

MINUTES

LEGISLATIVE BUDGET COMMITTEE

July 20, 2009
Room 545-N—Statehouse

Members Present

Representative Kevin Yoder, Chairperson
Senator Jay Emler, Vice-chairperson
Senator Laura Kelly
Representative Bill Feuerborn
Representative Jason Watkins
Representative Jeff Whitham

Member Absent

Senator John Vratil

Staff Present

Alan Conroy, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Reagan Cussimano, Kansas Legislative Research Department
Dylan Dear, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Aaron Klaassen, Kansas Legislative Research Department
Estelle Montgomery, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Jonathan Tang, Kansas Legislative Research Department
Jarod Waltner, Kansas Legislative Research Department
Nobuko Folmsbee, Office of the Revisor of Statutes
Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Melinda Gaul, Chief of Staff, Senate Ways and Means Committee
Shirley Jepson, Committee Assistant

Conferees

Glenn Deck, Executive Director, Kansas Public Employees Retirement System
Duane Goossen, Secretary, Department of Administration and Division of the Budget

Roger Werholtz, Secretary, Department of Corrections
Don Jordan, Secretary, Department of Social and Rehabilitation Services
Roderick L. Bremby, Secretary, Department of Health and Environment
Dr. Andrew Allison, Acting Executive Director, Kansas Health Policy Authority
Dale Dennis, Deputy Commissioner, Department of Education
Reginald L. Robinson, CEO and President, Board of Regents

Others Attending

See attached list.

Morning Session

The meeting was called to order at 10:10 a.m. by Chairperson Yoder.

Overview of Purpose of Legislative Budget Committee

Alan Conroy, Kansas Legislative Research Department, reviewed the purpose of the Legislative Budget Committee and the areas of state government that the Legislative Budget Committee addresses (Attachment 1). Responding to a question from the Committee, Mr. Conroy indicated that the Committee has the authority to request the introduction of legislation.

Chairperson Yoder discussed goals and objectives as well as possible agenda items to be addressed by the Committee and the 2010 Legislature, including the following:

- Develop a list of options for policy changes;
- Review abuse and fraud in state government;
- Review budget reform - modify the budget process; and
- Participate in the budget building and allotment process with the Governor and Division of the Budget.

Chairperson Yoder stated that it is his intention for the House Appropriations Committee and possibly the Senate Ways and Means Committee to meet during the fall and winter to prepare for the 2010 Legislative Session.

Update on Status of the State General Fund

Mr. Conroy provided a review of the status of the State General Fund (SGF) at the end of the 2009 Legislative Session (Attachment 2) and a profile of the budget as of July 13, 2009 (Attachment 3). Mr. Conroy noted that final numbers for the 2009 budget will be available after July 25, 2009.

Mr. Conroy stated that state revenues continue to be below the April Consensus Revenue Estimates with individual income taxes of great concern. The economy continues to be unstable and contributes to the difficulty in projecting future state revenues.

Update on Kansas Public Employees Retirement System Actuarial Review

Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS), provided a review on the background of retirement funding and the importance of the annual actuarial valuation in measuring assets and liabilities, providing a best estimate of ultimate costs and calculating employer contribution rates (Attachment 4). Mr. Deck stated that the downturn in the stock market has caused investment returns to be drastically reduced (by an estimated 19.2 percent) in FY 2009 and noted that, while current benefits are safe at this time, addressing the shortfall is critical. Mr. Deck stated that KPERS will conduct a comprehensive funding analysis with recommendations for restoring the System's financial health to achieve a fund that is sustainable and balanced.

Responding to questions from the Committee, Mr. Deck stated that the last cost-of-living adjustment (COLA) for KPERS' retirees was a 3 percent raise in 1998, noting that COLAs have had a modest effect on the unfunded liability of the KPERS fund. Mr. Deck indicated that the 85-point rule and multiplier adopted by the Legislature in 1993 has had the biggest effect on the KPERS fund balance. Mr. Deck stated that as long as contributions continue to be paid into KPERS, the fund will be sustained for a considerable length of time.

FY 2010 State General Fund Allotments

Duane Goossen, Secretary, Department of Administration and Director of the Budget, presented testimony on FY 2010 SGF allotments (Attachment 5). Mr. Goossen stated that the allotments were put in place by the Governor after considering that current revenues would not be sufficient to sustain the FY 2010 budget as approved by the 2009 Legislature. Mr. Goossen stated that although the SGF had an ending balance of \$66 million on June 30, 2009, \$73 million of FY 2009 school finance bills were carried forward for payment in FY 2010 and \$31 million in tax refunds for FY 2009 were delayed until FY 2010. In addition, the Judicial Branch will need a supplemental appropriation of \$8 million in FY 2010 in order to keep the courts operating, placing the FY 2010 SGF ending balance approximately \$160 million below zero. The budget amounts as utilized by the Governor and the Division of the Budget anticipate that revenues will be forthcoming as projected by the April 2009 Consensus Revenue Estimating Group. Secretary Goossen indicated that if projected state revenues are not received, additional adjustments will need to be made to the FY 2010 budget.

The Committee expressed concern that despite the fact that state revenues for May and June, 2009, were \$119 million below the estimate, the Governor's budget allotments use the projected amounts from the April Consensus Revenue Estimating Group.

The meeting was recessed at 12:15 p.m. and will reconvene at 1:45 p.m.

Afternoon Session

Secretary Goossen continued discussion of the Governor's plan to balance the FY 2010 budget, noting that the Governor has the authority to make the allotments as provided for in KSA 75-3722. Secretary Goossen stated that several items recommended as part of the allotments will require legislative action.

In addressing the Judicial Branch shortfall of approximately \$16 million, the Governor's revised FY 2010 budget plan includes \$8 million from the SGF with the balance to be addressed by \$5 million in increased docket fees and \$3 million in reductions to the Judicial Branch budget.

Responding to a question from the Committee, Mr. Goossen indicated that the administration's position is to comply with the Federal Recovery Act by maintaining K-12 education funding at the FY 2006 level in order to pull down the federal stimulus funding. A waiver will be required if K-12 funding falls below the FY 2006 level. Mr. Goossen indicated that proportionality between funding for K-12 education and higher education is not a factor in qualifying for the federal stimulus funding, but the manner in which budget cuts are applied determines how the stimulus funding will be distributed to K-12 and higher education. Mr. Goossen noted that there is an effort by the administration to protect education, human services, and public safety as much as possible in making budget cuts, but noted that deeper cuts in the budget will have a continued effect on these services.

**Selected State Agency Impact of Budget Reductions,
Allotments, and Potential Further Budget Reductions,
Including State Employee Layoffs, Elimination of Programs,
and Usage of Federal Economic Stimulus Funds**

Roger Werholtz, Secretary, Department of Corrections, presented testimony on the effects of budget cuts at the Department of Corrections (Attachment 6). Secretary Werholtz stated that the prison population has been reduced by 7 percent; the parole population has increased by 42.3 percent; inmate grievances have been reduced; the monthly parole revocation rate has been reduced; the community corrections revocation rate has been reduced; the average number of parole absconders have been reduced; and felony convictions for crimes committed on parole have been reduced; all of which has helped the Department with budget cuts. At this time, there is a surplus of 102 beds, all at male minimum security facilities. Additionally, the Department is holding staff positions open, not replacing supplies, and limiting the replacement of clothing. Secretary Werholtz stated that public safety and employee safety is a concern as a result of budget cuts.

Don Jordan, Secretary, Department of Social and Rehabilitation Services (SRS), presented testimony on the impact of budget cuts at SRS (Attachment 7). Secretary Jordan stated that the reduction in staff is increasing the workload on the remaining staff. Reduction in salaries also has been achieved by moving higher paid employees to lower salaried positions. A number of programs have been eliminated or reduced, but no program authorized by statute has been eliminated.

Responding to questions from the Committee, Secretary Jordan stated that there is a concern that salary reductions will result in losing federal funding where there is a federal match. Additional budget cuts could affect reimbursement rates on waivers. The Secretary also noted that requirements of the Federal Recovery Act have to be considered when budget cuts are made to insure that the state complies with the requirements in order to maintain the ability to receive the stimulus funds.

Roderick L. Bremby, Secretary, Department of Health and Environment (KHDE), presented testimony on the effects of budget cuts at KHDE (Attachment 8). Secretary Bremby stated that the agency has eliminated 79.0 vacant staff positions and implemented a hiring freeze. Although a number of programs have been eliminated or reduced, the agency has worked to not cut programs where matching federal funding is received.

Dale Dennis, Deputy Commissioner, Department of Education, presented testimony on the results of a Unified School District reduction survey (Attachment 9). The survey results show that 3,701 positions have been eliminated and approximately \$167.2 million in reductions taken by the school districts. Mr. Dennis stated that it is anticipated that school consolidations will continue at an estimated

rate of two consolidations per year. A number of school districts are using shared services in making budget cuts. Other reductions include a shortened school year, program cuts, and cut-backs in transportation.

Responding to questions from the Committee, Mr. Dennis indicated that most school districts were aware that additional cuts would be forthcoming and were making preparations to handle the cuts, noting that classrooms could be larger, and support staff would not be as readily available to assist teachers. Mr. Dennis stated that the state has submitted an application for a waiver under the Federal Recovery Act, but has not had a response other than that the waiver has been received. Mr. Dennis noted that he has a concern that the waiver has not been approved as of this date.

Dr. Andrew Allison, Acting Executive Director, Kansas Health Policy Authority (KHPA), presented an update on the impact of changes in the FY 2010 budget and the new direction of KHPA as a result of budget cuts since the Authority was first created (Attachment 10). Dr. Allison stated that budget reductions have resulted in an increased backlog of Medicaid/State Children's Health Insurance Program (SCHIP) applications.

Reginald L. Robinson, Chief Executive Officer and President, Board of Regents, appeared before the Committee to provide a higher education budget update (Attachment 11). Mr. Robinson indicated that of the \$39.9 million in state university federal stimulus funding, two-thirds will be used for deferred maintenance at the universities and the remaining one-third will be used for tuition mitigation. Responding to a question from the Committee, Mr. Robinson stated that it is not known at this time how future tuition increases will affect enrollment at the universities.

The meeting was adjourned at 5:15 p.m. The next meeting of the Committee will be scheduled by the Chairperson.

Prepared by Shirley Jepson
Edited by Leah Robinson

Approved by Committee on:

January 21, 2010
(Date)

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July 20, 2009

To: Legislative Budget Committee
From: Alan D. Conroy, Director
Re: Purpose of Legislative Budget Committee

Chairperson Yoder has requested the Research Department review the purpose of the Legislative Budget Committee. The Legislative Budget Committee is unique in that the charge is very broad and any subject that relates to the budget could be studied by the Committee.

Areas of state government that the Legislative Budget Committee deals with are:

- A continuous study of the state budget, revenues, and expenditures;
- To ascertain facts and make recommendations to the Legislature concerning the state budget, the revenues, and the expenditures of the state;
- To make recommendations of the organization and functions of the state, its departments, subdivisions, and agencies;
- Recommendations are to be made with a view of reducing the cost of state government; and
- Also, recommendations shall be made to secure greater efficiency and economy in state government.

The Legislative Budget Committee is a continuous legislative committee that may meet during the session as well as in between sessions.

Recent areas of state government that the Legislative Budget Committee has studied include:

- Targeted case management rules;
- Animal Health Department fees;
- State building insurance policy;
- Funding of the proposed change in state tourism services;
- Community mental health reimbursement;
- Efficiencies in business operations of the Regents universities;
- Mental health services for the elderly; and
- Number and salaries of public employees in Kansas.

Legislative Budget Committee
July 20, 2009
Attachment 1

Approved Expenditures by 2009 Legislature, as Adjusted for Underspending and Shifting from FY 2009 to FY 2010
 Governor's Allotments in FY 2010 (\$90.1 million) - Generally 2.0 Percent
 School Aid Payments Delayed from FY 2009 to FY 2010 (\$73.0 million)
 April Consensus Revenue Estimates Adjusted for Legislation; 1.0 Percent Growth in Revenue in FY 2011 and 2.0 Percent in FY 2012;
 Revenues Further Adjusted for Actual Receipts for May and June, 2009
 Tax Refunds (\$31.0 million) Delayed from FY 2009 to FY 2010

STATUS OF THE STATE GENERAL FUND
 FY 2008-FY 2012
 (In Millions)

	Actual FY 2008	Revised FY 2009	Revised FY 2010	Estimated FY 2011	Estimated FY 2012
Beginning Balance	\$ 935.0	\$ 526.6	\$ 65.8	\$ -	\$ (0.0)
Receipts (April, 2009 Consensus Revenue Estimate)	5,693.4	5,709.7	5,535.9	5,547.7	5,624.0
Subtotal- Approved Receipts	\$ 6,628.4	\$ 6,236.3	\$ 5,601.7	\$ 5,547.7	\$ 5,624.0
Less Receipts Below Estimate (May and June)		(119.0)	(119.0)	(119.0)	(119.0)
Delay FY 2009 Tax Refunds to FY 2010		-	(31.0)	-	-
Total Available Revenue	\$ 6,628.4	\$ 6,117.3	\$ 5,451.7	\$ 5,428.7	\$ 5,505.0
Expenditures	6,101.8	6,266.6	6,009.8	6,256.9	6,360.5
Federal Economic Stimulus Legislation	-	(102.8)	(396.2)	(297.3)	-
Subtotal - Approved Expenditures	6,101.8	6,163.8	5,613.6	5,959.6	6,360.5
Less FY 2009 Underspending and Shifting to FY 2010	-	(39.3)	35.0	-	-
Less Governor's Allotments (generally 2.0 percent)	-	-	(90.1)	-	-
Delay FY 2009 School Aid Payments to FY 2010	-	(73.0)	73.0	-	-
Additional Adjustments to Achieve a Zero Ending Balance			(179.8)	(530.9)	(855.5)
Total Adjusted Expenditures	6,101.8	6,051.5	5,451.7	5,428.7	5,505.0
Ending Balance	\$ 526.6	\$ 65.8	\$ -	\$ (0.0)	\$ (0.0)
Ending Balance as a Percentage of Expenditures	8.6%	1.1%	0.0%	0.0%	0.0%
Approved Receipts in Excess of Approved Expenditures	\$ (408.4)	\$ (454.1)	\$ (77.7)	\$ (411.9)	\$ (736.5)
Adjusted Receipts in Excess of Adjusted Expenditures	\$ (408.4)	\$ (460.8)	\$ (65.8)	\$ (0.0)	\$ 0.0

Assumptions:

- Expenditures as approved by the 2009 Legislature, as adjusted for underspending and shifting of expenditures from FY 2009 to FY 2010. Plus Governor's allotments of generally 2.0 percent in FY 2010 and delay of school aid payments from FY 2009 to FY 2010.
- April, 2009 Consensus Revenue estimates for FY 2009 and FY 2010, further adjusted for legislative action. Plus, adjustment for May and June actual receipts. In addition, delay of FY 2009 tax refunds (\$31.0 million) to FY 2010.
- Estimated federal economic stimulus impact - revenue (loss of \$86.5 million) and expenditures (savings of \$796.3 million) as reflected in the approved budget.
- Caseloads include adjustments within the budgets of the Department of Social and Rehabilitation Services, Kansas Health Policy Authority, Department on Aging, Juvenile Justice Authority, and the Department of Education.

- Expenditures in FY 2011 and FY 2012 increase for human services caseloads (\$60 million), KPERS employer contribution increases (\$42 million), and state employee market pay (\$8.5 million).
- Revenue estimates increase 1.0 percent in FY 2011 and 2.0 percent in FY 2012, less repayment of previous loans to the SGF (\$34.7 million) for KDOT, Underground Petroleum Fund, and the Waste Tire Management Fund in both FY 2011 and FY 2012.

Kansas Legislative Research Department
 July 13, 2009

Approved Expenditures by 2009 Legislature
 April Consensus Revenue Estimates Adjusted for Legislation; 1.0 Percent Growth in Revenue in FY 2011 and 2.0 Percent in FY 2012;

Legislative Budget Comm
 July 20, 2009
 Attachment 3

**STATUS OF THE STATE GENERAL FUND
 FY 2008-FY 2012
 (In Millions)**

	Actual FY 2008	Approved FY 2009	Approved FY 2010	Estimated FY 2011	Estimated FY 2012
Beginning Balance	\$ 935.0	\$ 526.6	\$ 72.5	\$ -	\$ (0.0)
Receipts (April, 2009 Consensus Revenue Estimate)	5,693.4	5,709.7	5,535.9	5,547.7	5,624.0
Total Available Revenue	\$ 6,628.4	\$ 6,236.3	\$ 5,608.4	\$ 5,547.7	\$ 5,624.0
Expenditures	6,101.8	6,266.6	6,009.8	6,256.9	6,360.5
Federal Economic Stimulus Legislation	-	(102.8)	(396.2)	(297.3)	-
Subtotal - Approved Expenditures	6,101.8	6,163.8	5,613.6	5,959.6	6,360.5
Additional Adjustments to Achieve a Zero Ending Balance	-	-	(5.2)	(411.9)	(736.5)
Total Adjusted Expenditures	6,101.8	6,163.8	5,608.4	5,547.7	5,624.0
Ending Balance	\$ 526.6	\$ 72.5	\$ -	\$ (0.0)	\$ (0.0)
Ending Balance as a Percentage of Expenditures	8.6%	1.2%	0.0%	0.0%	0.0%
April Estimate of Receipts in Excess of Approved Expenditures	\$ (408.4)	\$ (454.1)	\$ (77.7)	\$ (411.9)	\$ (736.5)
April Estimate of Receipts in Excess of Adjusted Expenditures	\$ (408.4)	\$ (454.1)	\$ (72.5)	\$ (0.0)	\$ 0.0

Assumptions:

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Expenditures as approved by the 2009 Legislature. 2. April, 2009 Consensus Revenue estimates for FY 2009 and FY 2010, further adjusted for legislative action. 3. Estimated federal economic stimulus impact - revenue (loss of \$86.5 million) and expenditures (savings of \$796.3 million) as reflected in the approved budget. 4. Caseloads include adjustments within the budgets of the Department of Social and Rehabilitation Services, Kansas Health Policy Authority, Department on Aging, Juvenile Justice Authority, and the Department of Education. | <ol style="list-style-type: none"> 5. Expenditures in FY 2011 and FY 2012 increase for human services caseloads (\$60 million), KPERs employer contribution increases (\$42 million), and state employee market pay (\$8.5 million). 6. Revenue estimates increase 1.0 percent in FY 2011 and 2.0 percent in FY 2012, less repayment of previous loans to the SGF (\$34.7 million) for KDOT, Underground Petroleum Fund, and the Waste Tire Management Fund in both FY 2011 and FY 2012. |
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Kansas Legislative Research Department
 July 13, 2009

Kansas Public Employees Retirement System

KPERS Long-Term Funding

Legislative Budget Committee

July 20, 2009

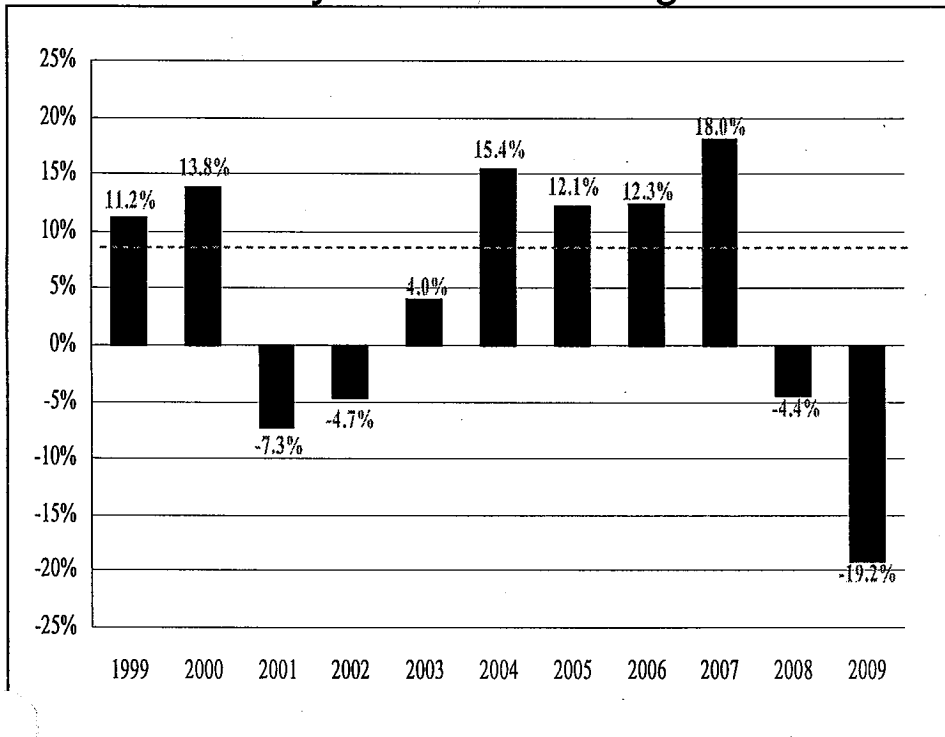
Retirement Funding Background

- In 2001 and 2002, actuarial projections indicated the KPERS retirement plan was not in actuarial balance.
- Following the 2001 actuarial valuation results, KPERS worked with the Legislature to develop a comprehensive, long-term funding plan to address the shortfall and bring the Plan into actuarial balance.
 - 2003 legislation raised statutory caps on employer contribution rate increases from 0.2% annually to 0.4% in FY 2006; 0.5% in FY 2007; and 0.6% in FY 2008 and subsequent years.
 - State issued \$500 million in pension obligation bonds in 2004.
 - 2007 legislation established a new plan design for employees hired on or after July 1, 2009, which increased retirement eligibility ages and employee contributions.
- These actions, along with strong investment returns in the 2004-2007 period, significantly improved the projected funding status of the system.

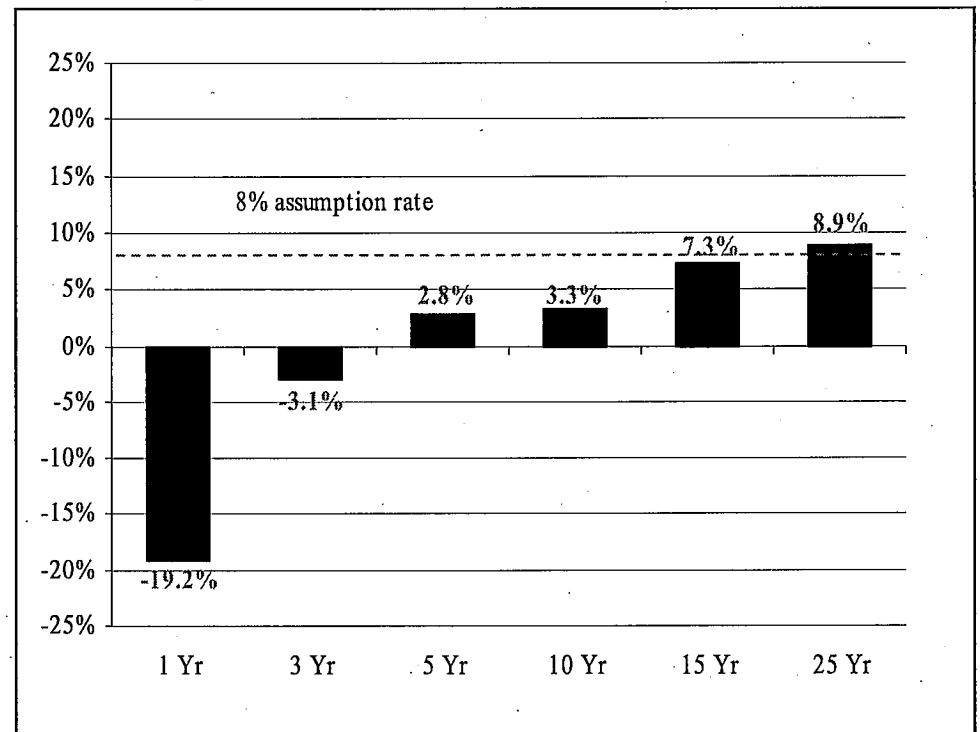
Investment Returns

- The last year was the worst year for the stock market since the Great Depression, with the S&P index declining -26.2% during FY 2009.
- Due to these unprecedented market declines, KPERS' preliminary estimate of investment returns for FY 2009 is -19.2%.

Return History FY 1999 through FY 2009



Average Annual Return through 06/30/09



Actuarial Valuation Background

- The purposes of the annual actuarial valuation include:
 - Measuring assets and liabilities
 - Providing a best estimate of ultimate costs
 - Calculating employer contribution rates
- The valuation is a snapshot picture of the System as of 12/31/2008.
- It gives a statistical projection of each funding element – the assets, future contributions, and the amount and timing of future benefits.
 - Uses one set of assumptions (best estimate) out of many possible scenarios.
 - One key assumption is an annual investment return of 8%.
- The market value of assets is not used directly in the valuation.
- The effect of market fluctuations is smoothed by spreading market value gains/losses evenly over five years.
- The value of actuarial assets that results must be within a corridor of 80-120% of pure market value. The corridor applied this year.

Key 2008 Valuation Results

The unprecedented investment market declines in 2008 have had a substantial negative impact on the funding status of the System, reversing forward progress on long-term funding.

- The 12/31/08 actuarial report valuation shows:
 - A 12% decline in the System's funded ratio to 59%.
 - A \$2.7 billion increase in the unfunded actuarial liability (UAL) to \$8.3 billion.
- The actuarial value of assets is now significantly greater than their market value.
 - There are about \$2 billion in deferred losses to be averaged in over the next four years.
 - Actual investment returns will determine how much of the deferred losses are offset in subsequent valuations.
 - On a current market value basis, the funded ratio is 49% and the UAL is \$10.3 billion.
- Given the current funding structure, the System does not have enough assets to provide all the benefits already earned by members and to pay off the UAL in the adopted amortization period ending in 2033.

4-6

Impact on Funded Status by Group

Even assuming an 8% investment return over the next five years:

- The funded ratio of each group will continue to fall.
- Each group's UAL and actuarially required contribution (ARC) rate will rise significantly.

	12/31/2007 Valuation		12/31/2008 Valuation	
	Unfunded Actuarial Liability (millions)	Funded Ratio	Unfunded Actuarial Liability (millions)	Funded Ratio
Kansas Public Employees Retirement System (KPERs)				
• <i>State Group</i>	\$451	87%	\$1,002	72%
• <i>School Group</i>	3,862	63%	5,239	52%
• <i>Local Group</i>	941	70%	1,385	59%
Kansas Police and Firemen's Retirement System (KP&F)	284	86%	619	71%
Kansas Retirement System for Judges	15	89%	36	75%
Retirement System Totals	\$5,552	71%	\$8,279	59%

Employer Contribution Rates

- The ARC rate increased for all groups, and the year in which the ARC rate is reached (ARC date) increased for KPERS groups.
- Some groups have not reached their ARC rate, and the maximum employer rate increase for KPERS remains capped by statute at 0.6% per year.

<u>System</u>	Actuarial		Statutory
	<u>12/31/07</u>	<u>12/31/08</u>	<u>12/31/08</u>
State	7.39%	11.13%	8.77%
School	12.48%	14.96%	8.77%
Local	8.52%	10.42%	6.74%
KP&F	12.86%	17.88%	17.88%
Judges	19.49%	26.38%	26.38%

Note: The rates shown above will be effective for FY 2012 (State and School Groups, State KP&F, and Judges) and CY 2011 (Local Group and Local KP&F). The chart assumes the current 0.6% cap on employer rate increases remains in place.

8-7

Future Employer Contribution Rate Changes

- Options for increasing KPERS' statutory employer contribution cap in future years need to be considered as one step to bring the System back into actuarial balance over the long term.
- The Joint Committee on Pensions, Investments and Benefits considered long-term funding issues during the 2008 Interim. The Committee recommended that the Legislature raise the cap on employer contribution rate increases from 0.6% annually to 1.0% annually, effective no later than FY 2012.
- 2009 HB 2400, which was passed by House Select Committee on KPERS, would raise the maximum increase in employer contributions for the State and School groups to 1.0% per year, effective FY 2011.

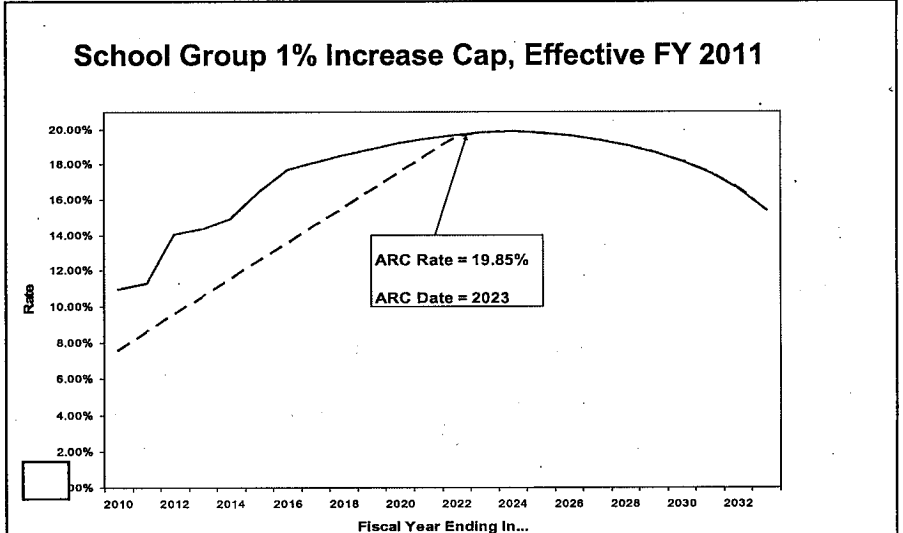
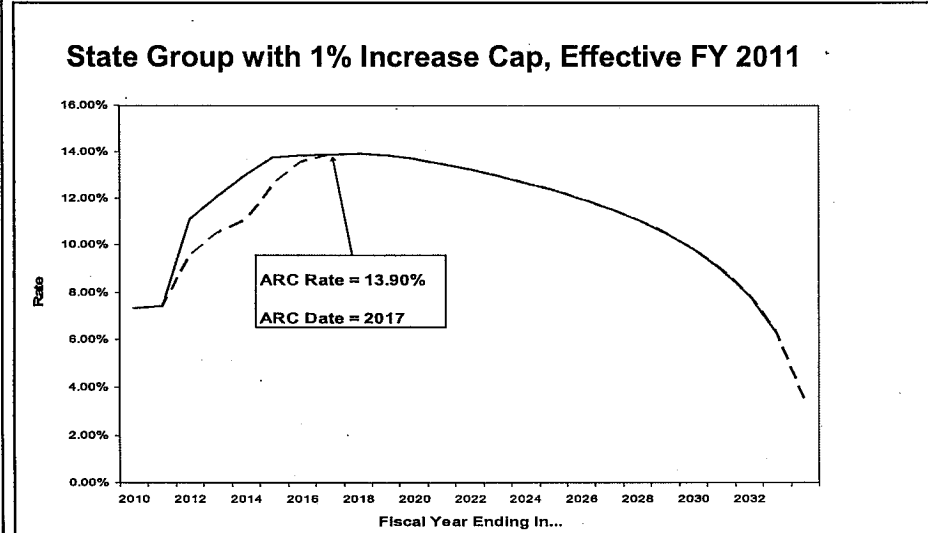
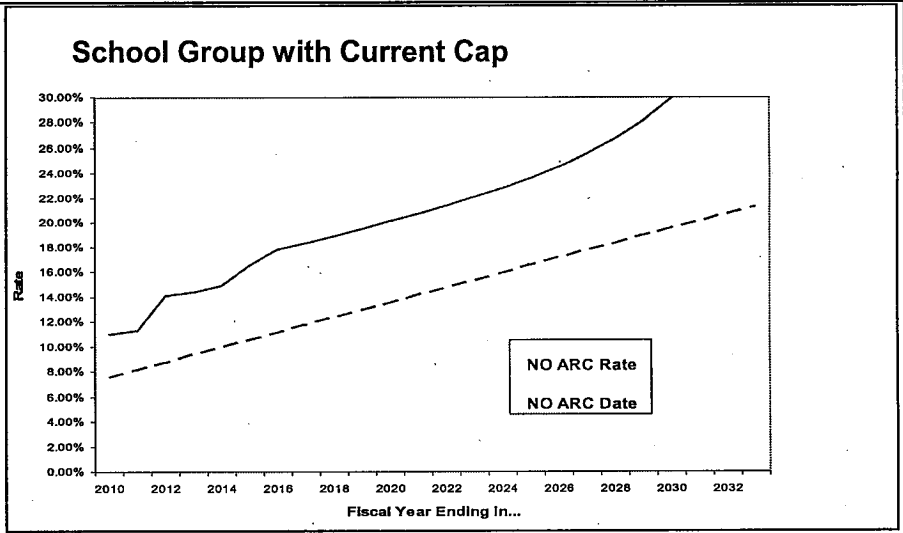
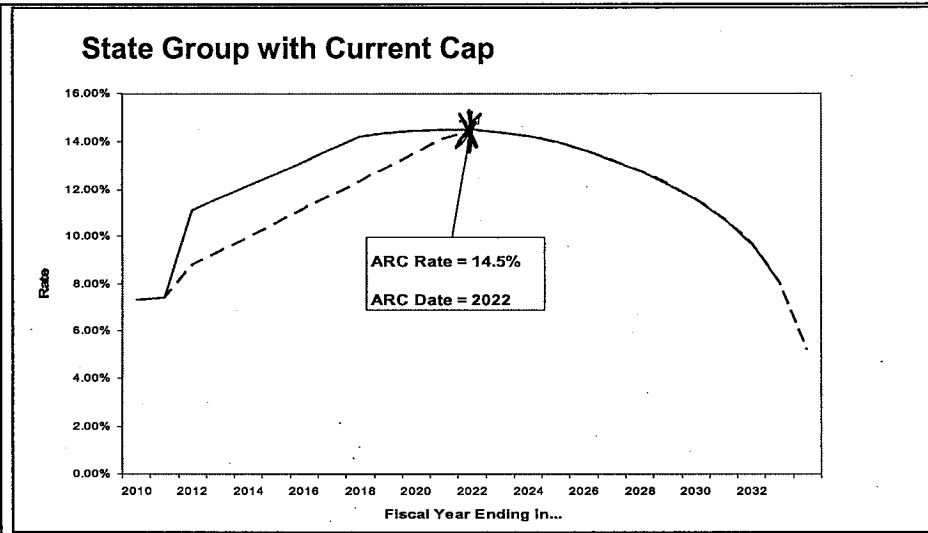
Estimated Effect of Raising the State and School Employer Contribution Cap to 1% in FY 2011 (in millions)

	0.6% Cap	1% Cap	Additional Contributions
FY 2011 Increase in Employer Contributions	\$35.3	\$53.7	\$18.4
FY 2011 Total Employer Contributions	\$376.0	\$394.4	\$18.4
FY 2015 Increase in Employer Contributions	\$42.4	\$64.6	\$22.2
FY 2015 Total Employer Contributions	\$533.9	\$634.9	\$101.1

Handwritten notes:
 \$550m
 \$350m
 until 2030
 Annually

4-9

ARC Projections: Current and 1% Increase Caps*



— Actuarial Employer Rates - - - Statutory Employer Rates * Assumes 8% Annual Return. Based on Preliminary Estimates.

H-10

Developing a Comprehensive Funding Solution

- Moving to a 1.0% cap on annual employer rate increases is an important element of a comprehensive funding solution. However, on its own, that change is not sufficient to ensure the System's long-term financial health.
- Investment returns alone cannot fix the funding shortfall. If returns over the next few years are weak or see new lows, the funding status could deteriorate further.
- Over the next few months, KPERS will complete a new, comprehensive funding analysis on how to restore the System to financial health.
- Since contributions and investment returns must equal benefits and expenses, all of these areas will be considered.

4-11

Funding Analysis Steps

- Identify factors for evaluating a balanced funding solution. Such considerations may include whether the funding solution:
 - Is consistent with legal limitations and actuarial standards.
 - Provides a cooperative, comprehensive solution that is sustainable.
 - Establishes shared responsibility among stakeholders for the funding solution.
 - Provides more stability in employer rates.
 - Supports retirement benefit adequacy.
- Use model to project the effect of funding solution options. Options may include:
 - Employer rate increases. (Increase the employer contribution rate cap to 1.0% no later than FY 2012.)
 - Future benefit changes and contribution increases for employees.
 - Actuarial changes, including the smoothing corridor, smoothing period, and amortization period. Options will be considered for mitigating steep increases in KP&F and Judges employer contribution rates.
- Develop recommended package for consideration by Board and presentation to the Joint Committee on Pensions, Investments and Benefits and the Governor this fall.

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Conclusions

- Investment losses have had a substantial adverse impact on KPERS' long-term funding outlook.
- Current benefits are safe for a period of time. Assets of approximately \$10 billion are available to pay benefits.
- Investment returns alone cannot fix the funding shortfall. While it is not an immediate crisis, addressing the shortfall is critical.
- KPERS will conduct a comprehensive funding analysis with recommendations for restoring the System's financial health.
- KPERS is committed to a comprehensive funding solution that is sustainable and balanced.
- Recommendations for the funding solution will be presented to the Joint Committee and Governor this fall for their consideration.

MEMORANDUM

TO: Governor Mark Parkinson

FROM: Duane A. Goossen, Secretary of Administration and Director of the Budget

DATE: July 2, 2009

SUBJECT: FY 2010 State General Fund Allotment

After considering current revenue information, the FY 2010 approved budget, and other pertinent information, it appears that the resources of the State General Fund are likely to be insufficient to cover the appropriations made against the State General Fund. Therefore, I advise that the use of an allotment plan as provided for in K.S.A. 75-3722 is necessary and beneficial to the state.

At the close of FY 2009, the State General Fund had a preliminary ending balance of \$66 million. However, \$73 million of FY 2009 school finance bills were carried forward for payment in FY 2010, and \$31 million of tax refunds that normally would have been paid in FY 2009 will be paid in FY 2010. In addition, the Judiciary will need a supplemental appropriation of \$8 million in FY 2010 in order to keep the courts operating. Taking into account these factors, estimated revenues, and approved expenditures, the FY 2010 State General Fund ending balance will be approximately \$160 million below zero unless corrective action is taken.

State General Fund Outlook
Legislature's Approved Budget
(Dollars in Millions)

	FY 2008 <u>Actual</u>	FY 2009 <u>Leg. Approved</u>	FY 2010 <u>Leg. Approved</u>
Beginning Balance	\$ 935.0	\$ 526.6	\$ 72.5
April Adjusted Consensus Rev. Estimate	<u>5,693.4</u>	<u>5,709.7</u>	<u>5,535.9</u>
Total Available	\$ 6,628.4	\$ 6,236.3	\$ 5,608.4
Legislative Approved Expenditures	\$ 6,101.8	\$ 6,163.8	\$ 5,613.6
Ending Balance	\$ 526.6	\$ 72.5	\$ (5.2)
<i>As Percent of Expenditures</i>	8.6 %	1.2%	(0.1%)

State General Fund Outlook
Governor's Revised FY 2010 Budget Plan
(Dollars in Millions)

	FY 2008 <u>Actual</u>	FY 2009 <u>Prelim. Actual</u>	FY 2010 <u>Projected</u>
Beginning Balance	\$ 935.0	\$ 526.6	\$ 65.9
Revenues			
April Adjusted Consensus Rev. Estimate	5,693.4	5,709.7	5,535.9
May and June 2009 Tax & Other Revenue Shortfall	--	(119.0)	--
Tax Refunds Held Over	--	--	(31.0)
Governor's Proposals to Balance Budget	--	--	<u>69.3</u>
Total Available	\$ 6,628.4	\$ 6,117.3	\$ 5,640.1
Expenditures			
Legislative Approved Expenditures	6,101.8	6,163.8	5,613.6
School Payments Carried Over	--	(73.0)	73.0
Other Underspending	--	(39.3)	35.0
Governor's Allotments	--	--	(90.1)
Legislature's Voluntary Reduction	--	--	(0.5)
Address Judiciary Funding Error	--	--	<u>8.0</u>
Total Expenditures	\$ 6,101.8	\$ 6,051.4	\$ 5,639.0
Ending Balance	\$ 526.6	\$ 65.9	\$ 1.1
<i>As Percent of Expenditures</i>	8.6%	1.1%	0.0%

detail
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Governor's Plan to Balance FY 2010 Budget

Revenue Gains

Suspend SGF Transfers Out	Health Care Stabilization Fund	2,805,000
	State Water Plan Fund	3,295,432
	Housing Trust Fund	2,000,000
Department of Commerce	Cessna Bond Payment No Longer Needed	4,150,000
Social & Rehabilitation Services	Use Federal TANF Contingency Fund for Earned Income Tax Credit Refunds	18,687,361
Department of Transportation	Reduce maintenance and operations and transfer funds*	30,000,000
Securities Commissioner	Transfer Special Settlement Payment*	5,000,000
EDIF	Transfer excess balance with direction that Commerce will reduce EDIF spending by an additional \$300,000 and KTEC by an additional \$140,000 *	3,400,000
Total Revenue Gains		\$ 69,337,793

Agency Allotments

Governor	2 % Reduction	(149,101)
Lt. Governor	2 % Reduction	(4,148)
Attorney General	2 % Reduction	(94,736)
Department of Administration	2 % Reduction (excluding debt service)	(305,352)
Human Rights Commission	2 % Reduction	(28,864)
Department of Revenue	Operational Efficiencies	(1,800,000)
Court of Tax Appeals	2 % Reduction	(28,811)
SRS	Reduce Salary Budget an Additional 2 % Increased FMAP Rate **	(1,483,534) (4,185,564)
KHPA	FY 2009 Caseload Savings Dental Program Increased FMAP Rate **	(5,300,000) (524,000) (6,300,000)
Department on Aging	Operating Reductions Increased FMAP Rate **	(99,000) (2,768,025)
Dept. of Health & Environment	2 % Reduction	(641,512)
Department of Labor	2 % Reduction	(9,515)
Department of Education	Operating Reductions KPERS School Over Funded Juvenile Detention Facilities Over Funded 2 % General State Aid Reduction	(150,000) (3,650,000) (2,451,322) (39,114,424)

Governor's Plan to Balance FY 2010 Budget

School for the Blind	2 % Reduction	(132,477)
School for the Deaf	2 % Reduction	(196,395)
Regents System	2 % Reduction	(15,295,000)
Arts Commission	Grants Reduction	(50,000)
State Library	2 % Reduction	(95,418)
Department of Corrections	Capture FY 2009 Savings	(1,100,000)
	Additional Labette Savings	(500,000) †
Juvenile Justice Authority	Suspend Beloit JCF Operations effective Aug. 28	(1,466,131)
	Increased FMAP Rate **	(44,375)
Adjutant General	2 % Reduction (excluding disaster & debt payments)	(106,178)
Highway Patrol	Operating Reductions 1%	(333,435)
KBI	CJIS Central Messaging Switch	(326,000)
Sentencing Commission	2 % Reduction	(172,089)
Department of Agriculture	Operating Reductions	(277,139)
Animal Health	2 % Reduction	(17,900)
Department of Wildlife and Parks	Further Reduce Capital Improvements	(116,794)
All Agencies	Undermarket Pay Plan Savings	(765,718) †
Legislative Agencies	Voluntary Reduction* <i>Finance Council?</i>	(540,000)
Total Agency Allotments		\$ (90,622,957)
Total Gain to the State General Fund Balances		\$ 159,960,750

* Requires legislative action.

** The federal Recovery Act will provide additional funding for Medicaid, allowing Kansas to realize SGF expenditure savings with no program reduction.

March 16, 2009

To: Rep. Colloton
From: Roger Werholtz 
Re: Suggestions for controlling prison population growth

Pursuant to our phone conversation earlier this morning, we have taken a look at recent legislation and its bed impact (data provided by Helen Pedigo, director of the Sentencing Commission). There do not appear to be too many opportunities to simply roll back legislation to control prison population growth since much of the legislation that drives prison growth focuses on sex offenders and gangs. However, there may be some opportunities you see that we have not, and I have included Helen's charts for reference.

We did come up with some suggestions not tied to any specific legislation that was previously enacted:

- Increase the amount of good time that can be earned and apply it retroactively to the prison portion of the sentence and provide that good time credits that reduce the prison portion of the sentence not be added to extend the length of the postrelease supervision period. Note: the good time must be applied retroactively in order to get any kind of impact in proximity to the time it is needed. The good time portions of SB 14 have not had a large impact yet, because the good time provisions were not applied retroactively.
- Cut the length of post release supervision for certain offenders or eliminate it completely. This will further reduce parole revocations. Some possibilities would be to apply this to level 7 through 10 offenders not already covered in statute by this practice or select offenses in the border box group that could be subject to this provision.
- Cut off admissions to prison if the offender has less than a certain number of days remaining on his/her prison sentence, e.g. 30 – 60 days. This was proposed in the last session as a 10 day cutoff which the Senate Judiciary Committee expanded to (I think) 30 days when they reported it out favorably, but it died in floor debate due to opposition from the counties because of impact on the jails.
- Accelerate release from prison or eligibility for release from prison for certain offenders based on severity level or type of offense. The release decision would rest with the parole board and the early release mechanism would be activated whenever the prison population reached a certain proportion of prison capacity such as 98% or 100%. I would prefer that the trigger percentage be lower than 100 %, because population characteristics (gender, custody level) will not always match bed space characteristics. The same mechanism could also be applied to post release supervision for purposes of early discharge from supervision.
- Have the parole board review all "old law" inmates subject to proportionality issues for possible early release. This will create a temporary workload bubble for

the parole board and our staff and may not yield much relief but could help to some degree and also possibly resolve the concerns expressed by the Speaker.

- When DUI offenders are revoked from **parole** supervision, have them serve their revocation period in the county jail where they were convicted. This will create a burden on the jails, but all original DUI incarceration sentences, regardless of the number of convictions, are served in the county jails. In conjunction with this proposal, I would recommend that supervision of DUI offenders be transferred from KDOC to community corrections. This would address the operational and legal issues regarding the entity that has jurisdiction to revoke supervision, i.e. district courts or the Parole Board. If DUI offenders are to serve supervision violation penalties in the county jail, district courts rather than the KPBB would be more suitable to conduct the revocation hearings.
- Reexamine the offender registry and the penalties for failing to register. Most people assume that the registry is for sex offenders, but it also has been broadened to include certain violent and drug offenders. In some instances, the penalty for failing to register is more severe than the penalty for the crime for which the offender is required to register.

I am not sure if these suggestions are responsive to your request, but we tried to focus on what we might be able to suggest that did not require an appropriation. Our other suggestion, which may not be possible to act upon, is to restore programming resources lost in budget rescissions which could help us hold down revocation numbers. As you know, with the beds we have already closed and those that are scheduled to be closed by July 1, we are very close to hitting our capacity for males already. Restoration of substance abuse funding would make it possible for the substance abuse treatment to be provided in prison for certain drug possession offenders which can render those persons eligible for a prison sentence modification a reality. Please let me know if you require further information.

Cc: Helen Pedigo

Performance Measures - REVISED

- 8,586 – facility population on 7/7/09 (9,251 on 2/19/04)
7% reduction
- 5,930 – Parole Population on 7/7/09 (4,261 on 2/19/04,
4,167 on 6/30/03) 42.3% increase
- 2,555 – inmate grievances in FY '08 (3,461 in FY '04)
36% reduction
- 96 – FY 2009 monthly parole revocation rate (FY 2003
rate = 203/month) 53% reduction
- 103.2 – FY 2009 community corrections (high risk
probation) revocation rate - 25% reduction
- 225 – average number of parole absconders for FY 2009
(739 on 6/30/00, 467 on 6/30/03, 189 on 3/16/09) 69%
reduction
- 36% reduction in felony convictions for crimes committed
on parole (FY 1998 – 2000 avg. [835] compared to FY
2004 – 2008 avg. [536])

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**Testimony of Capacity & Population
to
The Joint Committee on Corrections and Juvenile Justice Oversight**

**By Roger Werholtz
Secretary
Kansas Department of Corrections**

July 9, 2009

Capacity Adjustments:

On December 31, 2008 the capacity for KDOC/non-KDOC facilities was 9317. On June 30, 2009 (current) the capacity was 8870. The reduction of 447 beds is a result of the closing of the following KDOC and non-KDOC living units and/or treatment facilities due to budget reductions resulting from revenue shortfalls.

- Jan. 1 – Closed 17-bed female SAT Program at Labette
- Feb. 6 – Closed 80-bed male minimum TC Program at Osawatomie (LCF-SU)
- Feb.27 – Closed 70-bed male minimum unit at Toronto (EDCF-EU)
- Mar 31 – Closed 128-bed male minimum unit at Stockton (NCF-EU)
- June 8 – Closed 50-bed male minimum unit at Labette (permanent party inmates)
- June 12 – Closed 102-bed male minimum unit at El Dorado (EDCF-NU)

On March 6, 2009, 176-bed male Living Unit "B" was closed at WCF. It was reopened on June 8, 2009.

Inmate Population:

The inmate population increased by 54 during the last six months of FY 2008. There was an increase of 52 male and 2 female inmates.

<u>Date</u>	<u># Male Inmates</u>	<u># Female Inmates</u>	<u># Total Inmates</u>
12/31/08	7969	587	8556
01/31/09	7930	587	8514
02/28/09	7914	599	8513

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03/31/09	8006	607	8613
04/30/09	8030	593	8623
05/31/09	7979	585	8564
06/30/09	8021	589	8610
Change	+52	+2	+54

Available Bedspace:

Females:

As reflected below, the Department currently has adequate capacity to house female inmates:

Female Capacity:	747	(Includes 20 beds at LSSH)
Female Population:	<u>588</u>	
Available Bed Space	159	

Males:

For the past several months available bed space for male inmates has varied from 20 to 60 beds. The population tends to spike on Wednesdays and Thursdays and then decreases on Fridays due to weekend releases.

On June 30, 2009 there were 102 available beds (KDOC/non-KDOC) for male inmates. The increase in the number of available male beds from what was reported in previous months is the result of the reopening of "B" Living Unit at Winfield Correctional Facility.

These numbers do not include non-general population, special use beds such as infirmary, disciplinary segregation and observation beds which are not counted as part of the official capacity.

Population and Custody Distribution for Male Inmates
(June 30, 2009)

	<u>Max/Spec</u>	<u>Medium</u>	<u>Minimum</u>	<u>Total</u>
Capacity	2326	3653	2144	8123
Population	<u>1888</u>	<u>3812</u>	<u>2321</u>	<u>8021</u>
Available Bedspace	438	-159	-177	102

DEPARTMENT OF CORRECTIONS

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Most of the available bed space for male inmates is at Winfield Correctional Facility (WCF). Living Unit "B" was reopened on June 8, 2009 to accommodate the closing of the North Unit at El Dorado Correctional Facility. Although several other facilities have excess numbers of minimum male inmates, the decision to transfer inmates from those facilities to WCF was delayed until the new budget numbers were released at the end of June.

Male Inmate Population Relative to the KSC Projections:

The 2008 Kansas Prison Population Projections issued by the Kansas Sentencing Commission indicated a male inmate population of 8120 on June 30, 2009. The actual male inmate population was 8023. The actual male population was 97 less than projected.

The projection for male inmates on June 30, 2010 is 8099 followed by an increase to 8192 on June 30, 2011.

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**KDOC STATE GENERAL FUND BUDGET ADJUSTMENTS
FISCAL YEAR 2010**

<u>Item</u>	<u>Adustment to Base Budget</u>	<u>Total Adjustments</u>
Base budget increases to finance FY 2010 budget	2,636,560	2,636,560
State General Fund transfers to the eight correctional facilities	2,852,693	5,489,253
Food service and health care contract savings - reduced inmate population	(553,407)	4,935,846
Restructure debt service payments	(835,000)	4,100,846
Partially suspend payments for fringe benefit employer contributions	(471,387)	3,629,459
Delete unallocated amount for offender programs	(904,000)	2,725,459
Suspend operations of the Osawatomie Correctional Facility	(902,699)	1,822,760
Suspend operations of the Toronto Correctional Facility	(907,393)	915,367
Suspend operations of the Stockton Correctional Facility	(1,647,927)	(732,560)
Eliminate funding for 4th time DUI offenders (proposal to offset this reduction with fines/forfeitures not approved by Legislature)	(538,000)	(1,270,560)
Replace financing for offender programs with additional commissions from inmate telephone contract	(750,000)	(2,020,560)
Assess shrinkage rate of 5 percent against reentry program positions	(166,000)	(2,186,560)
Increase central office shrinkage rate to 5 percent	(305,000)	(2,491,560)
Close Correctional Conservation Camps	(3,371,324)	(5,862,884)
Close day reporting centers and retain partial funding to continue essential services	(869,520)	(6,732,404)
Replace financing of the health care contract with transfer from the Correctional Industries Fund	(1,202,904)	(7,935,308)
Reduce funding for community corrections grants, excluding adult residential centers, by 3 percent	(525,000)	(8,460,308)
Health care contract savings from intentionally holding positions vacant and delaying equipment purchases	(600,000)	(9,060,308)
Delete funding for replacement of major computer systems (OMIS/TOADS)	(450,000)	(9,510,308)
Reduce funding for offender programs	(3,284,075)	(12,794,383)
Reduce funding for facilities operations	(1,327,789)	(14,122,172)
Increase funding for offender programs	646,250	(13,475,922)
Reduce funding for offender programs	(2,003,722)	(15,479,644)
Eliminate funding for longevity bonuses	(1,469,177)	(16,948,821)
		Mega Bill Reduction

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**KDOC STATE GENERAL FUND BUDGET ADJUSTMENTS
FISCAL YEAR 2010**

Revised
7/11

<u>Item</u>	<u>Adjustment to Base Budget</u>	<u>Total Adjustments</u>	
Reduce funding for offender programs	(1,206,000)	(18,154,821)	
Shift funding for 13 special enforcement officer positions to Byrne Grant	(705,700)	(18,860,521)	
Shift funding for 10 parole officer positions to Byrne Grant	(439,550)	(19,300,071)	
Suspend operations of the North Unit of the El Dorado Correctional Facility	(1,033,975)	(20,334,046)	
Reduce funding for community corrections grants (\$1.5 million shifted to Byrne Grant)	(2,025,000)	(22,359,046)	
Reduce funding for health care management contract (KUPI)	(75,000)	(22,434,046)	
Additional central office shrinkage	(468,002)	(22,902,048)	Omnibus Bill Reduction
Lapse FY 2009 savings available for expenditure in FY 2010	(1,100,000)	(24,002,048)	
Return of unexpended moneys for support of Labette County conservation camps	(500,000)	(24,502,048)	Governor's Allotment *
Add funding for undermarket salary adjustments	987,149	(23,514,899)	Other

* The Governor's allotment does not represent an actual reduction to the FY 2010 budget as approved by the 2009 Legislature. The allotment captures FY 2009 savings that would have been available for expenditure in FY 2010.

Note: The list of budget adjustments does not include the shift of \$40.5 million of facility operations expenditures from the State General Fund to federal stimulus moneys.

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POSITIONS

DOC Central Office Positions Currently Being Held Vacant

38.5, including 20 parole officer positions (2 of these positions are not funded) and 8 reentry positions. Five of the parole officer positions are new positions authorized by the 2009 Legislature to continue essential services previously provided by the day reporting centers

The 38.5 positions represents 10 percent of the number of positions included in the DOC central office budget (excluding Kansas Correctional Industries).

Positions Lost from Facility Closures

Osawatomie Correctional Facility	17
Stockton Correctional Facility	32
EDCF - Toronto Unit	17
EDCF - North Unit	<u>20</u>
Total	<u><u>86</u></u>

Layoffs

Osawatomie Correctional Facility	9
Stockton Correctional Facility	11
EDCF - Toronto Unit	1
EDCF - North Unit	0
Winfield	16
Parole	<u>3</u>
Total	<u><u>40</u></u>

DOC Facility Positions Currently Being Held Vacant

Ellsworth Correctional Facility (3)

Administrative Assistants (2)
Job Cog Specialist

El Dorado Correctional Facility (3)

Clinical Chaplain
Community Program Consultant II
Physical Plant Supervisor Senior

Hutchinson Correctional Facility (9)

Accounting Specialist
Administrative Assistants (4)
Clinical Chaplain
Corrections Specialist II
Corrections Specialist III
Facility Maintenance

Lansing Correctional Facility (6)

Accounting Specialist
Activity Specialist
Administrative Assistant
Administrative Specialist
Facility Maintenance Specialist
Locksmith

Larned Correctional Mental Health Facility (5)

Administrative Assistant
Corrections Officers (4)

Norton Correctional Facility (9)

Corrections Officers (6)
Administrative Assistant
Facilities Specialists (2)

Topeka Correctional Facility (5)

Activity Specialist
Facilities Maintenance Supervisor
Laundry Manager
Storekeeper Specialist
Training Director

Winfield Correctional Facility (5)

Corrections Officers (4)
Facilities Maintenance Supervisor

DOC Contractor Jobs Lost

KDOC Facility	86
Labette Conservation Camps	60
Day Reporting Center Contract	44
Substance Abuse Treatment Contract	23
Sex Offender Treatment Contract	4
Transitional Housing Contract	30
Education Contract	11
Medical Contract	19.2
Total	277.2

**Testimony on Budget Impact on Kansas Department of Corrections
Offender Intervention Programs FY 2009 & FY 2010 Budget Years
to
The Joint Committee on Corrections and Juvenile Justice Oversight**

**By Roger Haden
Deputy Secretary
Kansas Department of Corrections**

July 9, 2009

The Budget reductions for FY 2009 and FY 2010 (to date) have resulted in the following offender intervention program reductions. The information below summarizes the budget impact by intervention program area and indicates capacity reductions by location and what capacity, if any, will be continued in FY 2010.

INTERVENTION PROGRAM: SUBSTANCE ABUSE TREATMENT SERVICES

- The TC at HCF was terminated eliminating 64 slots with no capacity remaining
- The TC at LCF was terminated eliminating 80 slots with no capacity remaining
- The TC at ECF was terminated eliminating 52 slots with no capacity remaining
- The TC at TCF was terminated eliminating 24 slots with no capacity remaining

These reductions resulted in a total loss of 220 slots and the loss of 22.5 FTE staff positions.

In addition, the initial RADAC assessments for treatment needs of offenders entering the system at the Reception and Diagnostic Units was discontinued.

For FY 2010:

- The 40-slot intensive outpatient program for males at LCMHF will continue;
- The Department plans to implement a similar 24-slot program at TCF for females

INTERVENTION PROGRAM: SEX OFFENDER TREATMENT SERVICES

- The SOTP program at NCF was terminated eliminating 40 slots with no capacity remaining.
- The SOTP program at HCF was reduced by 20 slots with 60 slots remaining.
- The SOTP program at LCF was reduced by 40 slots with 80 slots remaining.
- The SOTP program at TCF was reduced to a part-time schedule.

These reductions resulted in a total reduction of 100 program slots and the loss of 12.5 FTE staff positions.

DEPARTMENT OF CORRECTIONS

The community based sex offender treatment capacity will remain at the current level with 14 staff positions

INTERVENTION PROGRAM: ACADEMIC AND VOCATIONAL EDUCATION

Note: all staff positions have been reduced from full-time to part-time FTE, some to .4 or .6 FTE, most to .8 or .9 FTE except those positions funded with federal grant funding which remain at 1 FTE. 1.7 statewide administrator positions were reduced. The first set of information refers to state funded positions, and the second set refers to federal grant funded positions.

State Funded Programs:

At EDCF:

Eliminated:

1 Functional Skills Instructor,
1 GED Instructor
.5 GED Aide positions

Remaining:

.8 GED instructor
.8 RDU Evaluator
1 Vocational Masonry Instructor

At ECF:

Eliminated:

.5 Functional Skills Instructor,
1 GED Instructor Aide,
1 Construction (cabin-building) Instructor

Remaining:

.8 GED Instructor
.8 Construction (cabin-building) Instructor
two .8 Construction (cabin-building) Aides

At HCF:

Eliminated:

1 Functional Skills Instructor,
1 GED Instructor,
1 GED Aide,
1 Vocational Barbering Instructor,
1 Vocational Welding Instructor,
1 Vocational Industries Technology Instructor

Remaining

two .8 Construction (cabin-building) Instructors
.8 Construction (cabin-building) Aide
.8 Woodworking Instructor (cabin-building)
.9 Special Education Instructor
.8 GED Instructor
.4 Administrative Assistant

At LCF:

Eliminated:

1 Special Education Paraprofessional
.4 Special Education Instructor
1 GED Instructor
1 Administrative Assistant

Remaining

Two .8 GED Instructors
1.3 Special Education Instructors
.9 Special Education Paraprofessional
.9 Administrative Assistant
.6 School Psychologist

At LCMHF:

Eliminated:

1 GED Aide

Remaining:

.6 GED Instructor

At NCF:

Eliminated:

1 Vocational Landscaping Instructor

Remaining

.8 Construction (cabin-building) Instructor
.8 Construction (cabin-building) Aide
.6 GED Instructor

At TCF:

Eliminated:

- 1 GED Instructor
- 1 Vocational Office Technology Instructor
- 1 Special Education Paraprofessional

Remaining

- .6 GED Instructor
- .4 Special Education Instructor
- .8 Building Trades Instructor
- .2 RDU Evaluator

At WCF:

Eliminated:

- 1 Vocational HVAC Instructor

Remaining

- .6 GED Instructor
- .9 Special Education Instructor

Federal Grant Funded Programs Remaining:

At EDCF: 1 Functional Skills Instructor, 1 RDU Vocational Evaluator and .5 WorkKeys Assessor

At ECF: 1 Vocational Welding Instructor and 1 Functional Skills Instructor

At HCF: 1 Vocational Electrical Instructor 1 Functional Skills Instructor, and .9 Title 1 Instructor

At LCF: 1 Vocational Welding Instructor and 1 Functional Skills Instructor

The reductions in the education services contract resulted in the elimination of 27 staff positions with the remaining staff positions reduced from full to part-time status. The total number of program slot reductions for the educational programs is 218.

INTERVENTION PROGRAM: COMMUNITY TRANSITIONAL HOUSING

- In the Northern Parole Region 58 transitional housing beds were eliminated with no capacity remaining
- In the Southern Parole Region 46 transitional housing beds were eliminated with no capacity remaining

These reductions resulted in the total elimination of 104 transitional beds and a reduction of 30 staff positions.

Other Program Reductions

Batterer's Intervention Program in the Northern Parole Region was eliminated
Funding for the Ellsworth Visitor's Center was eliminated
Day Reporting Centers in Shawnee and Sedgwick Counties (140 slots & 18 staff positions)

INMATE HEALTH CARE SERVICES:

In addition to reduction in the offender intervention programs, the inmate health services contract has also been reduced by keeping nearly 20 FTE staff positions open for the 2010 fiscal year.

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KDOC Cost Reduction and Mitigation Actions – summary of steps taken – July 8, 2009

Expense Reductions

Teleconferencing - We have the state's 2nd largest usage of teleconferencing with the state's contracted vendor, Leaderphone. KDOC uses teleconferencing to mitigate travel as well as to increase communication. Additionally we find that this capability encourages more frequent group interactions.

Telecommuting - KDOC has implemented telecommuting which has reduced our need for office space and related infrastructure costs such as utilities, data communications and telephone. To accommodate telecommuters for the days in which they do physically work from the office, we have implemented "Hoteling," which refers to the practice of providing multiple clerical sized work spaces which are not assigned to a specific person, and thus, when a telecommuter arrives at work, they merely select an open cube to work from for the day.

Reduced land phone lines – have eliminated the land phone line for many individuals which had an assigned mobile phone. Additionally in an effort to reduce the consumption of mobile minutes on their phones, we have deployed new devices from Sprint which permit multiple mobile phones to use a singular internet data connection which eliminates the use of our mobile phone plan minutes.

Web Conferencing – Provides a method for electronic and virtual participation and collaboration using PC based software. This free software permits multiple people to view an electronic slide presentation, share with participants their screen display and even provide an electronic whiteboard of which all can actively draw upon. This software has been utilized to decrease the number of "face to face" meetings and associated travel costs and lost productivity due to travel time.

eLearning – Using free software to provide an Internet based learning experience that permits students to obtain training at the time and location of their choosing, thus eliminating the need for groups to gather for a typical classroom setting, often times requiring travel costs to be incurred. This system was first utilized to recertify all individuals who administer the LSIR tool which is a standards based risk assessment test. This system has been expanded to provide support for all KDOC staff development activities beginning in FY 2010.

Remote Technology support – Emphasis has been placed on performing IT technical support remotely as opposed to local on site support. This has yielded productivity gains for support personnel at our facilities who also support all of our parole offices and many community corrections staff. We have made enough advancement with this effort that we recently were able to offer up a state vehicle for reallocation within KDOC.

Paper usage reduction - KDOC has leveraged multiple tools to reduce the amount of printed reports not only reducing expenses for paper but also increasing productivity. The typical productivity gains have been realized from using software to locate and search for specific content within reports as well as eliminating the mailing of reports.

Electronic Officer Logs – Deployed a new computer system in which officers log activities at their respective posts. This system replaces paper based logs which needed to be stored and frequently had to be manually searched for entries in response to inquiries. The new system

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permits easy searching and has eliminated the voluminous storage requirements and also enhances the opportunity for superior officers to review past shift activity.

Online Law Library – We are required to provide access for offenders to a law library. Previously, this requirement was accommodated by maintaining a physical library of law books which was inconsistently maintained throughout the agency and was quite expensive. The new system provides a highly secured Internet based access to Lexis Nexus which provides an up to date and comprehensive collection of legal reference material.

Offender Centralized Banking – KDOC has centralized all offender banking activities at Lansing Correctional Facility. This has not only reduced costs but has also provided for the development of other automation since all of the data is centralized. As part of this system, inmates now access their bank account information via secured kiosks dedicated for the use of inmates which eliminates paper account summaries as well as reducing requests to administration for account balances. This inmate kiosk system used all free software and repurposed old pc's from state surplus.

Inmate electronic messaging – a new vendor supplied system which is not funded by SGF monies provides electronic messaging for inmates. These messages displace written correspondence between an inmate and someone outside the facility. This system reduces the cost of processing mail, provides greater safety to officers by reducing the introduction of contraband and also greatly aids our investigative ability by easily reviewing and searching through past messages.

Overall Facility Savings

Ellsworth Correctional Facility

FY 2009 -The savings under salaries were primarily due to vacancies in security throughout the year. The security positions were not filled, because we had a limited application pool. To accommodate the shift vacancies, we detached a total of 8 Detail Officers from their work assignments and placed them in our vacant security positions. The Detail Officers were displaced for a total of eight months. In addition, we had a total of 12 retirements in FY09 plus savings were realized toward the end of the year by not filling three non-uniformed positions.

Savings under "other operating expenses" were mainly from utilities due to the reduced cost of natural gas. Not only did we realize savings for natural gas but also for electricity due to a lower energy cost adjustment because of the lower natural gas prices.

Finally, savings were also realized by reducing inventories and purchasing items on a "just in time" basis.

Below is a list of actions taken by the Ellsworth Correctional Facility to reduce Other Operating Expenditures for Fiscal Year 2010:

- Shutdown west greenhouse operations for the winter.
- Required correction officers to purchase their own black polo shirts after initial issue of two (2) shirts.
- Set thermostats at 68° in the winter and 78° in the summer.
- Set thermostats to shut off at 3:30 p.m. and turn on at 7:00 a.m.

- Reduced use of floor sealer and wax by only stripping floors every six (6) months.
- Restricted overnight travel for offsite training and meetings.
- Reduced painting of interior walls by removing marks with special cleaner.
- Reduced printing in Living Unit Control Centers.
- Restricted the use of ice melt to sidewalks only.
- Postponed replacement of deteriorated concrete sidewalks.
- Restricted watering of grass to only around Building #1 (Administration) and to water only one-hour per day, two days per week.
- Reducing mowing to one day per week.
- Reduced Detail Lieutenant visits to outside private industries and lakes from once per week to once every two weeks.
- Reduced consumption of toilet paper by requiring inmates to request additional toilet paper from living unit staff.
- Eliminated evening visitation.
- Purchased many items on a "just in time" basis.

El Dorado Correctional Facility

FY 2009 - The El Dorado Correctional Facility was able to manage within allocated resources and realize some end of year funds in FY09. Early in the fiscal year, the facility established a goal of maintaining 16 uniformed and 8 non-uniformed position vacancies to generate salary savings. Additionally, compensatory time was eliminated and overtime was reduced by considerably collapsing posts, as opposed to expending overtime. The reduction of 32 hours in FY 09 annual training, for CO I's and CO II's, also allowed more staff to be available for shift coverage.

The facility conserved funds in other operating expenses by reducing consumption of utilities accordingly: 6% in electricity, 7.7% in potable water, 7.3% in waste water, and 7.3% in natural gas. Additionally, the facility reduced costs by realizing a lower cost in building insurance, landfill expenses, travel in the state, inmate clothing, office supplies, and by holding purchase requisitions for maintenance and related areas

Other EDCF efforts to streamline operations are listed as follows:

- Encourage staff to turn off/unplug any unnecessary electronic equipment and lights.
- Automated Alpha and Tier rosters reduce the paper consumption.
- Use smaller envelopes (6"x9") to mail applications to candidates.
- Scan and e-mail letters to Central Office.
- Recycle cans and plastic to decrease trash.
- Decrease number of reports and duplex copies.
- Reduce consumption of office supplies.
- Implemented a bin system in the laundry to save clothes, towels.
- Reduced drying time for dryers by installing new vents.
- Installed a Corona discharge ozone generator to conserve water.
- Replaced typewriters with word processors in the Library.
- Using a bag-less vacuum cleaner to save vacuum bags.

- Instructed staff to review their current work process to determine ways to streamline.
- Journal entries are now received by fax prior to inmates arriving at the RDU.
- RDU uses cell house inmates to fill indigent bags, reducing warehouse staff time.
- Utilizing scrap materials, especially lumber and metal whenever possible in the maintenance department.
- Hold vacant 16 uniformed and non-uniformed positions to generate salary savings.
- Increased collapsible uniformed posts to reduce overtime spending.
- Eliminated use of comp time.
- Combined segregation yard activities with shower activities where feasible to reduce escorts and inmate movement.
- Conducting disciplinary hearings for segregation inmates in cells as opposed to escorting them to an office.
- Utilize strip search rooms in segregation to enhance safety and control laundry inventories.
- Utilizing K-9 officer 8 hrs per week on shift.
- Eliminated inmate funeral escorts
- Reduced consumption of warehouse supplies.

Hutchinson Correctional Facility

FY 2009 – Did not stock up inventories at the beginning of the budget year. HCF began FY 2009 with an even tighter rein than we had at the end of FY 2008, especially during the first quarter. Inventories generally were kept to a minimum throughout the year. Auto parts and supplies were purchased as needed from O'Reilly's as opposed to keeping inventory on hand. HCF saved money by re-evaluating inmate incentive pay. In 2008 we were over budget in this fund because of the extended number of over budgeted inmate pay slots. We scrutinized our inmate pay slots and found cost savings in many areas. Gardening doesn't pay. HCF saved several thousand dollars by discontinuing gardening, putting the detail sergeant on shift to off set overtime and putting the inmates to work in private industry. Today HCF has 68 men working in private industry settings; none of them are currently earning incentive pay from the facility.

In 2009 HCF reallocated several positions from non-uniform to uniformed. Several retirements and vacancies allowed this to happen. The additional staff on shift served to effectively offset the overtime demand that we had seen previously. Security staff assigned to non-shift assignments were required to work 20% or one day per week on shift. The Key Control officer, the Tool Control officer and Staff Development members were put on shift one day per week or worked on one weekend day with a split day off in the middle of the week. It was mandated that the roster not be issued with scheduled overtime unless all of these staff had been utilized. Security positions assigned to KCI, laundry and outside details were realigned and put on shift assignment.

During FY 2009 HCF was fortunate that the weather was reasonably mild. Utility costs could have been much more costly had typical winter weather ensued. Fuel demand for vehicles was reduced by limiting all travel as much as possible. Training for all levels of staff was limited to on site offerings from our own Staff Development Team. This combined with the reduction to 40 hours from 80 helped as well as converting from the one-day-per-month practice to a straight 40 hour week long annual training format. Corrections Officer and Counselor positions were kept full throughout the year. Shrinkage was gained by holding non-uniform positions open.

HCF Maintenance staff accomplished countless small but meaningful tasks that yielded savings. A summary of the most significant efforts includes the following: some of this is corrective or preventative maintenance. Most of this was just getting the original specifications of the energy program back to what it was when the program was established in 2002. Tuned in #2,3 boilers to achieve optimum combustion. This work was completed by a private contractor. Rebuilt or replaced several steam traps, located and repaired leaks in the steam systems. Established numerous set-back temperatures that can be used when some areas are un-occupied. Established space set point temperatures as recommended by the energy program. We optimized the functions of existing A/C units in the Central Clinic and E-Dorm. We repaired a gas leak at the Power Plant. HCF installed locking thermostats where needed to limit casual tampering. The work completed by HCF Maintenance staff allowed us to get the original energy program back to the originally anticipated energy savings.

Lansing Correctional Facility

FY 2009

Factors Resulting in Budgetary Savings

At the close of April there was estimated savings in the LCF budget of \$231,090. The narrative below indicates the identified areas where savings has occurred.

Salaries

At one point during the current fiscal year the calculated budget shortfall was as high as \$162,316. With two remaining pay periods the estimate indicates this has been reduced to the break even point. It is anticipated that the savings will continue for the duration of the fiscal year. Several factors led to this reduction:

- Annual training classes were delayed in order to have additional shift coverage.
- Vacancies have been maintained in non-uniformed positions and the Corrections Officer I class has also been delayed to generate additional savings.
- Overtime has been held to a minimum by –
 - Adding additional Operational Staffing posts to each shift. (more posts to collapse)
 - Closed additional posts.
 - Security staff on administrative schedules are currently required to work one weekend day rather than a Monday through Friday schedule. This allows for more staff on shift when absences are typically higher.
 - Transportation staff are notified if we need them to work different hours or shifts. We look at the shift rosters on Thursday each week and then based on this we assign them to other shifts or hours where they are needed.
 - We have authorized shifts to pull shakedown staff down to 4 per team if they need help on shift.
 - Shift supervisors adjust hours for staff who work hospital duty. This assignment is longer than 8 hours each day so shift supervisors allow them to come in late or leave early later in the week to avoid overtime.
 - Staff who either use annual leave or were sick are asked in they want to work their day off to make up the time. This allows them to not use leave and allows us to avoid overtime.
 - We have limited or cancelled SORT training for the past several months.
 - We utilize shift supervisors to help fill shift (working a post other then shift supervisor) when we have more than two in the max unit. (limits supervisory contact and oversight of new officers)

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- Visiting was cancelled on Mondays and Fridays allowing one CS I, one CO II and two CO I's to work shift on these two days.
- We only took one bus run a week for several weeks to reduce hours of the transportation staff so they could be utilized on shift.

Contractual Services

Typically there is not significant savings in this area due to items in the series not being of a discretionary nature. Savings was observed in several areas due to the following:

- Utility unit costs for natural gas have been significantly less during the last three quarters of the fiscal year than anticipated. This is where the majority of savings throughout the budget has been observed.
- The hiring process did not occur as normal. This resulted in savings in the area of advertising for vacancies and costs associated with drug screens.
- Discretionary travel was reduced and the continuing effects of Reentry efforts resulted in lower than anticipated costs associated with the transport of parole violators.
- Annual blanket liability costs for the vehicle fleet were significantly lower for the fiscal year.

Commodities

Savings in this series has been generated mainly through inventory levels and reduced unit costs.

- Savings resulted due to delayed buying and depletion of stock inventories in the warehouse as well as maintenance areas.
- Clothing savings was observed due to fewer hiring of vacancies and the elimination of jump suits worn by the inmate population at East Unit when they went to the work site.
- Fuel costs during a large portion of the year were less than half of the unit costs observed early in the fiscal year.

Capital Outlay

Capital Outlay for FY 2009 was budgeted at \$173,576. During the first ten months of the fiscal year expenditures were held to \$3,260.

Larned Correctional Mental Health Facility

FY 2009 - In order for LCMHF to obtain the positive year end balance position that it has, facility operating inventories have been drawn down to uncomfortably low levels. We have seriously curtailed staff travel and outside training opportunities in order to reduce expense.

We have operated facility physical plant systems as efficiently as possible, maintaining cooler temperatures throughout buildings in the fall and winter months and then we have held off turning on cooling systems this spring until just a couple of weeks ago. These systems practices along with both mild seasonal temperatures and favorable utility rates have contributed to the savings being achieved. When possible we have also purchased less expensive and recycled materials and products for use in our consumable inventories.

Significant salary and wage savings have been achieved as well by several notable factors. First, a large number of staff vacancies have existed due to area wide employment challenges in the economy. Secondly, our facility is experiencing several staff members who are away due to military deployment. And finally the Administrative Assistant position for the CDRP program has been vacant for an extended amount. All three of these factors have contributed to the salary and wage savings segment of our overall facility wide budget savings which have been obtained so far in fiscal year 2009.

Norton Correctional Facility

Several factors contributed to NCF ending the current fiscal year with budget balances in positive territory. Perhaps most significant were: 1) our high number of vacancies during FY'09, 2) the limitations placed on filling vacancies other than uniformed corrections officer and unit team positions (waivers required), 3) unexpected savings in utility costs, 4) allowing inventory levels to dip lower than normal (combined with delayed spending to replenish these inventories) and 5) reductions in staff travel for training and meetings.

Through the fall and winter, NCF allowed uniformed vacancies (primarily at the Central Unit) to accumulate due to budget uncertainties and concern over possible suspension of operations at the East Unit in Stockton. To mitigate the impact of layoffs on staff, I wanted to have sufficient numbers of vacancies to offer jobs to any East Unit employee who wanted to transfer to the Central Unit. On February 2nd, the decision to suspend operations at the East Unit was announced and NCF continued accumulating vacancies until East Unit layoffs became effective April 4th. Vacancies peaked at 25 or 9.4% of our state workforce (20 uniformed and 5 non-uniformed) on 04/01/09. While there was a burnout factor to be considered in having high vacancy rates, I felt it important to absorb as many East Unit staff as possible. Of course, these vacancies generated significant savings in salary and wages, yet we were unable to respond by hiring new staff if we were to absorb East Unit staff with 5 pay periods remaining in the fiscal year. Hiring new staff would have: A) limited how many seasoned East Unit staff we could absorb, or B) cause layoffs of the new hires on original probation after a significant investment in hiring and training them.

Another contributing factor was a milder than usual winter. This combined with energy saving steps taken in recent years to limit utility expenditures lead to lower utility costs than anticipated and budgeted for in FY'09. [In areas so equipped, we turn air conditioning on relatively late in the spring and shut it off fairly early in the fall. Then, we hold off as long as possible before firing the boilers in the fall to activate our heating systems.] Of course, weather can not reliably be predicted and the best one can do is look at recent history with an eye to averaging costs and factoring in expected unit cost increases to build a budget for the coming fiscal year. Even though we have reduced usage levels since utility enhancements were made several years ago, we have been challenged with higher per unit costs for natural gas and electricity in recent years.

NCF has also instituted a very conservative approach to requisitioning and purchasing of new items, especially during this fiscal year since it started with the request from Governor Sebelius to find 2-3% in further savings. In fact, it seems we have talked so much about budget issues - many staff have reduced (or stopped) requesting new items. The Supply/Warehouse even put out a call for return of certain supplies that, for various reasons, had accumulated in excess amounts so staff could assess the true amounts on hand and then redistribute these items when filling new orders.

A smaller factor, but probably worth noting, is that NCF has experienced retirements and turnover in higher level key staff in the last 12 months, where incoming replacements earn less than the former incumbent - which has lead to salary savings.

Topeka Correctional Facility

The following actions and initiatives contributed significantly to our positive end of FY 2009 budgetary status for TCF.

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- Mothballed A-Dorm
 - Held 5 FTE unfilled since October
 - All but eliminated utility usage in this Dorm for the same time frame
- Held 3 Facility Maintenance Supervisor positions and an Activities Specialist position open for the entire fiscal year, and the Training Director position since April 1st
- Converted to electric hand-dryers to eliminate paper towel use
 - Though installed throughout the fiscal year, savings generated in FY09 still equaled \$6000. Savings in FY10 should be nearly \$45,000
- Saved significantly on sanitary napkin purchases by issuing a set quantity per inmate per month, rather than providing them in dispensers. This procedure mirrored those found in Florida and Texas.
- Made full use of State and Federal Surplus for goods like office furniture and related items of need.
- Virtually eliminated overnight travel and per diem.
- Obtained clothing patterns from KCI, and no longer purchase any components of our inmate clothing except for cloth.

There is still some uncertainty as to which vehicle will be replaced. We have four Crown Victoria sedans that are all well over the mileage threshold. However, Mr. Poole would like to confer with our auto-mechanic on Monday and get his opinion as to the worst of the worst.

Winfield Correctional Facility

FY 2009 - Following the Governor's request at the beginning of the year to monitor spending very carefully and try and create savings of 1% to 2% we have been very conservative. This frugality, along with some unexpected developments, now leaves us with some significant positive balances in our OOE. The largest amounts of savings have been in 280-Utilities, 400-Capital Outlay, 250-Travel, 350-Vehicle Parts and Supplies, 290-Other Contractual Services, 240-Repair & Servicing, 300-Clothing and 200-Communication.

Several factors played a part in creating savings in our Utilities this year. First off, we had budgeted our natural gas at \$11.35/mmBtu, based on our rate at the end of fy08. That turned out to be the peak, and our rates have dropped steadily throughout the year. In April 09, we were able to lock-in a rate of \$5.62 for the next 12 months. Adding in the transportation cost, our natural gas is now in the low \$6 range. Coupled with this, we experienced a slightly warmer than normal winter, reducing our overall consumption.

Other utilities such as electricity, water and sewer have remained mostly on-target, both in rate and usage.

The savings in Clothing and Other Contractual Services resulted from having a lower than budgeted ADP. We entered fy09 budgeted for an ADP of 435. Through much of the year so far, our population has been more around 400 and has even been lower than that at times. We were able to reduce our replacement of clothing and paid out less in incentive pay. As our

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population turns back around with the reopening of B-Dorm, our spending in these areas will increase proportionally.

The savings in the other areas are mainly a result of purposefully holding approved spending to a bare minimum. Needed Capital Outlay equipment has not been purchased, and we have delayed or forgone some repairs to buildings and vehicles. Staff travel has been greatly reduced, which has further helped hold down gasoline costs and vehicle expenses. We have also benefited from lower than expected gasoline prices.

Throughout most of the year, we have limited our filling of vacant positions to only those in the Corrections Officer and Counselor areas. Some support positions were left vacant entirely. We were on target to stay within our budgeted salaries and wages, with our normal 2.5% shrinkage. The salary and wage reduction resulting from the closure of B-Dorm and the reduction in staff fte associated with that have proven to be fairly closely matched, but has now left us a little overspent in this area. We should end the year overspent in salaries and wages by about \$10,000.

We propose using our remaining funds as outlined in our earlier submitted listing. Needed equipment repairs and/or replacement will now take place, along with the building of supplies inventories to more reasonable levels, especially in light of an anticipated increase in our population, and the uncertainties associated with funding levels in FY '10.

Southern Parole Region

Use of conference calls to replace travel for various region committees

Reduced the number of region meetings in FY 09 from 4 to three, reduces travel costs & room rental costs

Use of electronic training systems, which reduced need for travel to mandatory or recommended training

Space is provided to other agencies to do office contacts & Federal Probation, in rural offices, group sessions

Space is provided for Federal substance abuse service provider in Pittsburg and Independence offices, in exchange they provide services to our offenders at no cost to our agency, only offender self-pay

Interstate Compact

Our unit now will scan and email everything we can to save money on paper and postage.

Special Enforcement Officers

We have a target of a 10% reduction in monthly mileage based on a yearly monthly average.

We have reduced firearms training from 4 to 3 times per year.

We have changed emergency vehicle training and certification from every 3 years to 5 years.

We have spilt annual training from one location to regional (SPR & NPR segments to reduce travel and per diem costs).

We are utilizing our community partners for specialized training without costs to our agency.

We are working in conjunction with the US Marshal Service as part of their Fugitive Apprehension Task Forces in KC, Wichita & Topeka. This cooperative arrangement provides assigned officers training, overtime funds and equipment.

Community & Field Services

- In Parole we are purchasing laptops instead of desk tops to support staff who are acting as the "on call" person so that they can check KASPER, TOADS, OMIS and produce

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warrants etc. from home rather than have to waste gas and time driving into the office (which in some cases is miles), and working with local law enforcement to accept warrants etc. from email or fax rather than hand delivered for the same reason.

- Leasing Parole & Reentry Office space is done with the shared space committee through Purchasing to provide more one stop type services for Kansans and to reduce duplication of equipment through sharing of copiers, faxes, as well as shared lobby space and restrooms. This is particularly useful when we can share with Community Corrections or within a Courthouse (Emporia) where services such as security and ADA compliance can be done for all and shared for offenders and their families.
- Groups (GED, Cognitive, Substance Abuse Treatment, Batterer's Intervention, Sex Offender Treatment) are provided either by KDOC or Community Agencies, for support and treatment that include both Parole and Community Corrections in several parts of the state, in the Parole & Reentry Office areas.
- Office space is provided to a Federal Probation and Parole officer in the Olathe Office to help them save time and money serving their offender group in the community, because Parole is open early and late and has a safe and easy to use site.
- Conference calls are becoming the norm to reduce staff travel for committees and facility and Parole interaction to improve release planning activities.
- Training is done via computer as often as possible, and when not possible, trainers (example is Interstate Compact) go to groups regionally that serve Court Services, Parole and Community Corrections to reduce the number of trips and classes. Much training is now done on computer (example: Interstate Compact for Adult Supervision is done via tutorials and interactive web designed classes for users, and webex for national committee meetings).
- Central office and larger parole offices use networked printers & fax machines for most staff to reduce the number of machines required to maintain an adequate work flow.
- SEO/Special Agent's do not allow their cars to idle when doing surveillance or filling out reports unless necessary in order to maintain computer access, and have reduced travel as much as possible while working with law enforcement partners.
- Parole staff are asked to team up and travel to any meetings or trainings and not take separate cars.

List of SRS/Hospitals FY 2010 Reductions

Priority	Description	SGF	Federal Funds	All Funds	7/20/2009		Cumulative SGF	Cumulative Percentage
					Average Monthly Clients Affected	FTE Affected		
1	Reduce CMHC Grants	2,500,000	--	2,500,000	865		2,500,000	0.33%
2	Reduce AAPS Grants	600,000	--	600,000	300		3,100,000	0.41%
3	Reduce DD Day & Residential and Family Support Grants	2,000,000	--	2,000,000	1,500		5,100,000	0.67%
4	Miscellaneous OOE Reductions	1,164,509	--	1,164,509			6,264,509	0.83%
5	SGF/Fee Fund Switch	2,200,000	--	--			8,464,509	1.12%
6	Renegotiate Foster Care	14,099,718	--	15,056,820			22,564,227	2.97%
7	Limited Adoption Contract	1,399,228	--	1,399,228			23,963,455	3.16%
8	Increase Vacant Positions	1,785,405	961,674	2,078,175		36	25,748,860	3.39%
9	Cancel BARS Contract	100,000	--	100,000			25,848,860	3.41%
10	Reduce Funeral Assistance	290,000	--	290,000			26,138,860	3.44%
11	Shift \$600,000 AAPS Grants to Gaming Revenue/Reduce	800,000	--	372,403			26,938,860	3.55%
12	Integrate Grandparents as Caregivers (GAC) into Temporary Assistance for Families (TAF)	1,165,320	--	1,165,320			28,104,180	3.70%
13	Reduce DD Day & Residential and Family Support Grants	2,000,000	--	2,000,000	1,500		30,104,180	3.97%
14	Reduce CMHC Consolidated Grants	2,000,000	--	2,000,000	692		32,104,180	4.23%
15	Release CINC from SRS Custody @ 18	1,532,318	155,558	1,687,876	76		33,636,498	4.43%
16	No SRS Custody for CINCANs 16 & up	2,280,052	281,717	2,561,769	156		35,916,550	4.73%
17	Limit General Assistance to 18 mos.	2,886,229	--	2,886,229	1,503		38,802,779	5.11%
18	Limit MediKan Mental Health to 18 mos.	2,660,742	--	2,660,742	616		41,463,521	5.46%
19	Fund Longevity with Existing Resourc	1,955,884	--	1,955,884			43,419,405	5.72%
20	FMAP Rate Increase (GBA)	61,080,967	(61,080,967)	--			104,500,372	13.77%
21	Remaining Moratorium on Death and Disability	497,844	397,497	895,341			104,998,216	13.83%
<i>Everything above this line represents a Mega bill reduction (Items 1-21)</i>								
22	Reduce DD Day & Residential and Family Support Grants	1,163,174	--	1,163,174	872		106,161,390	13.98%
23	Reduce Mental Health Grants	2,500,000	--	2,500,000	890		108,661,390	14.31%
24	Reduce Substance Abuse Grants	1,400,000	--	1,400,000	475 Annual		110,061,390	14.50%
25	Miscellaneous DBHS Contracts	489,715	--	489,715			110,551,105	14.56%
26	Reduce Community Medication Program	560,285	--	560,285	212		111,111,390	14.64%
27	Reduce General Assistance (GA) monthly cash grant to \$100	1,470,432	--	1,470,432	3,231		112,581,822	14.83%
28	2.5 percent salaries reduction	2,225,300	2,808,989	5,034,289		102	114,807,122	15.12%
29	Reduce DD Day & Residential and Family Support Grants	1,625,000	--	1,625,000	966		116,432,122	15.34%
30	Other reductions	730,186	--	730,186			117,162,308	15.43%
31	FMAP Rate Increase (related to unemployment)	1,674,347	(1,674,347)	--			118,836,655	15.65%
<i>Everything between these lines represents a reduction taken in the Omnibus bill (Items 22-31)</i>								
32	Additional 2.0 percent salaries reduction	1,483,534	1,872,659	3,356,193		68	120,320,189	15.85%
33	FMAP Rate Increase (related to unemployment)	4,185,564	(4,185,564)	--			124,505,753	16.40%
34	TANF Contingency Fund transfer to Dept. of Revenue for Earned Income Tax Credit Refunds*	--	18,687,361	18,687,361			124,505,753	16.40%
<i>Everything between these lines represents the Governor's allotment reductions (Items 32-34)</i>								

* This represents a transfer of federal funds to the Department of Revenue and does not represent:

Mega Bill

Omnibus

Allotment

Estimated Fiscal Effect of Federal Stimulus Bill for SRS Programs
7/20/2009

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Program	Funding to Kansas		Availability	State Fiscal Year 2009			State Fiscal Year 2010			State Fiscal Year 2011		
	Federal FY 2009 Increase	Federal FY 2010 Increase		SGF	Federal	All Funds	SGF	Federal	All Funds	SGF	Federal	All Funds
Direct Benefit to State Funds												
Child Support Enforcement - Allow Current Incentive Funds to Match Federal Funds	2,244,652	2,310,000	Oct 2008 - Sep 2010 (8 quarters)	(1,683,102)	1,683,102	-	(2,294,050)	2,294,050	-	(577,500)	577,500	-
CSE Recovery of One-Time, \$250 Payment to Social Security, SSI, RR Retirement, and Veterans Disability/Pension Beneficiaries	-	-	Payments will be received by the first week of June 2009.	-	-	-	(48,000)	(72,000)	(120,000)	-	-	-
Disability and Behavioral Health Services - 6.2% FMAP Increase & Adj for Unemployment Rate	Dependent on level of program expenditures	Dependent on level of program expenditures	Oct 2008 - Dec 2010 (9 quarters)	(34,431,326)	34,431,326	-	(63,017,477)	63,017,477	-	(33,948,809)	33,948,809	-
Mental Health Institutions - FMAP increase & Adj. for unemployment (fee for service received from KHPA)	Dependent on level of program expenditures	Dependent on level of program expenditures	Oct 2008 - Dec 2010 (9 quarters)	(2,887,796)	2,887,796	-	(4,355,423)	4,355,423	-	(2,539,087)	2,539,087	-
Mental Health Institutions - 2.5% Disproportionate Share Increase	Dependent on level of program expenditures	Dependent on level of program expenditures	Oct 2008 - Dec 2010 (9 quarters)	(250,027)	250,027	-	(377,471)	377,471	-	-	-	-
Foster Care and Adoption Support 6.2% Base FMAP Increase for IV-E	Dependent on level of program expenditures	Dependent on level of program expenditures	Oct 2008 - Dec 2010 (9 quarters)	(1,877,610)	1,877,610	-	(2,583,055)	2,583,055	-	(1,372,311)	1,372,311	-
Subtotal				(41,129,861)	41,129,861	-	(72,675,476)	72,555,476	(120,000)	(38,437,707)	38,437,707	-

Estimated Fiscal Effect of Federal Stimulus Bill for SRS Programs
7/20/2009

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Program	Funding to Kansas		Availability	State Fiscal Year 2009			State Fiscal Year 2010			State Fiscal Year 2011		
	Federal FY 2009 Increase	Federal FY 2010 Increase		SGF	Federal	All Funds	SGF	Federal	All Funds	SGF	Federal	All Funds
Direct Benefit to Kansans (These items are increases in federal funding that would fund increases in caseload or benefits to clients)												
TANF Emergency Fund - 80% of assistance increase during Federal FY 09-10, subject to the caseload exceeding the base period caseload.	1,781,178	7,093,879	Dependent on caseload increase	-	634,175	634,175	-	5,968,247	5,968,247	-	2,272,635	2,272,635
Food Assistance - Administration Funding	849,728	849,728	Federal Fiscal Year	-	292,289	292,289	-	1,327,055	1,327,055	-	80,112	80,112
Food Assistance - 13.6% Benefit Increase	Dependent on caseload increase	Dependent on caseload increase	Continues until normal food stamp benefit increases catch up to the 13.6% level	-	13,987,791	13,987,791	-	57,123,430	57,123,430	-	69,280,646	69,280,646
Food Assistance - Suspend Limit on Able Bodied Workers without Dependents	Dependent on caseload increase	Dependent on caseload increase	Apr 2009 - Sep 2010 (18 months)	-	507,425	507,425	-	7,167,874	7,167,874	-	2,154,136	2,154,136
Emergency Food Assistance Program - Administration	189,962	189,962	Federal Fiscal Year	-	189,962	189,962	-	189,962	189,962	-	-	-
Emergency Food Assistance Program - Surplus Food	757,948	-	Federal Fiscal Year	-	568,461	568,461	-	-	-	-	-	-
Child Care Funding	18,415,435	-	Federal Fiscal Year	-	-	-	-	18,415,435	18,415,435	-	-	-
VR Client Assistance	5,108,753	-	Federal Fiscal Year	-	-	-	-	2,554,377	2,554,377	-	2,554,376	2,554,376
VR Independent Living State Grants	242,913	-	Federal Fiscal Year	-	-	-	13,495	121,457	134,952	13,495	121,456	134,951
VR Services for Other Individuals Visually Blind	321,368	-	Federal Fiscal Year	-	-	-	17,854	160,684	178,538	17,854	160,684	178,538
Subtotal				-	16,180,103	16,180,103	31,349	93,028,521	93,059,870	31,349	76,624,046	76,655,395
Total				(41,129,861)	57,309,965	16,180,103	(72,644,127)	165,583,997	92,939,870	(38,406,358)	115,061,753	76,655,395

Effects of Legislative and Gubernatorial action on the SFY 2010 KDHE budget

Roderick L. Bremby, Secretary
Kansas Department of Health & Environment
July 20, 2009

Our Vision – Healthy Kansans living in safe and sustainable environments



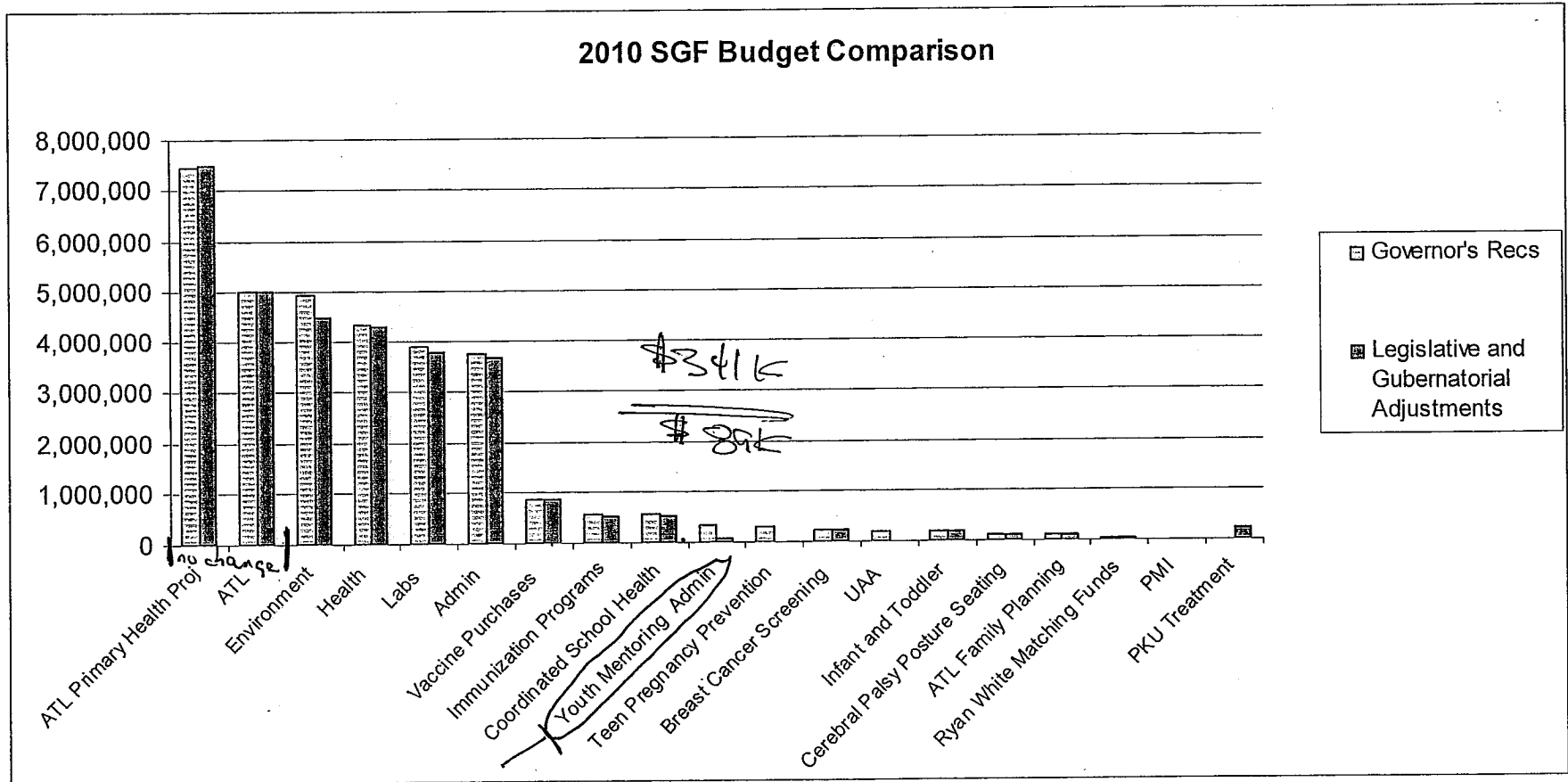
KDHE

- 2010 approved budget - \$230,708,415
- Legislature approved \$32,170,759 in State General Funds for 2010 (13.94% of annual budget).
 - \$553,355 below the Governor's recommendation.
 - 12.25% below the original SGF 2009 approved budget
- Governor's allotment cut an additional \$641,512.

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Budget: 2010 SGF Budget Comparison



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much?

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Budget: 2010 SGF Budget

- Approximately \$8,676,446 of SGF (26.97%) is used for match to leverage federal or other funding sources.
 - Division of Health - \$6,689,087
 - Division of Environment - \$1,987,389

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4

Budget Action and Impact

Agency Operations

Action:

- Hiring freeze implemented in 10/2008.
- Abolished 79.0 vacant FTE positions.
- Accomplished with no layoffs of classified personnel.
- Terminated 2.0 unclassified positions.

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5

8-3

Budget Action and Impact

Impact

- Will affect agency's ability to respond to external requests, both legislative and administrative.
- Oral Health educational activities related to Maternal and Child Health programs will be eliminated.

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6

Budget Action and Impact

Agency Operations

Action:

- In addition to estimated annual shrinkage, hold vacant 24.0 vacant FTE positions.
 - 6.0 FTE in Administration
 - 6.0 FTE in Division of Health *which?*
 - 12.0 FTE in Division of Environment

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7

8-4

Budget Action and Impact

Impact

- Administration:
 - Triage administrative, legal, human resource, and fiscal responses and action.
- Health:
 - Reduction in Health Facility Program ability to conduct surveys of hospitals and new facilities seeking certification.

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8



Budget Action and Impact

Impact

- Environment:
 - Agency is unable to hire a Laboratory Director, three senior laboratory management positions, and three technical laboratory positions.
 - Overall reduction in laboratory services.

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9



resource

8-5

Budget Action and Impact

Use Attainability Analysis, Stream Monitoring, Data Collection

Action:

- Eliminated or reduced state general funding for the Use Attainability Analysis (UAA), Stream Monitoring, and Data Collection

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10



Budget Action and Impact

Impact

- UAA
 - Future UAA efforts limited to keeping findings current and up to date in accordance with existing and evolving state and federal requirements.
 - 5.0 unclassified employees will be terminated in December, 2009, when federal funding is no longer available.

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11



8-6

Budget Action and Impact

Impact

- Data Collection
 - 305(b) report mandated by EPA will be compiled by staff with no expertise.
 - Failure to produce report could result in sanctions by EPA against the state of Kansas.
 - Processing of constituent request for information will be difficult to provide and response time delayed.
 - ARRA funds being used to fund 3.0 FTE. If alternative funding not secured, program and 3.0 FTE will be eliminated by June, 2010.

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12



*EPA
Sanctions*

Budget Action and Impact

Impact

- Stream Monitoring
 - Without stream monitoring, even more onerous to compile 305(b) report.
 - Short term federal funding being used to fund a portion of program.
 - If alternative funding is not secured, 2.5 FTE will also be eliminated by June 30, 2010.

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13



Same

8-7

*Teck assistance
* Our grants*

Budget Action and Impact

Primary Care Health Program

Action:

- Decrease to the \$855,000 contract with the Kansas Association of the Medically Underserved (KAMU) by \$278,548, leaving \$576,452.

Impact:

- No impact to agency administered grants to the safety net clinics.

*What does
it impact?*

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Budget Action and Impact

Teen Pregnancy Case Management (TPCM)

Action:

- As a result of Governor's allotment, funding for this program was eliminated.

Impact:

- 270 teens enrolled in program as of 1/1/2009 will not be served.

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8-8

Budget Action and Impact

Pregnancy Maintenance Initiative (PMI)

Action:

- As a result of Governor's allotment, funding for this program was eliminated.

Impact:

- The five service providers will most likely need to scale back services for approximately 478 clients.

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16

Budget Action and Impact

Meth Program

Action:

- As a result of Governor's allotment, funding for this program was reduced by \$269,805, effectively eliminating the program.

Impact:

- KDHE will not respond to law enforcement requests to remove chemicals, assess for contamination, or assure residences are properly cleaned up.
- Responsibility falls to local agencies.

Our Vision – Healthy Kansans living in safe and sustainable environments



17

*be
across
cleanups
state*

8-9



Mark Parkinson, Governor
Roderick L. Bremby, Secretary

DEPARTMENT OF HEALTH
AND ENVIRONMENT

www.kdheks.gov

July 20, 2009
Presentation to
Legislative Budget Committee
Presented by
Roderick Bremby, Secretary
Kansas Department of Health and Environment

Thank you for this opportunity to discuss with the Committee the effects of Legislative and Gubernatorial action on the SFY 2010 budget for the Kansas Department of Health and Environment (KDHE). This testimony will address the following questions:

1. Where we took the Omnibus cuts and the allotments, along with the impact of those cuts.
2. Layoffs so far.
3. Programs that have been eliminated.
4. ARRA funding used to limit/remediate budget cuts.

The KDHE SFY 2010 approved budget is \$230,708,415. The Legislature approved \$32,170,759 of state general funds for KDHE, which is 14% of the annual budget. This is \$553,355 below the Governor's recommendation, and 12.254% below the original 2009 SGF approved budget. The agency identified and prioritized reductions in order to continue to support the safety net clinics and local health departments while maintaining the match requirements and maintenance of effort for federal grants and to continue strategic planning and implementation in the fight against infectious disease.

The agency eliminated 79.0 vacant FTE positions for which the agency did not receive funding. Because the agency was forward thinking, a hiring freeze was implemented in October of 2008. Therefore the agency was able to achieve this reduction in force with no layoffs of classified personnel and termination of only 2.0 unclassified positions. This reduction in staff will affect the agency's ability to respond to external requests, both legislative and administrative, and Oral Health educational activities related to the Maternal and Child Health program will be eliminated.

In addition to estimated annual shrinkage, KDHE will also be forced to hold open 24.0 vacant FTE positions, for which, though mission critical, no resources are available to fund.

- 6.0 FTE in Administration.
- 6.0 FTE in the Division of Health. This will mostly affect the Health Facility program's ability to conduct surveys of hospitals and new facilities seeking certification.
- 12.0 FTE in the Division of Environment. The agency will be unable to hire a Laboratory Director, three senior laboratory management positions, and three technical laboratory positions. This will result in an overall reduction in laboratory services.

The agency eliminated or reduced state general funding for the Use Attainability Analysis (UAA), Stream Monitoring, and Data Collection programs in the Division of Environment. The UAA program is responsible for performing assessments of existing and attainable designated uses of Kansas streams for the KDHE Water Quality Standards Program. UAA surveys are performed according to defined protocols to determine if surface water (streams, wetlands, lakes) is capable of supporting one or more of the designated uses defined in the Kansas Surface Water Standards. Future UAA efforts (2010 and beyond) will be limited to keeping findings current and up to date in accordance with existing and evolving state and federal requirements. Five unclassified employees in the UAA program will be terminated in December, 2009 when federal funding is no longer available.

The Data Collection program, working closely with the Stream Monitoring program, is responsible for storage, retrieval, presentation of ambient water quality monitoring data, and compiling the biennial Kansas Water Quality Assessment 305(b) report, as well as the annual register of surface waters of the state. The 305(b) report is mandated by the US Environmental Protection Agency (EPA) and without this section the job of preparing this report will be much more onerous for the Division of Environment and compiled by staff with no expertise. Failure to produce this report could result in sanctions by the EPA against the state of Kansas. In addition, this section manages over 30 years of water quality data for Kansas rivers and lakes. These data paint a picture of changes in water over time. This section frequently receives requests for data and without this section the processing of constituent requests for this information will be difficult to provide and response time delayed. ARRA funds are being utilized to fund the 3.0 FTE in this program. If alternative funding is not secured, this program and 3.0 FTE will be eliminated by June 30, 2010.

Federal funds became available to fund a portion of the Stream Monitoring program for SFY 2010. This funding is not expected to be long term, and if alternative funding is not secured, 2.5 FTE will also be eliminated by June 30, 2010. Without stream monitoring, it will be even more difficult to compile an accurate 305(b) report mandated by the EPA.

Funding for the Primary Care Health program was reduced to \$7,481,065. This results in a decrease to the \$855,000 contract with the Kansas Association of the Medically Underserved (KAMU) by \$278,548, leaving \$576,452. This decrease will not reduce agency administered grants to the primary care clinics, and will minimally affect the pharma support allocation.

Other programs, such as ATL Primary Health, Infant Toddler, Family Planning, Vaccine Purchases, Ryan White, Breast Cancer Screening, Immunizations, Cerebral Palsy posture Seating, Coordinated School Health, and PKU were reduced between .25 and 2.75 percent.

Funding for the Teen Pregnancy Prevention Case Management (TPCM) program was reduced by \$126,066 to \$172,594. This reduction would have allowed the agency to provide pregnancy case management service to pregnant Medicaid teens, though at a reduced amount. As of January 1, 2009, 270 teens were participating in the TPCM program. As a result of the Governor's allotment, funding for this program was eliminated. The agency is hopeful that federal money for this program will become available in 2010.

Funding for the Pregnancy Maintenance Initiative (PMI) was reduced by \$155,887 to \$199,113. This reduction would have allowed the agency to continue enhanced funding to the five service

providers in this program, though at a reduced level. A dollar for dollar match used solely for PMI activities was required by the participating organizations. As a result of the Governor's allotment, funding for this program was eliminated. Two projects provided residential care for pregnant women (Bethlehem House and Gerard House serving together 71 women). Two Projects provided social services and support (Catholic Social Services and Family Life Services serving together 184 women). One project provided prenatal education and support to 223 women (Mercy & Truth Medical Mission). These agencies utilized the PMI funding to enhance existing services or to provide additional support to women. It is likely that each of these entities would need to scale back services to the service population.

In addition to the Teen Pregnancy Prevention Case Management program and the Pregnancy Maintenance Initiative, the Governor's allotment eliminated \$269,805 from the Meth program, effectively eliminating this program. In calendar years 2008 and 2009, the agency responded to a total of approximately 212 law enforcement requests to remove chemicals and/or to assess for contamination. (This figure includes some return trips to the same labs for "secondary removals" and sampling to assure the residences were properly cleaned up.) Labs sites were in Anderson, Barton, Butler, Cherokee, Cloud, Cowley, Crawford, Douglas, Ellis, Ellsworth, Finney, Ford, Gray, Harvey, Jackson, Jefferson, Johnson, Kiowa, Labette, Leavenworth, Linn, Lyon, Marion, Miami, Mitchell, Montgomery, Morton, Osage, Osborne, Pawnee, Pottawatomie, Republic, Rice, Riley, Rooks, Rush, Russell, Scott, Sedgwick, Shawnee, Smith, Stafford, Sumner, Thomas, Wabaunsee, Wilson, Woodson, and Wyandotte Counties. The elimination of this program will require local agencies to assume responsibility for removal of chemicals and oversight to assure residences are properly cleaned up.

Division of Fiscal & Administrative Services

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785-296-0459 (fax)

120 SE 10th Avenue • Topeka, KS 66612-1182 • 785-296-6338 (TTY) • www.ksde.org

July 20, 2009

TO: Legislative Budget Committee

FROM: Dale M. Dennis, Deputy
Commissioner of Education

SUBJECT: USD Reduction Survey

We have conducted a survey of unified school districts/interlocals/service centers concerning how many programs and positions were reduced or eliminated due to lack of funding for the 2009-10 school year. The survey was based on current law.

Attached you will find a summary of the survey responses for your review.

SURVEY – USD REDUCTIONS – JUNE 2009

1. How many licensed positions were eliminated for the 2009-2010 school year?

	Number (Headcount)	Est. Dollars Reduced
Administrators	133	\$ 9,707,109
Teachers	1,160	53,823,567
Coaches	583	3,969,786
Other	225	5,672,252
TOTALS	2,101	\$ 73,172,714

2. How many non-licensed positions were eliminated for the 2009-2010 school year?

	Number (Headcount)	Est. Dollars Reduced
Food Service	111	\$ 1,534,779
Bus Drivers	70	882,820
Custodians/Maintenance	278	6,647,964
Paraprofessionals	566	9,015,962
Coaches	234	616,865
Other	344	7,650,066
TOTALS	1,603	\$ 26,348,456

3. How many other cost-saving measures were reduced/eliminated for the 2009-2010 school year (excluding salaries)?

Program	Estimated Reductions (excluding staff)
Before School	\$ 47,500
After School	1,005,671
Summer School	2,213,672
Parents as Teachers	259,416
Fine Arts	328,623
Language Arts	78,500
Career & Technical Education	654,091
All-Day Kindergarten	25,500
In-District Professional Development	3,657,528
Out-of-District Conferences	3,015,233
Extracurricular Activities	1,054,256
Shortened School Year	4,491,382
Transportation	3,344,869
Closing of Attendance Center(s)	2,454,557
Delay Purchase of Textbooks	6,606,054
Delay Purchase of School Buses	7,243,132
Other	31,212,762
TOTALS	\$ 67,692,746

TOTAL
POSITIONS

TOTAL ESTIMATED
REDUCTIONS

3,701

\$ 167,213,916

*Coordinating health & health care
for a thriving Kansas*



Update on Impact of Changes in FY 2010 Budget

**Legislative Budget Committee
July 20, 2009**

Dr. Andrew Allison, KHPA Acting Executive Director



10-7

KHPA in Transition: Establishing New Priorities

10-2



Board Review of Circumstances Facing KHPA's Next Phase

- **New economy**
 - Immediate reductions in funding for KHPA operations
 - Reductions possible in operations and services in FY 2010
 - Large structural deficit that grows substantially with expiration of Federal stimulus dollars in 2011

- **New leadership**
 - Transitions in statehouse since KHPA's founding
 - Transition in KHPA leadership

- **New federal administration**
 - New President focused on quickly advancing major health care reforms
 - Former Governor Sebelius in position of national leadership
 - Reform options encompass many of KHPA's health policy recommendations and could have a substantial impact on state health care programs



Direction from KHPA Board

7-21

- Refocus resources on core program operations
- Position the state for national health reform
- Help secure available ARRA (stimulus) funds for state initiatives in health information technology and exchange
- Complete transformation into an accountable, data-driven agency
- Maintain a broad health agenda
- Work closely with Governor and Cabinet agencies
- Solicit feedback from policymakers

5-01

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Status of KHPA's Budget FY 2009-2010



Brief Overview of KHPA's Budget

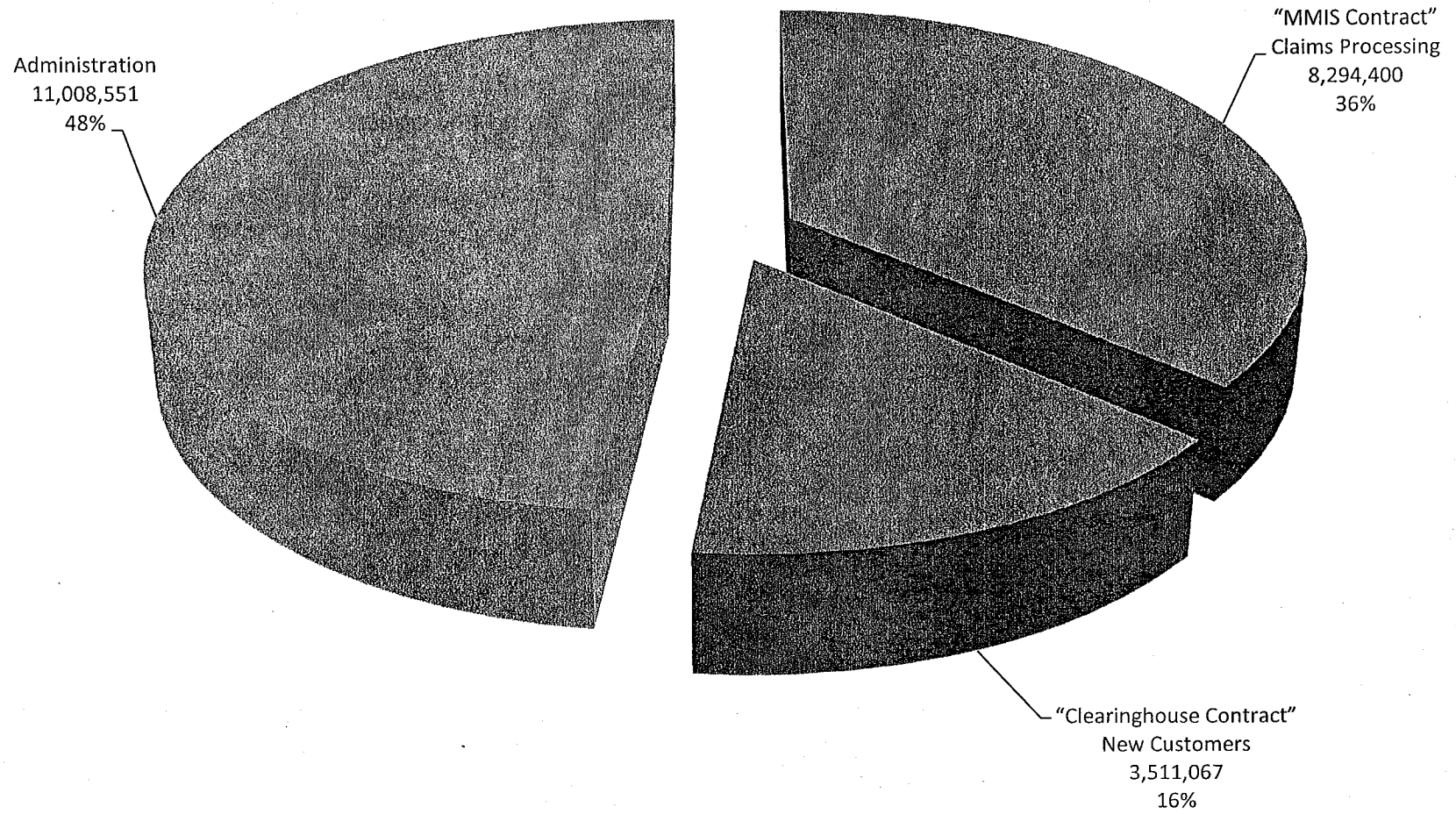
10-6

- **KHPA's FY 2009 budget was about \$2.6 Billion**
 - \$1.36 billion is non-SGF funding for KHPA medical programs
 - \$0.8 billion is federal funds passed through to other Medicaid service agencies (SRS, KDOA, JJA, KDHE)
 - \$0.46 billion is SGF funding for services and operations
- **KHPA programs and operations are funded separately**
 - FY 2009 operational funding was \$23 million SGF
 - Caseload costs are about 20 times larger than operational costs
 - Caseload savings cannot be credited to cost-saving operations
 - The federal government matches Medicaid operations at 50-90%
 - Operational costs for the state employee plan are funded off-budget *insurance*
- **KHPA FY 2010 budget reductions concentrated on operations**
 - Medicaid caseload protected due to Federal stimulus dollars
 - KHPA operations reduced 15.5% versus FY 2009

10-7

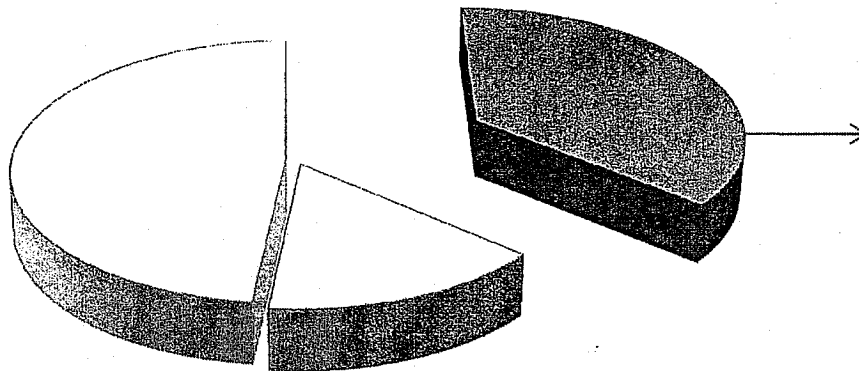
KHPA Operational Budget

Base = FY 2009 Budget: \$22,814,018 (SGF)



KHPA Functions at a Glance: Claims Processing (\$8.3 Million)

8-01



- Medicaid Management Information System (MMIS) - federal mandate: data processing system that manages claims and payments; assures compliance with state plan

- Surveillance Utilization Review Subsystem (SURS) - federal mandate: identifies waste, fraud and abuse

- Payment Error Rate Measurement (PERM) – federal mandate; assures program integrity

- Customer and Provider Service Call Centers: answer calls from providers, beneficiaries with billing, eligibility and other questions.

- FY 2009: Processing avg. 1.5 million claims per month

- Disbursing avg. \$197 million per month in payments to providers

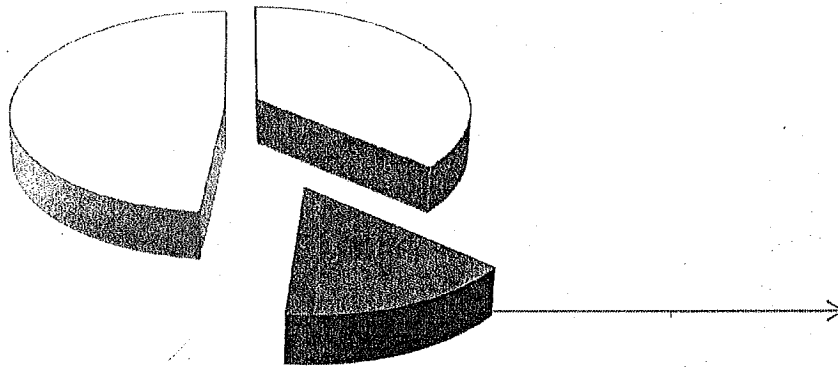
- Call Centers handling 21,127 incoming calls per month

- Outsourced to independent contractor

- Most costs fixed: volume-based contract

10-9

KHPA Functions at a Glance: Clearinghouse (\$3.5 Million)

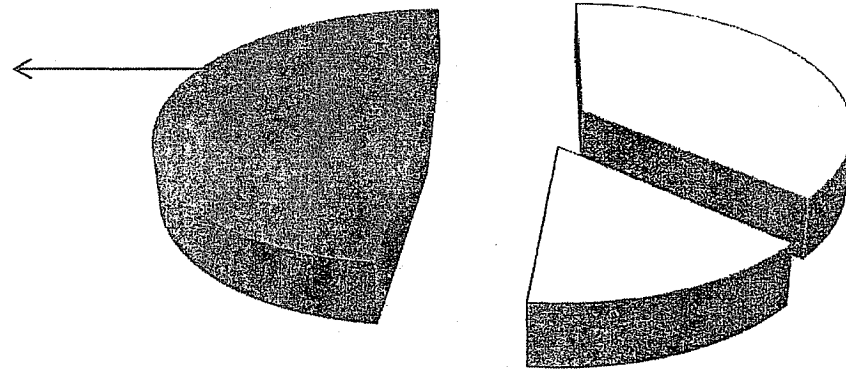


- Processes Medicaid and SCHIP applications for coverage: federal mandate to process an application within 45 days
- Similar to a “sales” department in private sector
- Issues new policies
- Screens applicants for eligibility
- Unified application process: One application for family; screens for all eligible services
- Workload fluctuates with economy
- Majority of work outsourced
- FY 2009 – Receiving an average of 10,736 applications and reviews per-month
- ***Backlog of applications already growing as economy worsens***

10. - 10

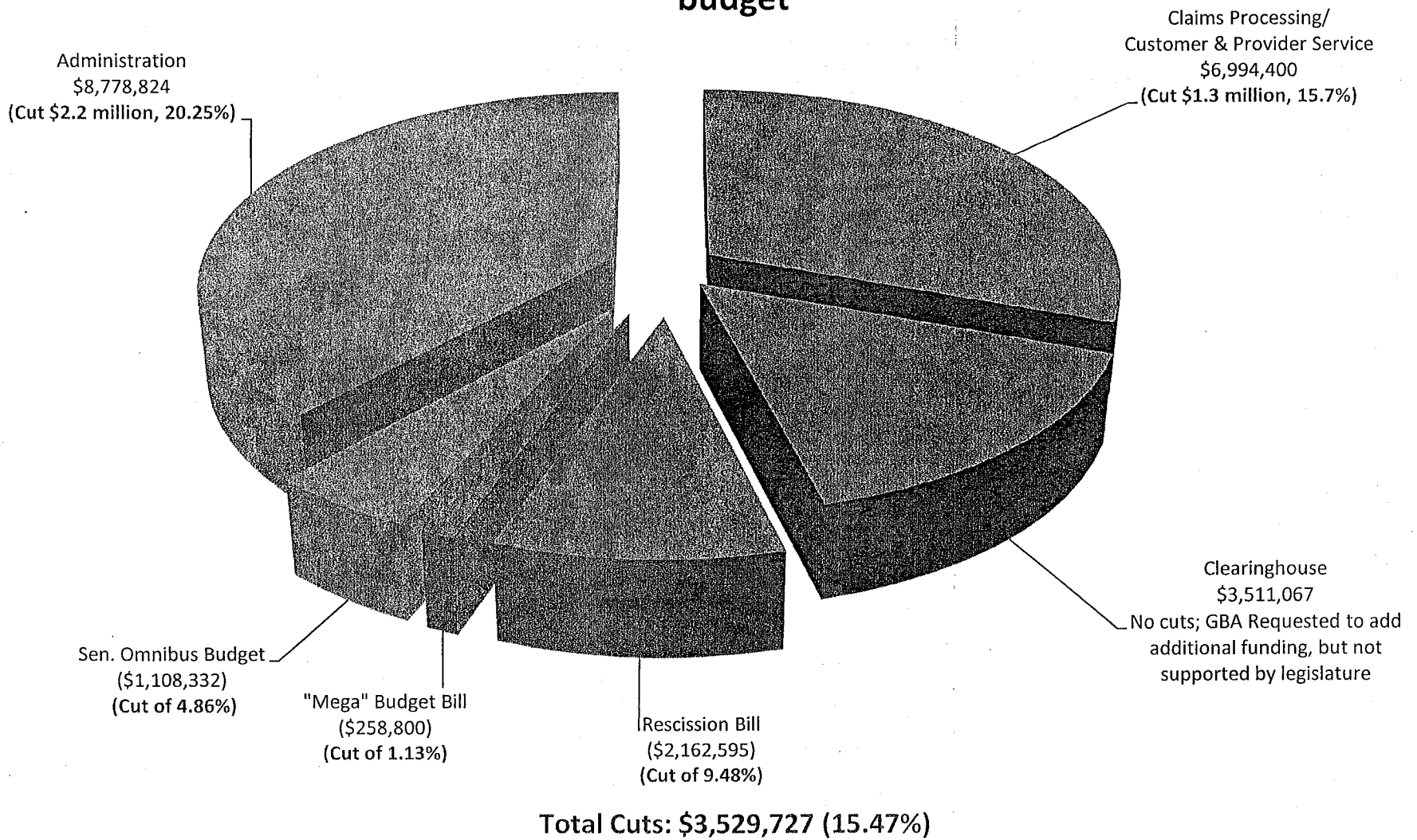
KHPA Functions at a Glance: Administration (\$11 Million)

- Finance and Operations: budget; accounting; financial reports; purchasing
- In-house eligibility and claims processing (required by federal law)
- Actuarial Analysis: data evaluation; risk assessment; long-range planning
- Program management: quality improvement; risk management; cost control
- Human Resources
- Information Technology
- Legal Services
- Governmental and Stakeholder Relations
- Communications/Public Relations
- Physical Plant: rent; utilities; equipment; supplies



KHPA Operational Budget

Distribution of FY 2010 Budget Cuts as compared to approved base budget





10-12

Adjusting to New Targets

10-13



Summary of Agency Response to FY 2010 Budget Shortfall

- **Reduced internal operational costs by \$2.2 million SGF**
 - Eliminated contracts not directly related to program operation (see p.11)
 - Eliminated 14 positions that resulted in 13 staff layoffs
 - Cumulative staff reductions of 15% with unfilled vacancies
 - Eliminated policy division
 - Reduced executive positions from 5 to 4, eliminating more than 20% of executive salaries
- **Reduced contract Medicaid operations by \$1.3 million SGF**
 - Reductions in staffing at the Medicaid fiscal agent (EDS) of 42 FTEs
 - Key areas affected are in customer and provider services
- **Changes to the agency's structure and focus**
 - Eliminated or scaled back policy, communications, and outreach efforts
 - Maintain efforts to identify savings and efficiencies in program costs
 - Extending focus on data-driven efficiency to all KHPA programs
 - Restructured organization to emphasize efficiency and accountability

43 FTE ↓

EDS ↓

what's this?

10-14



Contractual Reductions

Contracts eliminated in FY 2009

- Enhanced care management pilot
- Community health record pilot
- Kansas Legal Services aid for Federal disability applicants
 - (contracting authority transferred to SRS in FY 2010)
- Kansas Health Online consumer portal for health information
- Oregon Health Sciences program for evidenced-based management of prescription drugs

Contract scheduled to terminate January 2010

- Kansas Foundation of Dentistry for the Handicapped

KDHHS

10-15



Impact of Operational Cuts

- **As many as 30,000 to 50,000 People with Delayed Medicaid/SCHIP Applications by December 2009**
 - \$25 - \$30 Million in uncompensated or foregone medical care, delayed payments
 - \$15 - \$20 Million in foregone federal funding
 - Needed medical care delayed; negative health outcomes
 - Compliance with 45-day limit for eligibility processing at risk

- **Approximately 40% Cut in Customer and Provider Service**
 - Affects 25,000 Medicaid providers' ability to ensure access for their patients; receive prompt payment for services
 - Potential delays in pharmacy care
 - 300,000 beneficiaries lose resource to resolve eligibility, coverage questions
 - Increase customer service demand on SRS, Aging, JJA

- **Staff Layoffs: 13 positions (July 2010)**
 - Another 30+ funded positions held open or eliminated with turnover
 - Cumulative reduction in staffing of 15%

- **KHPA staff will be working to minimize the impact of reductions**
 - Meet regularly with the Medicaid community to identify new approaches
 - Continue to scrutinize operational funds to identify available savings



FY 2010 Governor's Allotments

7/1-0/

- FY 2009 Caseload Savings (5,300,000)
- Expansions to Pregnant Women (524,000)
- Increased FMAP Rate (6,300,000)
- No impact on current services

10-17

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<http://www.khpa.ks.gov/>

HIGHER EDUCATION BUDGET UPDATE

*Legislative Budget Committee
July 20, 2009*

*Reginald L. Robinson
President & CEO*



BUDGET RECAP

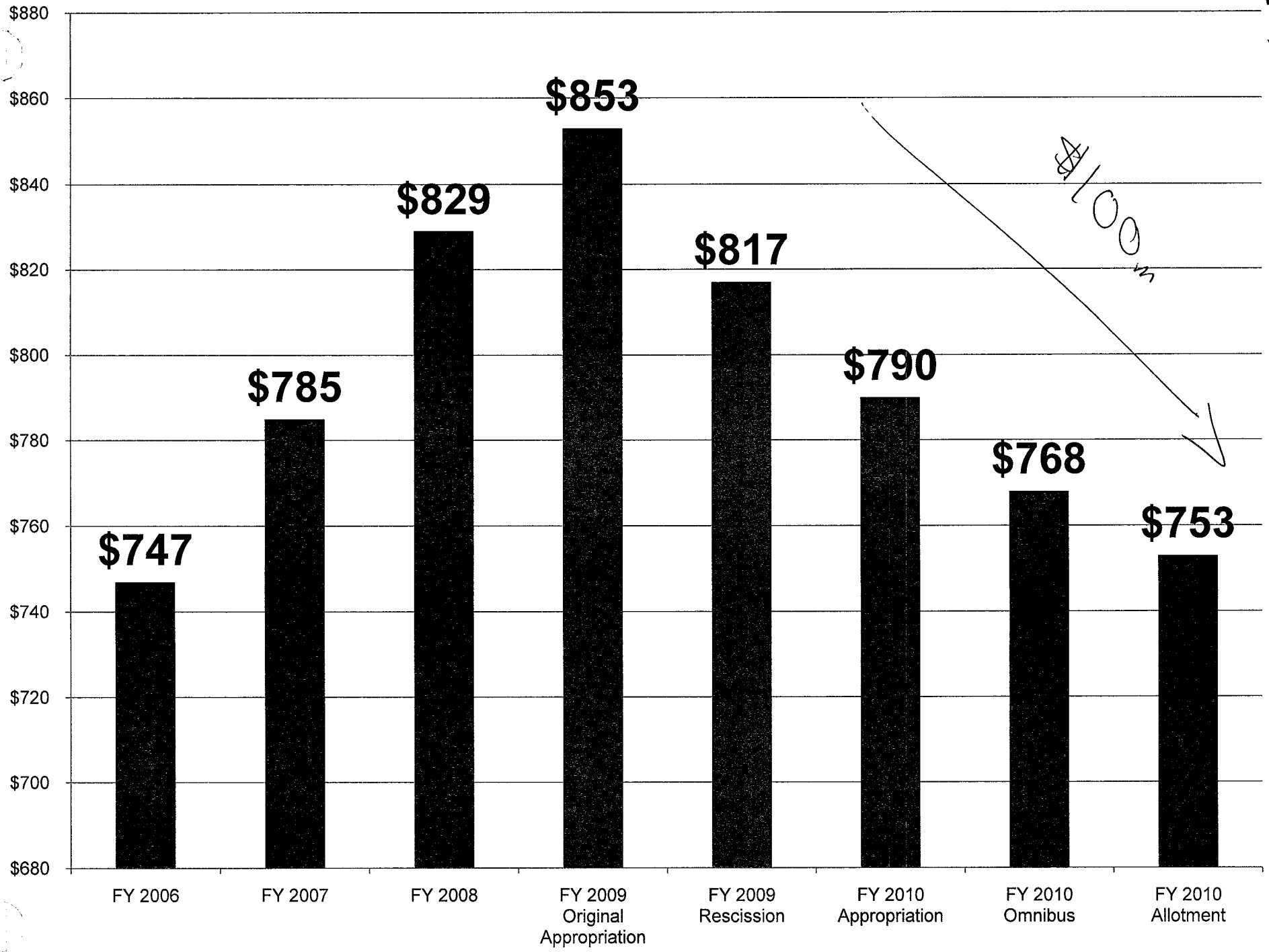
110

Higher Education System Support (SGF):

- **FY 2009 Original Appropriation: \$853 million**
- **FY 2009 Rescission: \$817 million**
(4.25% or \$36 million reduction from FY 2009 original)
- **FY 2010 Appropriation: \$790 million**
(7% or \$63 million reduction from FY 2009 original)
- **FY 2010 Omnibus: \$768 million**
(10% or \$85 million reduction from FY 2009 original)
- **FY 2010 Allotment: \$753 million**
(12% or \$100 million reduction from FY 2009 original)



8/11

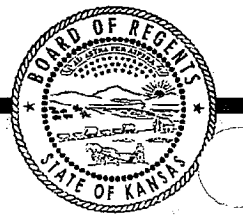


11-4

State University Reductions (To-Date):

- Employee Layoffs: At least 62
- Positions Held Vacant/Eliminated: At least 554
- Programs/Classes Eliminated: At least 553

**More detailed information will be available Thursday.*



5-11

Additional Impacts (To-Date):

- Increased class sizes & reduced course offerings.
- Reduced library resources (books, databases, & publications) & hours of operation.
- Students less likely to graduate in 4 years.
- Reduced operating support for equipment & technology upgrades.
- One student health center was closed for the summer.
- Student counseling services reduced.
- Eliminated purchases of research & educational equipment.
- Reduced or eliminated overtime and student labor budgets.
- Increased faculty teaching loads.
- Increased tuition costs.



Federal Stimulus Funding:

11/16

	<u>FY 2009</u>	<u>FY 2010</u>	<u>2-Year Total</u>
State Universities (6):	\$7,715,773	\$32,151,982	\$39,867,755
Washburn University (1):	\$181,507	\$756,280	\$937,787
Community Colleges (19):	\$1,447,198	\$6,029,986	\$7,477,184
Technical Colleges (6):	\$254,821	\$1,061,752	\$1,316,573
Total (32 institutions):	\$9,599,299	\$40,000,000	\$49,599,299

Formula?
SGF share

2/3 all maintenance?
1/3 tuition mitigation?



11-7

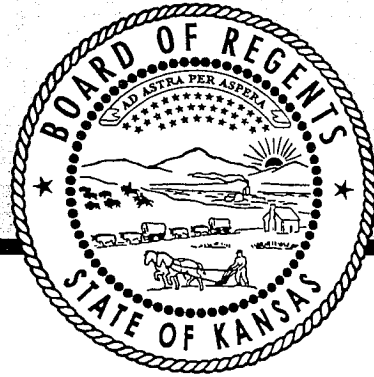
State University Federal Stimulus Allocation:

FY 2009 & FY 2010

Deferred Maintenance (2/3):	\$26,578,503
Tuition Mitigation (1/3):	\$13,289,252
Total:	\$39,867,755

**Most states have used the vast majority of their stimulus funding to back-fill operating budgets.*





8

“The Kansas Board of Regents shall pursue measurable continuous improvement in the quality and effectiveness of the public postsecondary educational system in Kansas, while expanding participation for all qualified Kansans. To achieve that mission, the Board will demand accountability, focus resources, and advocate powerfully.”

www.kansasregents.org

Kansas Board of Regents
ARRA Federal Stimulus Funding Distribution
Board Approved June 25, 2009

Institution	FY 2009 ARRA Funding Distribution	FY 2010 ARRA Funding Distribution	Total Two-Year ARRA Funding Distribution
University of Kansas (including Medical Center)	\$2,941,252	\$12,853,921	\$15,795,173
Kansas State University	\$2,307,016	\$9,441,070	\$11,748,086
Wichita State University	\$847,192	\$3,598,974	\$4,446,166
Emporia State University	\$466,033	\$1,870,960	\$2,336,993
Pittsburg State University	\$569,424	\$2,185,266	\$2,754,690
Fort Hays State University	\$584,856	\$2,201,791	\$2,786,647
Subtotal State Universities	\$7,715,773	\$32,151,982	\$39,867,755
Washburn University	\$181,507	\$756,280	\$937,787
Subtotal Washburn University	\$181,507	\$756,280	\$937,787
Allen County Community College	\$60,401	\$251,672	\$312,073
Barton County Community College	\$98,490	\$410,376	\$508,866
Butler County Community College	\$170,720	\$711,332	\$882,052
Cloud County Community College	\$56,120	\$233,835	\$289,955
Coffeyville Community College	\$34,053	\$141,888	\$175,941
Colby Community College	\$36,431	\$151,794	\$188,225
Cowley County Community College	\$101,856	\$424,400	\$526,256
Dodge City Community College	\$32,556	\$135,650	\$168,206
Fort Scott Community College	\$40,890	\$170,377	\$211,267
Garden City Community College	\$34,027	\$141,780	\$175,807
Highland Community College	\$78,622	\$327,590	\$406,212
Hutchinson Community College	\$111,006	\$462,524	\$573,530
Independence Community College	\$26,346	\$109,776	\$136,122
Johnson County Community College	\$284,975	\$1,187,394	\$1,472,369
Kansas City Kansas Community College	\$128,574	\$535,724	\$664,298
Labette Community College	\$37,796	\$157,482	\$195,278
Neosho Community College	\$33,587	\$139,944	\$173,531
Pratt Community College	\$34,546	\$143,940	\$178,486
Seward County Community College	\$46,202	\$192,508	\$238,710
Subtotal Community Colleges	\$1,447,198	\$6,029,986	\$7,477,184
Flint Hills Technical College	\$30,891	\$128,711	\$159,602
Manhattan Technical College	\$31,904	\$132,935	\$164,839
North Central KS Technical College	\$48,131	\$200,546	\$248,677
Northwest KS Technical College	\$37,209	\$155,035	\$192,244
Salina Area Technical College	\$27,443	\$114,344	\$141,787
Wichita Area Technical College	\$79,243	\$330,181	\$409,424
Subtotal Technical Colleges	\$254,821	\$1,061,752	\$1,316,573
TOTAL	\$9,599,299	\$40,000,000	\$49,599,299

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Kansas Board of Regents
State Universities
FY 2009 and 2010 ARRA Federal Stimulus Funding Distribution

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June 25, 2009 Board Approved: 2/3 Deferred Maintenance, 1/3 Tuition Mitigation over both FY 2009 and FY 2010.

University	Total FY 2009 & 2010 ARRA Funding Distribution	Deferred Maintenance	Tuition Mitigation
University of Kansas (including Medical Center)	\$15,795,173	\$10,131,724	\$5,663,449
Kansas State University	\$11,748,086	\$7,946,972	\$3,801,114
Wichita State University	\$4,446,166	\$2,918,320	\$1,527,846
Emporia State University	\$2,336,993	\$1,605,342	\$731,651
Pittsburg State University	\$2,754,690	\$1,961,494	\$793,196
Fort Hays State University	\$2,786,647	\$2,014,651	\$771,996
Total State Universities	\$39,867,755	\$26,578,503	\$13,289,252