

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Kevin Yoder at 9:10 a.m. on March 16, 2009, in Room 143-N of the Capitol.

All members were present except:

Representative Joe McLeland- excused
Representative Tom Sawyer- excused

Committee staff present:

Nobuko Folmsbee, Office of the Revisor of Statutes
Christina Butler, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
JG Scott, Kansas Legislative Research Department
Kelly Cure, Chief of Staff
Kathy Holscher, Committee Assistant

Conferees appearing before the Committee:

None

Others attending:

See attached list.

- Attachment 1 Budget Committee Report on Kansas Health Policy Authority, Department of Social and Rehabilitation Services
- Attachment 2 FY 2009 Federal Poverty Guidelines
- Attachment 3 Scope Statement - Community Living Opportunities

Representative Henry, member of the Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Health Policy Authority FY 2010 and moved for the adoption of the FY 2010 Budget Committee report, (Attachment 1). The motion was seconded by Representative Mast.

Responding to questions from Committee members concerning the State Children's Health Insurance Program (SHIP), the Budget Committee noted that approximately 8,000 additional children would receive health insurance benefits in the state. The difference in the adjusted FY 2010 budget represents federal dollars. The grant for funding health epidemic situations was referred to the Kansas Department of Health and Environment for review at Omnibus. The FY 2009 Federal Poverty Guidelines was distributed to Committee members, (Attachment 2).

Marcos Nielsen, Executive Director, Health Policy Authority, responded to questions from Committee members regarding: budget cuts, which includes a 10 percent salary reductions; program cuts, and changes to contracts. Discussion followed concerning the percent of budget funded through SGF and federal match dollars. It was noted that Medicaid is the primary focus of the stimulus package.

Committee members expressed a need for salary review.

Marcos Nielsen, discussed the transfer of employees between departments and job classifications. Dr. Nielsen noted that she is a contractual employee, hired by the board.

● Additional Information Requested

List of top positions and their wage increases since the agency's inception

Representative Henry renewed the motion to adopt the FY 2010 Health Policy Authority Budget Committee Report. Motion carried.

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:10 a.m. on March 16, 2009, in Room 143-N of the Capitol.

Representative Crum, member of the Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Department of Social and Rehabilitation Services for FY 2010 and moved for the adoption of the Budget Committee recommendation for FY 2010, (Attachment 1). The motion was seconded by Representative Mast.

Committee members reviewed the total dollars from the stimulus package. \$111 million from the stimulus package for FY 2009, \$200 million for FY 2010 and \$111 million for FY 2011, which will be used to divert money back into the SGF and reassessed at Omnibus. At this time, the AREA requirement states that a reduction in eligibility requirements can not be reduced lower than what was in effect on July 1, 2008.

The community based services are not a part of the entitlement portion of medicaid, therefore not affected by the Medicaid requirements or the AREA. Services for physically disabled or mentally disabled are considered waiver programs under Medicaid. As a provision, of the Budget Committee Report, the possibility of expanding these waivers using stimulus dollars would be reviewed at Omnibus.

Amy Decorate, Legislative Research Department staff, responded to questions from Committee members. She stated that the G.A. addresses the medicaid increase of 6.1 percent.

Additional questions followed by Committee members regarding the policy for determining eligibility to receive Home and Community Based Services for individuals with developmental disability and waiver payments at the extraordinary funding level. The Scope Statement was distributed to Committee Members, (Attachment 3).

Don Jordan, Secretary, Department of Social & Rehabilitation Services, presented background information on Community Living Opportunities, Inc (CLO). Annual operating losses and lack of revenues resulted in the need for additional fund raising and consulting activities. He noted that the funding for Home Community Based waivers was presented in a five tier approach, with five needing the least support. SRS staff was directed to contact CLO to see if there were individuals who qualified for extraordinary funding, in mid-September. Following their review of 56-58 records, 43 individual were eligible and 10 individuals were on a waiting list for extraordinary funding, which Secretary Jordan approved. This resulted in a higher reimbursement rate than the normal tier structure. The annualized budget for FY 2010 was approximately \$400,000 with 40 percent of this amount in state dollars and 60 percent in federal dollars. Savings from the administrative account was withdrawn, as the least disruptive measure. Communities have expressed concern for the length of time for placing individuals, and higher funding levels for tiers 1 and 2 and no extraordinary funding was requested, he noted. There are 300 agencies offering similar programs to CLO. A majority of these are not-for-profit agencies with fund raising activities organized to strengthen their organization and to improve the quality of life for those they serve. Of the community service providers, CLO was the only agency to inform Secretary Jordan of their financial difficulties. One other agency contacted SRS, and they have agreed upon some changes they are in the process of making. Meetings with staff and board members of CLO, and the Governor's staff regarding the rationale for approving the extraordinary funding was discussed. It was noted that approximately \$180,000 will be written off.

Committee members stated that the CLO have requested a hearing, which will be held in the Budget Committee, on Wednesday, March 18, 2009. Concerns were expressed by Committee members regarding extraordinary funding and the potential to under-mind the process, and the financial investment of the Midnight Farms.

Representative Crum moved to adopt the Social Rehabilitation & Services FY 2010 Committee Budget. Motion carried.

The next meeting is scheduled for March 17, 2009.

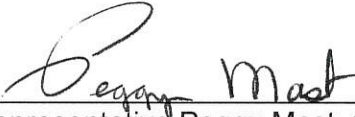
The meeting was adjourned at 10:23 a.m.


Kevin Yoder, Chairman

FY 2010

SOCIAL SERVICES BUDGET COMMITTEE

**Kansas Health Policy Authority
Department of Social and Rehabilitation Services**



Representative Peggy Mast, Chair



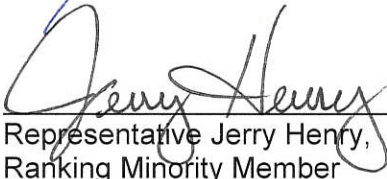
Representative David Crum



Representative Marc Rhoades, Vice-Chair



Representative Tom Hawk



Representative Jerry Henry,
Ranking Minority Member



Representative Mike Kiegerl



Representative Barbara Ballard

Representative Forrest Knox

Appropriations Committee

Attachment 1-1

Date 3-16-09

Senate Subcommittee Report

Agency: Kansas Health Policy Authority **Bill No.** SB 304

Bill Sec. 54

Analyst: Deckard

Analysis Pg. No. Vol.-

Budget Page No. 215

Expenditure Summary	Agency Request FY 10	Governor's Recommendation FY 10*	Senate Subcommittee Adjustments
Reportable Operating Expenditures:			
State General Fund	\$ 516,601,802	\$ 415,294,243	\$ (5,417,700)
Other Funds	900,041,888	1,046,024,911	(601,341)
Subtotal - Reportable Operating	\$ 1,416,643,690	\$ 1,461,319,154	\$ (6,019,041)
Non- Reportable Operation Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	39,465,690	39,465,690	0
Subtotal - Non- Reportable Operating	\$ 39,465,690	\$ 39,465,690	\$ 0
TOTAL	\$ 1,456,109,380	\$ 1,500,784,844	\$ (6,019,041)
Reportable Positions			
FTE Positions	220.3	208.3	0.0
Non FTE Uncl. Perm. Pos.	7.6	7.6	0.0
TOTAL	227.9	215.9	0.0
Non-Reportable Positions			
FTE Positions	64.4	64.4	0.0
Non FTE Uncl. Perm. Pos.	0.4	0.4	0.0
TOTAL	64.8	64.8	0.0
Total Positions			
FTE Positions	284.7	272.7	0.0
Non FTE Uncl. Perm. Pos.	8.0	8.0	0.0
TOTAL	292.7	280.7	0.0

* Includes Governor Sebelius GBA No 1, Item 1, which deletes \$100.9 million from the State General Fund, and adds the same amount from federal funds, for Medicaid expenditures. Also includes Governor Sebelius GBA No. 1, Item 2, which adds \$4.3 million, including \$1.2 million from the State General Fund, to expand SCHIP coverage from 200.0 percent to 250.0 percent of the federal poverty level.

Agency Request

The **Kansas Health Policy Authority** requests a FY 2010 reportable budget of \$1.4 billion, an increase of \$1.6 million, or 0.1 percent, above the revised current year estimate. The request includes State General Fund expenditures of \$516.6 million, an increase of \$2.2 million, or 0.4 percent, above the revised current year estimate. The request would fund 220.3 FTE positions, and 7.6 Non-FTE positions, an increase of 11.6 FTE positions above the revised FY 2009 estimate. The

increase is attributable to an enhancement request for the addition of 12.0 FTE positions and a shift of 0.4 FTE positions to Non-FTE positions in FY 2010.

The request includes enhancement funding of \$7.8 million, including \$3.2 million from the State General Fund. **Absent the enhancement requests**, the FY 2010 request would be a reduction of \$6.2 million, or 0.4 percent, and a State General decrease of \$1.0 million, or 0.2 percent, below the FY 2009 revised estimate.

Governor's Recommendation

The **Governor** recommends FY 2010 reportable operating expenditures of \$1.5 billion, including \$515.0 million from the State General Fund. The recommendation is an all funds increase of \$50.2 million, or 3.6 percent, and a State General Fund increase of \$11.8 million, or 2.3 percent, above the FY 2009 recommendation. The Governor's recommendation is an increase of \$40.4 million, or 2.9 percent, above the agency's request.

The Governor does not recommend any of the agency's enhancement requests. The Governor recommends savings of \$32.6 million, including \$24.6 million from the State General Fund. The Governor also does not recommend any expenditures from the Children's Initiatives Fund in FY 2010, a decrease of \$5.5 million.

The Governor recommends the reduction of \$323,806, including \$136,129 from the State General Fund, for a seven pay period moratorium on employer contributions for the state employee health benefit plan. In addition, the Governor recommends that savings of \$7,959 be transferred to the State General Fund.

The Governor also recommends the reduction of \$68,050, including \$28,768 from the State General Fund, for a partial year moratorium on employer contributions to KPERS Death and Disability payments. In addition, the Governor recommends that savings of \$1,612 be transferred to the State General Fund.

The Governor recommends the addition of \$86.3 million, including \$26.3 million from the State General Fund, for human service caseloads, as agreed to at the fall 2008 consensus estimating group.

Senate Subcommittee Recommendation

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

1. **Moratorium on Employer Contributions to the State Health Plan.** Add \$423,605, including \$136,129 from the State General Fund, to restore the Governor's recommended deletion to suspend state contributions to the state employee Health Insurance Premium Reserve Fund for all state agencies for seven payroll periods in FY 2010. The employer health insurance moratorium has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill.
2. **KPERS Death and Disability Moratorium.** Add \$38,751, including \$12,786 from the State General Fund to restore part of the Governor's recommended deletion of funds related to a nine-month moratorium on state contributions to the KPERS Death and Disability Group Insurance Fund for all state agencies.

Four months of the Governor's recommended moratorium on KPERS Death and Disability has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill. The action still captures five months of savings from the moratorium in FY 2010.

3. **Continue the FY 2009 1.25 percent reduction.** Delete \$1,481,397, including \$566,615 from the State General Fund, to adjust the FY 2010 budget to duplicate the FY 2009 1.25 percent reduction, excluding debt service, Department of Education, and human service caseloads, approved by the 2009 Legislature for FY 2009.
4. Delete \$5.0 million, all from the State General Fund, to capture additional savings from limiting MediKan benefits to 18 months from the current 24 months. The Governor's recommendation utilized the \$5.0 million to establish a transition program including vocational training, similar to the Working Healthy Program.

The Subcommittee directs the agency to report back prior to Omnibus on the options for programs to provide transition services to the MediKan population on a smaller scale including the costs estimates to fund the other options.

In addition, the Subcommittee requests that the agency explore ways to offer a package of employment and support services aimed at re-entry into the workforce to achieve self-sufficiency. Outcomes from this package of services should be tracked to determine how successful this population is after the individuals have exhausted 18 months of MediKan eligibility.

The Subcommittee notes its intention to recommend additional expenditures of \$5.0 million, all from the State General Fund, in the Department of Social and Rehabilitation Services, for the grants for Community Mental Health Centers (CMHCs).

5. Accept GBA No. 1, Item 1, which deletes \$100.9 million, all from the State General Fund, and adds the same amount from federal funds in FY 2010 for Medicaid expenditures.

The GBA also deletes \$45.5 million, all from the State General Fund, and adds the same amount from federal funds in FY 2009. The GBA also suggests deletion of \$51.5 million, all from the State General Fund, and adding the same amount from federal funds in FY 2011 during the 2010 Legislative Session for Medicaid expenditures.

6. Accept GBA No.1, Item 2, which adds \$4.3 million, including \$1.2 million from the State General Fund, to increase funding for the State Children's Health Insurance Program (SCHIP) to expand eligibility from 200 to 250 percent of the federal poverty level.
7. Consider the addition at Omnibus of \$2.0 million, including \$800,000 from the State General Fund, to add back proposed savings from implementation of a mental health preferred drug list.

The Subcommittee notes the Governor's recommendation includes FY 2010 savings of \$2.0 million, including \$800,000 from the State General Fund by expanding the Preferred Drug List to include mental health drugs dispensed

under Medicaid. Current state law (KSA 39-7, 121b) prohibits the inclusion of these medications on the preferred drug list. SB 166 was introduced to implement the Governor's recommendation and was referred to the Senate Public Health and Welfare Committee, but no action had been taken as of March 6, 2009.

8. Recommend establishing a position limitation of 208.3 FTE positions for the Kansas Health Policy Authority in the bill, as the majority of other state agencies are subject to a limitation.
9. Request that the agency review the salary levels and make reductions in the number of personnel as it relates to efficiency and programs unrelated to direct services. Review the salaries of upper level employees as it relates to other like state positions, and other comparable positions within the region. In addition, the Subcommittee recommends that the agency consider reducing salary levels instead of making other proposed reductions.

The Subcommittee requests the agency to report back with the salary information prior to Omnibus.

10. The Subcommittee directs that the Kansas Health Policy Authority develop a priority listing of Health Information Exchange (HIE) and Health Information Technology (HIT) projects that could be implemented within the next eighteen months and which would be eligible for federal stimulus dollars. The Subcommittee requests that the agency submit the listing prior to Omnibus.

This priority listing shall be developed jointly with the e-Health Advisory Council, in conjunction with all other agencies with an interest in this area, in the discussion and setting of priorities.

This priority listing shall be developed with consideration to include projects that will improve the rate of adoption of electronic health records, e-prescribing, prescription monitoring program, fully automated "Smart PA", electronic methamphetamine tracking, and web based eligibility and other tools that will improve the quality of and coordination of care and improve patient safety. In addition, the listing shall give consideration to an integrated, web-based eligibility enrollment system that would ensure an individual is enrolled in, or offered enrollment, in all benefits for which an individual is eligible. This system would require coordination between the following agencies, but is not limited to, the Kansas Health Policy Authority, the Department of Social and Rehabilitation Services, the Department on Aging, the Department of Commerce, the Department of Labor, and the Kansas Commission on Veterans' Affairs.

The Subcommittee requests that the agency identified funding for Kansas specific HIT/HIE projects from the federal stimulus funding be reviewed at Omnibus.

11. Request that the agency report back prior to Omnibus on the possibility and impact of providing reimbursement incentives to providers who participate in a Managed Care Organizations (MCO's) with regard to their Medicaid participation and reimbursement. The subcommittee notes their understanding that the Medicaid is having a hard time finding providers to contract with.

12. The Subcommittee notes that the Kansas Health Policy has implemented Medicaid efficiencies including:
- **Increased Managed Care to Control Costs.** The agency transitioned to a more comprehensive program of managed care for the HealthWave program. The agency estimates this will save between \$10.0 to \$15.0 million annually.
 - **Resolved Federal Disputes and Improved Program Integrity.** Resolved and settled in 2007 a number of outstanding federal audits, potentially saving hundreds of million of dollars.
 - **Better Targeted Payments for Hospitals who serve Low Income Individuals.** Amended disproportionate share hospital payments to target those hospitals which have the greatest burden of uncompensated care. The reformulated system of compensation should result in an additional \$4.3 million in federal funds annually.
 - **More Federal Funding for Physicians Who Train Medical Students.** Obtained an additional \$8.8 million in federal funds annually to pay for care provided by physicians who teach at the KU School of Medicine campuses in Kansas City and Wichita who serve a high volume of Medicaid patients.
 - **More Federal Funds for Safety Net Clinics.** Obtained an additional \$575,000 in federal funds in FY 2009 for safety net clinics and increased reimbursement rates for clinics that accept Medicaid.
 - **Increased Efficiencies by Using Standard Medical Identification cards.** In September 2008, the agency discontinued use of monthly paper medical cards and implemented permanent medical ID cards. This transition is anticipated to result in annual savings of \$210,000.
 - **Increased Enrollment in the Working Healthy Program.** Increased the number of people utilizing the Working Healthy Program, a program that offers people with disabilities who are working or interested in working the opportunity to keep their Medicaid coverage while on the job. This program was awarded a \$910,000 federal Medicaid Infrastructure grant.
13. The Subcommittee notes that the Governor's recommendation for this agency exceeds a ten percent reduction if expenditures for caseloads are excluded from the calculation. The Subcommittee notes implementation of further reductions for this agency could impact reimbursement rates for Medicaid providers, potentially limiting the number of willing providers.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee's recommendations with the following adjustments:

1. Correct the number of FTE positions authorized in Item 8 to 272.7.
2. Add the word further in Item 13, last line after the word potentially, to read:
The Subcommittee notes that the Governor's recommendation for this agency exceeds a ten percent reduction if expenditures for caseloads are excluded from the calculation. The Subcommittee notes implementation of further reductions for this agency could impact reimbursement rates for Medicaid providers, potentially limiting the number of willing providers.

House Budget Committee Report

Agency: Kansas Health Policy Authority Bill No. HB 2373

Bill Sec. 54

Analyst: Deckard

Analysis Pg. No. Vol.-

Budget Page No. 215

Expenditure Summary	Agency Request FY 10	Governor's Recommendation FY 10*	House Budget Committee Adjustments
Reportable Operating Expenditures:			
State General Fund	\$ 516,601,802	\$ 415,294,243	\$ (6,617,700)
Other Funds	900,041,888	1,046,024,911	(3,687,055)
Subtotal - Reportable Operating	<u>\$ 1,416,643,690</u>	<u>\$ 1,461,319,154</u>	<u>\$ (10,304,755)</u>
Non- Reportable Operation Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	39,465,690	39,465,690	0
Subtotal - Non- Reportable Operating	<u>\$ 39,465,690</u>	<u>\$ 39,465,690</u>	<u>\$ 0</u>
 TOTAL	 <u>\$ 1,456,109,380</u>	 <u>\$ 1,500,784,844</u>	 <u>\$ (10,304,755)</u>
Reportable Positions			
FTE Positions	220.3	208.3	0.0
Non FTE Uncl. Perm. Pos.	7.6	7.6	0.0
TOTAL	<u>227.9</u>	<u>215.9</u>	<u>0.0</u>
Non-Reportable Positions			
FTE Positions	64.4	64.4	0.0
Non FTE Uncl. Perm. Pos.	0.4	0.4	0.0
TOTAL	<u>64.8</u>	<u>64.8</u>	<u>0.0</u>
Total Positions			
FTE Positions	284.7	272.7	0.0
Non FTE Uncl. Perm. Pos.	8.0	8.0	0.0
TOTAL	<u>292.7</u>	<u>280.7</u>	<u>0.0</u>

* Includes Governor Sebelius GBA No 1, Item 1, which deletes \$100.9 million from the State General Fund, and adds the same amount from federal funds, for Medicaid expenditures. Also includes Governor Sebelius GBA No. 1, Item 2, which adds \$4.3 million, including \$1.2 million from the State General Fund, to expand SCHIP coverage from 200.0 percent to 250.0 percent of the federal poverty level.

Agency Request

The **Kansas Health Policy Authority** requests a FY 2010 reportable budget of \$1.4 billion, an increase of \$1.6 million, or 0.1 percent, above the revised current year estimate. The request includes State General Fund expenditures of \$516.6 million, an increase of \$2.2 million, or 0.4 percent, above the revised current year estimate. The request would fund 220.3 FTE positions, and

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7.6 Non-FTE positions, an increase of 11.6 FTE positions above the revised FY 2009 estimate. The increase is attributable to an enhancement request for the addition of 12.0 FTE positions and a shift of 0.4 FTE positions to Non-FTE positions in FY 2010.

The request includes enhancement funding of \$7.8 million, including \$3.2 million from the State General Fund. **Absent the enhancement requests**, the FY 2010 request would be a reduction of \$6.2 million, or 0.4 percent, and a State General decrease of \$1.0 million, or 0.2 percent, below the FY 2009 revised estimate.

Governor's Recommendation

The **Governor** recommends FY 2010 reportable operating expenditures of \$1.5 billion, including \$515.0 million from the State General Fund. The recommendation is an all funds increase of \$50.2 million, or 3.6 percent, and a State General Fund increase of \$11.8 million, or 2.3 percent, above the FY 2009 recommendation. The Governor's recommendation is an increase of \$40.4 million, or 2.9 percent, above the agency's request.

The Governor does not recommend any of the agency's enhancement requests. The Governor recommends savings of \$32.6 million, including \$24.6 million from the State General Fund. The Governor also does not recommend any expenditures from the Children's Initiatives Fund in FY 2010, a decrease of \$5.5 million.

The Governor recommends the reduction of \$323,806, including \$136,129 from the State General Fund, for a seven pay period moratorium on employer contributions for the state employee health benefit plan. In addition, the Governor recommends that savings of \$7,959 be transferred to the State General Fund.

The Governor also recommends the reduction of \$68,050, including \$28,768 from the State General Fund, for a partial year moratorium on employer contributions to KPERS death and disability payments. In addition, the Governor recommends that savings of \$1,612 be transferred to the State General Fund.

The Governor recommends the addition of \$86.3 million, including \$26.3 million from the State General Fund, for human service caseloads, as agreed to at the fall 2008 consensus estimating group.

House Budget Committee Recommendation

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

1. **Moratorium on Employer Contributions to the State Health Plan.** Add \$423,605, including \$136,129 from the State General Fund, to restore the Governor's recommended deletion to suspend state contributions to the state employee Health Insurance Premium Reserve Fund for all state agencies for seven payroll periods in FY 2010. The employer health insurance moratorium has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill.

2. **KPERS Death and Disability Moratorium.** Add \$38,751, including \$12,786 from the State General Fund, to restore part of the Governor's recommended deletion of funds related to a nine-month moratorium on state contributions to the KPERS Death and Disability Group Insurance Fund for all state agencies. Four months of the Governor's recommended moratorium on KPERS Death and Disability has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year rescission bill. The action still captures five months of savings from the moratorium in FY 2010.
3. **Continue the FY 2009 1.25 percent reduction.** Delete \$1,481,397, including \$566,615 from the State General Fund, to adjust the FY 2010 budget to duplicate the FY 2009 1.25 percent reduction, excluding debt service, Department of Education, and human service caseloads, approved by the 2009 Legislature for FY 2009.
4. Delete \$5.0 million, all from the State General Fund, to capture additional savings from limiting MediKan benefits to 18 months from the current 24 months. The Governor's recommendation utilized the \$5.0 million to establish a transition program including vocational training, similar to the Working Healthy Program.
The Budget Committee notes its reluctance to begin a new program at this time.

The Budget Committee notes its concern for the approximately 1,500 individuals who will lose services with this policy change. The Budget Committee notes that this population is difficult to serve, and requests that funding for this population be reviewed at Omnibus. In addition, the Budget Committee notes its concern that this population might already be eligible for similar services being provided by the Department of Social and Rehabilitation Services. The Budget Committee recommends that the potential for duplication of services be reviewed at Omnibus.

In addition, the Budget Committee notes its intention to recommend additional expenditures of \$5.0 million, all from the State General Fund, in the Department of Social and Rehabilitation Services, for the grants for Community Mental Health Centers (CMHCs).

5. Accept GBA No. 1, Item 1 which deletes \$100.9 million, all from the State General Fund, and adds the same amount from federal funds in FY 2010 for Medicaid expenditures.

The GBA also deletes \$45.5 million, all from the State General Fund, and adds the same amount from federal funds in FY 2009. The GBA also suggests deletion of \$51.1, all from the State General Fund, and adding the same amount from federal funds in FY 2011 during the 2010 Legislative Session for Medicaid expenditures.
6. Do not accept GBA No. 1, Item 2, which added \$4.3 million, including \$1.2 million from the State General Fund, to increase funding for the State Children's Health Insurance Program (SCHIP) to expand eligibility from 200 to 250 percent of the federal poverty level.

The Budget Committee requests additional information on this expansion from the agency prior to Omnibus on the implementation of the expansion of eligibility and what impact the expansion would have on the number of children accessing the private insurance market.

The Budget Committee notes it's concern with the expansion and requests that the agency indicate what outreach would occur prior to and in conjunction with the expansion to ensure that individuals who are eligible would be knowable of the program. In addition, the Budget Committee requests that the agency indicate specifically how the expansion would benefit the children of Kansas.

The Budget Committee recommends the addition of funding for this change be reviewed at Omnibus.

7. The Budget Committee notes the Governor's recommendation includes FY 2010 savings of \$2.0 million, including \$800,000 from the State General Fund, by expanding the Preferred Drug List to include mental health drugs dispensed under Medicaid. Current state law (KSA 39-7, 121b) prohibits the inclusion of these medications on the preferred drug list. SB 166 was introduced to implement the Governor's recommendation and was referred to the Senate Public Health and Welfare Committee, but no action had been taken as of March 6, 2009.

The Budget Committee does not recommend the addition of funding, and recommends that the agency fund the reduction from within existing resources. In addition, the Budget Committee recommends a review of the addition of the funding at Omnibus.

8. Request that agency report back prior to Omnibus regarding the status of the contract with Kansas Legal Services. Kansas Legal Services provides legal representation and disability determination case management services for individuals currently receiving cash assistance through the Department of Social and Rehabilitation Services.

Kansas Legal Services indicated through the first six months of FY 2009, it successfully obtained disability benefits for 563 individuals referred from the Kansas Health Policy Authority, which resulted in direct reimbursement to the state of \$2,822,932.

The contract with Kansas Legal Services for FY 2009 was for \$975,000, all from the State General Fund. This contract was terminated in January 2009 in response to budget concerns. Kansas Legal Services is currently attempting to renegotiate the contract for the remainder of the current fiscal year and negotiate for a contract in FY 2010. The Budget Committee notes the importance of this service and the cost to the state once individuals obtain their federal disability benefits. The Budget Committee requests that this contract be reviewed at Omnibus.

Senate Subcommittee Report

Agency: Department of Social and Rehabilitation Services **Bill No.** SB 304 **Bill Sec.** 55

Analyst: Deckard **Analysis Pg. No. Vol.-** **Budget Page No.** 177

Expenditure Summary	Agency Request FY 10	Governor's Recommendation FY 10*	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 716,956,177	\$ 576,524,947	\$ 2,915,272
Other Funds	898,702,663	929,451,515	1,237,793
Subtotal - Operating	<u>\$ 1,615,658,840</u>	<u>\$ 1,505,976,462</u>	<u>\$ 4,153,065</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	0
Other Funds	26,061,982	7,512,950	0
Subtotal - Capital Improvements	<u>\$ 26,061,982</u>	<u>\$ 7,512,950</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 1,641,720,822</u></u>	<u><u>\$ 1,513,489,412</u></u>	<u><u>\$ 4,153,065</u></u>
FTE Positions	3,676.1	3,669.1	0.0
Non FTE Uncl. Perm. Pos.	85.3	85.3	0.0
TOTAL	<u><u>3,761.4</u></u>	<u><u>3,754.4</u></u>	<u><u>0.0</u></u>

* Includes Governor Sebelius GBA No 1, Item 1, which deletes \$61.1 million from the State General Fund, and adds the same amount from federal funds, for Medicaid expenditures.

Agency Request

The **Department of Social and Rehabilitation Services** requests a FY 2010 operating budget of \$1.6 billion, an increase of \$64.9 million, or 4.2 percent, above the revised current year estimate. The request includes State General Fund expenditures of \$303.1 million, an increase of \$14.9 million, or 5.2 percent, above the revised current year estimate. The request includes 3,348.2 FTE positions and 70.3 Non-FTE positions, an increase of 7.0 FTE positions above the revised current year estimate.

The request includes enhancement funding of \$106.1 million, including \$47.7 million from the State General Fund and 7.0 FTE positions. Absent the enhancement requests, the request in FY 2009 would total \$1.5 billion, including \$669.3 million from the State General Fund, representing a total decrease of \$41.2 million, or 2.7 percent, and a State General Fund reduction of \$32.8 million, or 11.4 percent.

Governor's Recommendation

The **Governor** recommends FY 2010 operating expenditures \$1.5 billion, including \$637.6 million from the State General Fund. The recommendation is an all funds decrease of \$87.6 million, or 5.5 percent below the FY 2009 recommendation. The Governor's recommendation is a decrease of \$109.7 million, or 6.8 percent, below the agency's request. The Governor does not recommend

any of the agency's enhancement requests. In addition, the Governor recommends the following adjustments:

- Reductions of \$19.6 million, including \$22.6 million from the State General Fund, in savings from reduced resources packages.
- Addition of \$22.7 million, including \$8.4 million from the State General Fund, to fund the human services consensus caseloads agreed to at the fall estimating meeting.
- Capture savings of \$15.1 million, including \$14.1 million from the State General Fund, from renegotiating the foster care contract.
- Reduce the Children's Initiatives Fund expenditures for the child welfare program by \$3.1 million. Of this amount, the Governor recommends shifting expenditures of \$2.6 million to the State General Fund and \$229,774 to the Social Welfare Fund. In addition, reduce funding for the program by \$324,470.
- The Governor recommends the reduction of \$5.4 million, including \$2.4 million from the State General Fund, for a seven pay period moratorium on employer contributions for the state employee health benefit plan. In addition, the Governor recommends that savings of \$316,463 be transferred to the State General Fund.
- The Governor also recommends the reduction of \$1.0 million, including \$423,643 from the State General Fund, for a partial year moratorium on employer contributions to KPERS death and disability payments. In addition, the Governor recommends that savings of \$56,754 be transferred to the State General Fund.

Senate Subcommittee Recommendation

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

1. **Moratorium on Employer Contributions to the State Health Plan.** Add \$5,391,729, including \$2,381,022 from the State General Fund, to restore the Governor's recommended deletion to suspend state contributions to the state employee Health Insurance Premium Reserve Fund for all state agencies for seven payroll periods in FY 2010. The employer health insurance moratorium has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill.
2. **KPERS Death and Disability Moratorium.** Add \$425,415, including \$188,284 from the State General Fund to restore part of the Governor's recommended deletion of funds related to a nine-month moratorium on state contributions to the KPERS Death and Disability Group Insurance Fund for all state agencies. Four months of the Governor's recommended moratorium on KPERS Death and Disability has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill. The action still captures five months of savings from the moratorium in FY 2010.
3. **Continue the FY 2009 1.25 percent reduction.** Delete \$11,453,881, including \$5,174,034 from the State General Fund, to adjust the FY 2010 budget to duplicate the FY 2009 1.25 percent reduction, excluding debt service,

Department of Education, and human service caseloads, approved by the 2009 Legislature for FY 2009.

4. Add \$5.0 million, all from the State General Fund, for grants to the Community Mental Health Centers (CMHCs). The Subcommittee notes the valuable service these centers provide to the community.

In addition, the Subcommittee recommends a review of the restoration of \$2.0 million, all from the State General Fund, for the Community Mental Health Centers, at Omnibus.

5. Add \$520,000, all from the State General Fund, to restore funding for the funeral assistance program to the FY 2007 level. In addition, the Subcommittee recommends that the funding limit for each funeral be reduced from \$675 to \$545. The increase in funding per each funeral was provided starting in FY 2008. If funding for this program is not provided by the state, the expenditures will be shifted to the counties.

The Subcommittee recommends introducing legislation to shift the responsibility for funerals from the county to the state. The Subcommittee notes its understanding that the funding for this program was transferred from the county level to the state when the Department of Social and Rehabilitation Services was created. Additionally, the Subcommittee recommends funding for this program be reviewed during the 2010 Legislative Session.

6. Add \$4,269,802, all from federal funds, to adjust for the correct federal match rate for Home and Community Based Services waivers. The Governor's recommendation does not include adjustment for the FMAP (federal medical assistance percentage) that was anticipated prior to changes associated with the federal stimulus package.
7. Accept GBA No. 1, Item 1, which deletes \$61.1 million, all from the State General Fund, and adds the same amount from federal funds in FY 2010 for Medicaid expenditures.

The GBA also deletes \$35.6 million, all from the State General Fund, and adds the same amount from federal funds in FY 2009. The GBA suggests the deletion of \$31.6 million, all from the State General Fund, and adding the same amount from federal funds in FY 2011 during the 2010 Legislative Session for Medicaid expenditures.

8. The Subcommittee requests that the agency report back prior to Omnibus regarding the policy for determining eligibility to receive Home and Community Based Services for individuals with a developmental disability (HCBS/DD) waiver payments at the extraordinary funding level. In addition, the Subcommittee requests that the agency report on any deviation from this policy in the current fiscal year and provide justification for this action.

The Subcommittee notes its intention to hold an additional meeting prior to Omnibus to discuss this issue.

9. The Subcommittee notes that the substantive legislation to implement the policies in regards to child in need of care cases, SB 92 and SB 94, are currently referred to the Senate Judiciary Committee. The Subcommittee

recommends the status of the bills be reviewed at Omnibus as the Governor's recommendation includes combined savings in these bills of \$4.7 million, including \$4.3 million from the State General Fund.

10. The Subcommittee notes that the Governor recommends integrating the Grandparents as Caregivers Program into the Temporary Assistance for Families program. This shift would increase TANF funding by \$812,736 and decrease State General Fund obligations by \$1.2 million. The combination of programs would continue providing benefits to grandparents and relatives with TANF funding, however the benefits provided under the TANF program are lower than the Grandparents as Caregivers Program. SB 109 was introduced to implement this policy change. SB 109 had a hearing in the Ways and Means Committee, but has not yet had action taken. The Subcommittee recommends that the status of the legislation be reviewed at Omnibus.
11. The Subcommittee directs the agency to report back to the full committee prior to Omnibus, regarding the potential for funding from the federal stimulus package. In addition, the Subcommittee recommends that before expenditures are made from the State General Fund as a result of the federal stimulus package, priority be placed on providing additional funding for the Community Mental Health Centers (CMHCs) and Community Developmental Disability Organizations (CDDOs).
12. The Subcommittee notes that the Governor's recommendation for this agency exceeds a ten percent reduction if expenditures for caseloads are excluded from the calculation.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee's recommendations.

House Budget Committee Report

Agency: Department of Social and Rehabilitation Services **Bill No.** HB 2373 **Bill Sec.** 55

Analyst: Deckard **Analysis Pg. No. Vol.-** **Budget Page No.** 177

Expenditure Summary	Agency Request FY 10	Governor's Recommendation FY 10*	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 716,956,177	\$ 576,524,947	\$ 3,205,272
Other Funds	898,702,663	929,451,515	(3,032,008)
Subtotal - Operating	<u>\$ 1,615,658,840</u>	<u>\$ 1,505,976,462</u>	<u>\$ 173,264</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	26,061,982	7,512,950	0
Subtotal - Capital Improvements	<u>\$ 26,061,982</u>	<u>\$ 7,512,950</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 1,641,720,822</u></u>	<u><u>\$ 1,513,489,412</u></u>	<u><u>\$ 173,264</u></u>
FTE Positions			
FTE Positions	3,676.1	3,669.1	0.0
Non FTE Uncl. Perm. Pos.	85.3	85.3	0.0
TOTAL	<u><u>3,761.4</u></u>	<u><u>3,754.4</u></u>	<u><u>0.0</u></u>

*Includes Governor Sebelius GBA No 1, Item 1, which deletes \$61.1 million from the State General Fund, and adds the same amount from federal funds, for Medicaid expenditures.

Agency Request

The **Department of Social and Rehabilitation Services** requests a FY 2010 operating budget of \$1.6 billion, an increase of \$64.9 million, or 4.2 percent, above the revised current year estimate. The request includes State General Fund expenditures of \$303.1 million, an increase of \$14.9 million, or 5.2 percent, above the revised current year estimate. The request includes 3,348.2 FTE positions and 70.3 Non-FTE positions, an increase of 7.0 FTE positions above the revised current year estimate.

The request includes enhancement funding of \$106.1 million, including \$47.7 million from the State General Fund and 7.0 FTE positions. Absent the enhancement requests, the request in FY 2009 would total \$1.5 billion, including \$669.3 million from the State General Fund, representing a total decrease of \$41.2 million, or 2.7 percent, and a State General Fund reduction of \$32.8 million, or 11.4 percent.

Governor's Recommendation

The **Governor** recommends FY 2010 operating expenditures \$1.5 billion, including \$637.6 million from the State General Fund. The recommendation is an all funds decrease of \$87.6 million, or 5.5 percent below the FY 2009 recommendation. The Governor's recommendation is a decrease of \$109.7 million, or 6.8 percent, below the agency's request. The Governor does not recommend any of the agency's enhancement requests. In addition, the Governor recommends the following adjustments:

- Reductions of \$19.6 million, including \$22.6 million from the State General Fund, in savings from reduced resources packages.
- Addition of \$22.7 million, including \$8.4 million from the State General Fund, to fund the human services consensus caseloads agreed to at the fall estimating meeting.
- Capture savings of \$15.1 million, including \$14.1 million from the State General Fund, from renegotiating the foster care contract.
- Reduce the Children's Initiatives Fund expenditures for the child welfare program by \$3.1 million. Of this amount, the Governor recommends shifting expenditures of \$2.6 million to the State General Fund and \$229,774 to the Social Welfare Fund. In addition, reduce funding for the program by \$324,470.
- The Governor recommends the reduction of \$5.4 million, including \$2.4 million from the State General Fund, for a seven pay period moratorium on employer contributions for the state employee health benefit plan. In addition, the Governor recommends that savings of \$316,463 be transferred to the State General Fund.
- The Governor also recommends the reduction of \$1.0 million, including \$423,643 from the State General Fund, for a partial year moratorium on employer contributions to KPERS death and disability payments. In addition, the Governor recommends that savings of \$56,754 be transferred to the State General Fund.

House Budget Committee Recommendation

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

1. **Moratorium on Employer Contributions to the State Health Plan.** Add \$5,391,729, including \$2,381,022 from the State General Fund, to restore the Governor's recommended deletion to suspend state contributions to the state employee Health Insurance Premium Reserve Fund for all state agencies for seven payroll periods in FY 2010. The employer health insurance moratorium has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year rescission bill.
2. **KPERS Death and Disability Moratorium.** Add \$425,415, including \$188,284 from the State General Fund, to restore part of the Governor's recommended deletion of funds related to a nine-month moratorium on state contributions to the KPERS Death and Disability Group Insurance Fund for all state agencies.

Four months of the Governor's recommended moratorium on KPERS Death and Disability has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill. The action still captures five months of savings from the moratorium in FY 2010.

3. **Continue the FY 2009 1.25 percent reduction.** Delete \$11,453,881, including \$5,174,034 from the State General Fund, to adjust the FY 2010 budget to duplicate the FY 2009 1.25 percent reduction, excluding debt service, Department of Education, and human service caseloads, approved by the 2009 Legislature for FY 2009.
4. Add \$5.0 million, all from the State General Fund, for grants to the Community Mental Health Centers (CMHCs). The Budget Committee notes the valuable service these centers provide to the community.

In addition, the Budget Committee recommends a review of the restoration of \$2.0 million, all from the State General Fund, for the Community Mental Health Centers, at Omnibus.

5. Add \$810,000, all from the State General Fund, to restore funding for the Funeral Assistance Program. The Budget Committee notes that this program provides reimbursement for up to \$675 in funeral expenditures for individuals who had previously received services from the Department. The Budget Committee notes that if this program is eliminated as recommended in the Governor's recommendation, the responsibility would shift to the counties.
6. Accept GBA No. 1, Item 1, which deletes \$61.1 million, all from the State General Fund, and adds the same amount from federal funds in FY 2010 for Medicaid expenditures.

The GBA also deletes \$35.6 million, all from the State General Fund, and adds the same amount from federal funds in FY 2009. The GBA suggests the deletion of \$31.6 million, all from the State General Fund, and adding the same amount from federal funds in FY 2011 during the 2010 Legislative Session for Medicaid expenditures.

7. The Budget Committee notes recent issues regarding the policy for determining eligibility to receive Home and Community Based Services for individuals with a developmental disability (HCBS/DD) waiver payments at the extraordinary funding level.

The Budget Committee requests a legislative post audit to address the following questions:

1. Has Community Living Centers of Lenexa been prudent in the allocation of taxpayer dollars?
2. Did the Department of Social and Rehabilitation Services deviate from normal protocol in approving recent funding of the Community Living Centers of Lenexa?

8. The Budget Committee notes reductions made to the social service agencies have impacted services to individuals. The Budget Committee recommends that before expenditures are made from the State General Fund as a result of the federal stimulus package, specifically the funding made available from the increased federal medical assistance percentage (FMAP) and the flexible spending allocated by the federal stimulus package, consideration for additional funding or restoration of funding reductions for the following programs be considered:
- Community Developmental Disability Organizations (CDDOs);
 - No waiting list policy for the Home and Community Based Services for Individuals with a Physical Disability(HCBS/PD) waiver;
 - No waiting list policy for the Home and Community Based Services for Individuals with Traumatic Brain Injuries (HCBS/TBI) waiver;
 - Fund an addition 100 children on the Home and Community Services for Children with Autism;
 - 30 bed expansion at Osawatomie State Hospital;
 - Reduce the Home and Community Based Services for Individuals with Developmental Disabilities (HCBS/DD) waiver waiting list by 25.0 percent;
 - Consider restoration of the previous policy for the General Assistance Program (24 months of eligibility with hardship provisions);
 - Consider restoration of the previous policy for MediKan mental health assistance (24 months of eligibility with hardship provisions);
 - Alcohol and Drug Treatment funding.

The Budget Committee notes these are important programs that deserve due consideration for additional funding and should be reviewed at Omnibus.

In addition, the Budget Committee recommends that the estimates for the expanded gaming revenues, as determined by the consensus revenue estimating group, as the Governor's recommendation shifts funding of \$600,000 from the State General Fund to the Problem Gambling and Addictions Grant Fund. This fund receives 2.0 percent of lottery gaming facility revenues. The Budget Committee notes that this funding stream is not certain and wants to review the revised revenue estimates to determine if the funding should be shifted back to the State General Fund.

9. The Budget Committee notes that the Rehabilitation Center for the Blind and the Visually Impaired has seen a reduction in the number of individuals receiving services in recent years. The Budget Committee requests that the House Appropriations Committee send a letter to the Facilities Closure and Realignment Commission, recently created by the Governor in Executive Order 09-01, requesting that it include this program for review for possible closure. The Budget Committee notes that the Kansas School for the Blind is already on the list to be reviewed by this Commission. The Budget Committee notes its hope that the total array of statewide services for the blind and visually impaired would be considered by the Commission.
10. The Budget Committee requests the agency provide additional information prior to Omnibus concerning reimbursement rates for providers of home and community based services. The Budget Committee notes that it received testimony which indicated that the low reimbursement rates have hindered the

ability of caregivers to provide adequate services, especially to consumers who have extraordinary needs.

The Budget Committee notes that this information is essential, as the Facilities Closure and Realignment Commission are considering the possible closure of one of more state operated institutions.

2009 Federal Poverty Guidelines*

Federal Poverty Percentage	Household Size				
	1	2	3	4	5
30%	\$ 3,249	\$ 4,371	\$ 5,493	\$ 6,615	\$ 7,737
37%	4,007	5,391	6,775	8,159	9,542
50%	5,415	7,285	9,155	11,025	12,895
75%	10,153	13,659	17,166	20,672	24,178
100%	10,830	14,570	18,310	22,050	25,790
125%	13,538	18,213	22,888	27,563	32,238
130%	14,079	18,941	23,803	28,665	33,527
133%	14,404	19,378	24,352	29,327	34,301
150%	16,245	21,855	27,465	33,075	38,685
185%	20,036	26,955	33,874	40,793	47,712
200%	21,660	29,140	36,620	44,100	51,580
225%	24,368	32,783	41,198	49,613	58,028
250%	27,075	36,425	45,775	55,125	64,475
300%	32,490	43,710	54,930	66,150	77,370

For each additional person in the household add \$3,740 for 100% of FPL.

* from U.S. Department of Health and Human Services (www.aspe.hhs.gov). Figures are for the 48 contiguous states and D.C..

Note: The HHS poverty guidelines, or percentage multiples of them (such as 125 percent etc.) are used as an eligibility criterion by a number of federal programs including Head Start, Food Stamps, National School Lunch Program, Low-Income Home Energy Assistance, Children's Health Insurance Program and some parts of the Medicaid program. In general, cash public assistance programs do not use these poverty guidelines in determining eligibility. A more detailed list of programs that use or do not use these guidelines can be found at www.aspe.hhs.gov.

Appropriations Committee

Attachment 2-1

Date 3-16-09

SCOPE STATEMENT

Community Living Opportunities Inc.: Reviewing Issues Related to Recent Funding Increases Provided by SRS

Community Living Opportunities (CLO) is a non-profit organization formed in 1977 by a group of Johnson County parents of children with severe and multiple disabilities. CLO serves more than 300 children and adults with developmental disabilities primarily in Douglas and Johnson Counties, and employs more than 400 staff members. The organization provides targeted case management, residential services in homes sprinkled throughout Douglas and Johnson Counties, day services, behavioral consultation, children's services, health-care services, training and staff certification, and organizational behavior management consulting.

In early March 2009, a Kansas Health Institute article reported that, late in 2008, the Department of Social and Rehabilitation Services (SRS) had approved \$712,000 in "extraordinary" funding for CLO outside the normal approval channels. CLO reportedly had been trying to persuade SRS officials for more than a year that it should receive more State funding because it served a disproportionately high number of severely disabled individuals. These severely disabled clients can get "extraordinary" funding because their costs are higher.

Apparently, the determination at the regional level as to which clients qualify for extraordinary funding normally is made by community developmental disability organizations. In this case, however, SRS reportedly decided to review the files of 43 high-needs CLO clients itself, and determined that their conditions were severe enough to warrant the higher level of payments. The SRS Secretary subsequently approved the additional payment, in part because he said he feared the organization would fail and potentially leave its clients struggling to find services.

Because of the concerns this issue has raised since it became public, SRS has since asked the Health Policy Authority to contract with an outside expert to conduct an independent review of SRS' determination of whether clients' needs were severe enough to be eligible for extraordinary funding. However, legislators also have expressed concerns about whether SRS deviated from its normal practices in approving extraordinary funding for CLO. In addition, given CLO's purchase and development of facilities at Midnight Farm, a rural setting in Douglas County that includes an equestrian center and a 22,000 square foot meeting lodge, legislators would like to know whether CLO has been prudent in the way it spends the State funding it has received.

A performance audit of this topic would answer the following questions.

- 1. Did SRS officials follow established procedures for allocating extraordinary funding to Community Living Opportunities in 2008?** To answer this question, we would review the process SRS has established for determining whether clients are eligible for extraordinary funding, and would determine what process SRS actually followed. We also would assess any Medicaid regulations or requirements in this area. If SRS didn't follow the established process or regulations, we would interview SRS officials and review available documents to determine why. Because of SRS' stated concerns about CLO potentially failing without this extra funding, we would examine CLO's financial position over the last several years, as well

Appropriations Committee

Attachment 3-1

Date 03/16/09

as the financial position of any of its corporations. We also would look at the amounts SRS had paid to CLO, the amounts spent on services, and the amounts carried forward in reserves. We would perform other audit work as needed.

2. **Has Community Living Opportunities exercised prudence in the way it has spent the State funding it has received?** To answer this question, we would determine what contracts SRS has entered into with CLO or any of its related corporations, and what those contracts call for. We would review the expenditures or transfers related to those contracts to determine whether they appeared to be for the purposes intended in the contract. We also would review information related to CLO's purchase, development, and costs of the property that houses Midnight Farm to determine such things as how that development has been funded, what facilities have been developed or are planned, what types of clients are served in those facilities and the costs associated with housing them there, how those costs compare with the costs of other CLO clients, and the like. We would perform other audit work as needed.

Estimated Time to Complete: 8-10 weeks