, which will include the Kansas Mental Health Coalition Task force and the Governor's Mental Health Coalition, in a continuing dialogue addressing the concerns of individuals in need of mental health care. The task force would be required to provide a report to Ways and Means and Appropriations during the 2004 Legislative Session.

The Subcommittee recommends that the task force study the following critical issues related to the state mental health and developmental disability institutions: the closure and consolidation of the Rainbow Mental Health Facility; the impact of FTE position reductions and the challenges of average daily census growth; the loss of private psychiatric beds and growing admissions in the state mental health institutions; Disproportionate Share (DSH) funding for

Mental Health institutions; an evaluation of average length of stay and patient outcomes; continuing evaluation of the cost of pharmaceuticals and options available to increase the purchasing power for the Department of Social and Rehabilitation Services.

2. The Subcommittee recommends that the Department of Social and Rehabilitation Services shall take no action regarding the closure and consolidation of Rainbow Mental Health Facility in FY 2003 or FY 2004. The Subcommittee further recommends that an interim Legislative committee be appointed by the Legislative Coordinating Council to study the agency's FY 2004 proposal for the closure and consolidation of the Rainbow Mental Health Facility. This committee will seek input from the Department of Social and Rehabilitation Services and various stakeholders, as well as the task force convened during the 2003 Session of the Legislature, to better understand issues relating to the closure and consolidation and the more global issues related to the state hospitals. The committee would provide reports to the Senate Ways and Means Committee and the House Appropriations Committee.
3. The Subcommittee recommends the elimination of the proviso relating to the use of salary and wages' funds for other operating expenditures. The Subcommittee expresses concern about the institutions' needs for funding to support unanticipated capital outlay expenditures. The Subcommittee endorses the recommendation that has been made by the full Ways and Means Committee.
4. The Subcommittee expresses concern about the Governor's recommended reductions for the state hospitals' FTE positions in both FY 2003 and FY 2004. The recommended reductions, 295.4 FTE positions for FY 2003 and a total of 443.2 FTE positions in FY 2004, are a cause for concern. The Subcommittee notes that future shrinkage recommendations, at a point where shrinkage has been virtually eliminated by the FTE position reductions, would not allow the institutions any flexibility to adjust staffing related to the needs of the institution. The Subcommittee notes the importance of having sufficient numbers of well-trained staff in order to successfully treat seriously ill patients.
5. The Subcommittee recommends that the state hospitals and the Department of Social and Rehabilitation Services continue to work with other states to combine their purchasing power to purchase pharmaceuticals at a lower cost. The current state hospital budgets do not have the resources to accommodate the rising costs of the pharmaceuticals necessary to provide for patients at all of the state hospitals.
6. The Subcommittee expresses concern about the availability of federal monies available to the state hospitals. The Subcommittee recommends that the Department of Social and Rehabilitation Services continue to pursue all eligible dollars, including those monies for Disproportionate Share for Hospitals (DSH).
7. The Subcommittee notes that the state hospitals' infrastructure, in light of the current budget situation, needs to be monitored on an on-going basis to ensure that the maintenance needs for each institution are addressed.

8. The Subcommittee expresses concern about the continuing increase of the Sexual Predator Treatment Program at Larned State Hospital and the impact of additional demands on staff and support services. The program's average daily census is currently 73, with projections for 75 by the end of the current year and 85 for FY 2004. The Department of Social and Rehabilitation Services testified that, on average, the program is gaining one individual per month.
9. The Subcommittee notes the importance of the current 250-bed building project, the State Security Hospital (SSH), at Larned State Hospital. The Subcommittee notes that the SSH is currently serving a reduced number of inmates, projected at 98 for the current year and budget year, and the facility, projected to open in January 2006, would be able to serve a greater capacity. The facility plans include the addition of 90 beds to serve the current needs of the Kansas Department of Corrections. The Subcommittee recognizes the need for greater capacity and notes, despite the loss of 42 beds, the State Security Program has experienced only a one percent decrease in admissions over the past five years. Increased capacity will better meet the needs of the mentally ill from our courts, jails, and prisons. In addition, the Subcommittee notes that the opening of the new facility would allow for the Sexual Predator Treatment Program to expand its current operations in the Dillon building. The Subcommittee notes that the Dillon Building will require remodeling to accommodate the program's needs.
10. The Subcommittee recommends a Governor's Budget Amendment to make a technical adjustment to SB 62. The lapse amount for Larned State Hospital is reported as \$642,296. The lapse amended amount for Larned State Hospital is \$141,634.

Senate Committee Recommendation

The Senate Committee concurs with the Senate Subcommittee's recommendation.

Senate Committee of the Whole Recommendation

The Senate Committee of the Whole has not yet considered this budget.

House Budget Committee Report

Agency: Mental Health Institutions **Bill No. - -** **Bill Sec. - -**
Analyst: Calderwood **Analysis Pg. No.** 680, 708, 730 **Budget Page No.** 309, 327, 337

Expenditure Summary	Agency Request FY 04	Governor's Recommendation FY 04	Budget Committee Adjustments
All Funds:			
State Operations	\$ 102,648,007	\$ 105,889,777	\$ 0
Aid to Local Units	0	0	0
Other Assistance	6,500	6,500	0
TOTAL	\$ 102,654,507	\$ 105,896,277	\$ 0
State General Fund:			
State Operations	\$ 51,719,535	\$ 54,249,719	\$ 0
Aid to Local Units	0	0	0
Other Assistance	3,320	3,320	0
TOTAL	\$ 51,722,855	\$ 54,253,039	\$ 0
FTE Positions	1,342.2	1,211.6	0.0
Non FTE Uncl. Perm. Pos.	8.0	8.0	0.0
TOTAL	1,350.2	1,219.6	0.0

Agency Request/ Governor's Recommendation

The mental health institutions request \$102,654,507 in operating expenditures for FY 2004 which includes State General Fund expenditures of \$51,722,855. Expenditures by major object are estimated as follows: salaries and wages of \$45,631,202; contractual services of \$6,105,006; commodities of \$6,306,717; capital outlay of \$0; and other assistance of \$2,500. The mental health institutions estimate staffing of 1,342. FTE positions.

The Governor recommends \$105,896,277 in operating expenditures for FY 2004 which includes State General Fund expenditures of \$54,253,039. Expenditures by major object are estimated as follows: salaries and wages of \$48,577,582; contractual services of \$6,744,401; commodities of \$5,962,712; capital outlay of \$0; and other assistance of \$2,500. The Governor recommends staffing of 1,219.6 FTE positions.

The following table reflects the agency estimates and Governor's recommendation for each of the individual institutions:

Institution	Agency Estimate FY 2004	Governor's Recommendation FY 2004
Larned State Hospital		
State General Fund	\$ 25,785,280	\$ 25,527,686
All Other Funds	9,284,229	9,284,229
TOTAL	<u>\$ 35,069,509</u>	<u>\$ 34,811,915</u>
Osawatomie State Hospital		
State General Fund	\$ 9,305,027	\$ 8,225,647
All Other Funds	13,670,889	11,430,025
TOTAL	<u>\$ 22,975,916</u>	<u>\$ 19,655,672</u>
Rainbow Mental Health Facility		
State General Fund	\$ 0	\$ 3,867,158
All Other Funds	0	2,952,450
TOTAL	<u>\$ 0</u>	<u>\$ 6,819,608</u>
FTE Positions		
Larned State Hospital	792.8	663.0*
Osawatomie State Hospital	549.4	436.3
Rainbow Mental Health Facility	0.0	112.3
TOTAL	<u>1,342.2</u>	<u>1,211.6</u>

* The Governor's recommendation includes the addition of 45.0 FTE for the Sexual Predator Treatment Program.

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation, with notations and observations as reflected in the FY 2003 report.