

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Kevin Yoder at 9:05 a.m. on January 20, 2010, in Room 346-S of the Capitol.

All members were present except:

Representative Owen Donohoe- excused

Committee staff present:

Jim Wilson, Office of the Revisor of Statutes
Nobuko Folmsbee, Office of the Revisor of Statutes
J.G. Scott, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Jonathan Tang, Kansas Legislative Research Department
Stephen Huggins, Chief of Staff, Appropriations Committee
Kathy Holscher, Committee Assistant, Appropriations Committee

Others attending:

See attached list.

- Attachment 1 Kansas Prison Population Trends and the Governor's Budget Recommendations FY 2011
- Attachment 2 Budget Adjustments - Department of Corrections FY 2010
- Attachment 3 Kansas Facilities Closure and Realignment Commission's Report

Representative Gatewood made a motion to introduce legislation for a gaming bill so that the Southeast Zone would be more competitive and to encourage a more business friendly attitude in the State of Kansas. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Faber made a motion to introduce legislation regarding the classifications of dams and water obstructions as a repealer. The motion was seconded by Representative DeGraaf. Motion carried.

Roger Werholtz, Secretary, Department of Corrections, presented an overview of the Kansas Prison Population Trends and the Governor's Budget Recommendations FY 2011, (Attachment 1), and Budget Adjustments - Department of Corrections FY 2010, (Attachment 2). He stated that there has been a slight increase in the prison population, and that by FY 2012-FY 2013 projections show that male prison space will be at full capacity. Bed space has been reduced due to the closure of six facilities, he noted. Secretary Werholtz commented that unused space was converted to housing space with no more available space to convert, and 70 % of the prison population can not be locked down. The recommendation was made to the Division of Budget to reopen Stockton Correctional Facility. He stated that projections show sufficient capacity for women in the next decade. A combination of issues has resulted in increased new court commitments and reductions in parole revocations continue to decline. Secretary Werholtz reviewed the proposed reductions to achieve a FY 2010 allotment in the amount of \$3.8 million.

Secretary Werholtz responded to questions from committee members in regards to State General Fund and contract programs capacity reductions. He stated that through the American Recovery and Reinvestment Act, 338 slots have been back-filled, with most of the vocational training grants ending at the end of FY 2010. The Barton County Community College grant ends in FY 2012. Budget cuts in the Governor's Budget Recommendations for FY 2011 include: staff reductions, elimination of a major enhancement in IT programs, removing GPS from lower risk parolees; and operating costs. The governor's enhancement of \$3.5 million would restore funding to fill some vacant positions, he noted. He noted a 14% rate of improvement from FY 2001 to FY 2004 and added that Kansans are safer because of what is happening in the community corrections programs and in the parole and prison systems in regards to supervision. Secretary Werholtz stated that he would provide the committee additional information on supervision program changes, as requested. He noted that the transitional housing budget is approximately \$1 million; training program opportunities in businesses and in the private sector are still available; and the Sentencing Commission worked with Legislative Post Audit regarding consolidating with the Department of Corrections. He stated that the primary role of the Parole Board is to determine requests for release. Secretary Werholtz stated that

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:05 a.m. on January 20, 2010, in Room 346-S of the Capitol.

data would be prepared and distributed to committee member regarding staffing reductions, as requested. He reported that the former warden at the women's facility has moved to the Department of Corrections and will be back-filling as a security administrator and preparing a needs analysis for the mentally ill. Keven Pellant has moved in to the position of Acting Warden while continuing to preform the duties of Deputy Secretary for Community and Filed Services until this position is filled.

Rochelle Chronister, Chairman, Facilities Closure and Realignment Commission, presented an overview of the commission's report, (Attachment 3). She reported that members of the commission conducted on-site visits of the facilities that were up for closure, on-site hearings for employees and their families and clients, and that hearings were held in Topeka. Discussion was held by the commission regarding combining the School for the Deaf and the School for the Blind. The commission recommended closing the School for the Blind as there are few clients being served and recommended sending money that was allocated to the community where these clients would be served. The commission reviewed Rainbow Mental Health Hospital and recommended keeping it opened as long as there was an over-census in the other facilities. The commission also recommended closing Kansas Neurological Institute (KNI) and keeping Parsons State Hospital open. She reviewed the rationale for this decision and stated that this would be a substantial savings over four years. Chairman Chronister reviewed the impact of the closure of Winfield State Hospital, and noted that 38 clients chose to relocate to other facilities and 213 were relocated in a community setting. She stated that if the Governor wrote the reorganization order and decided to close KNI, the order would strongly recommend that the money saved go to reduce the waiting list for people with developmental disabilities.

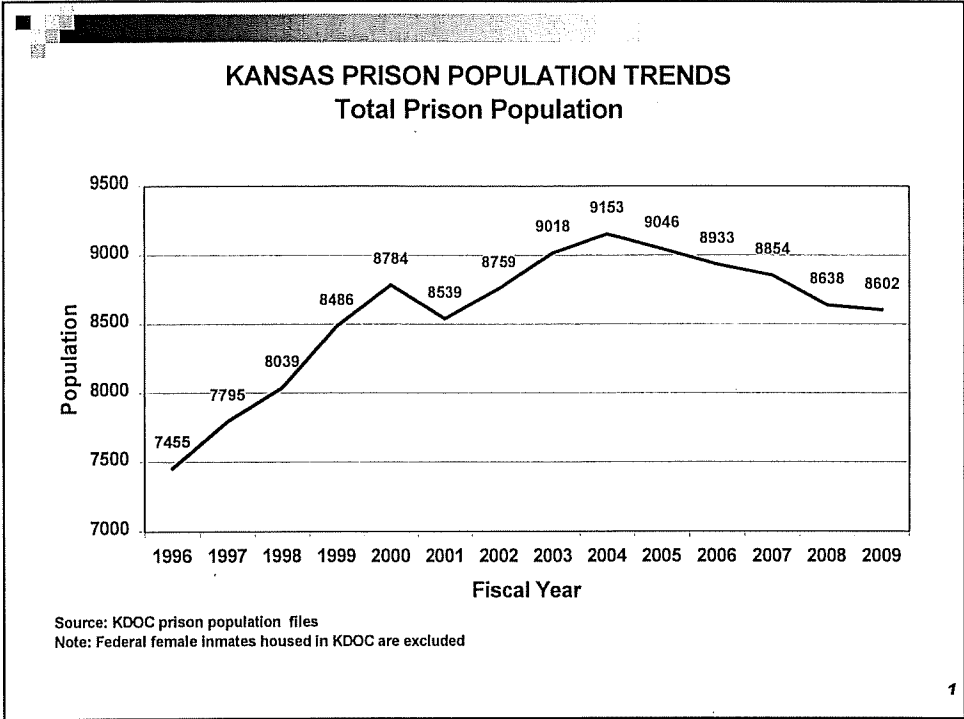
Chairman Chronister responded to committee members regarding the number of students served and financial cost for operating the School for the Deaf and the School for the Blind. She suggested that the committee might want to review costs for out-of-state students, as tuition and other forms of payment may not be enough to cover the actual costs to educate these students. Some students went in to the public schools for very limited athletic activities, she added. Chairman Chronister noted that the Governor has not made any decision on the commission's recommendations. She reviewed the committee's recommendation for closing KNI and downsizing Parsons State Hospital, and recommended that this savings go toward funding the Home and Community Based Services for the Developmentally Disabled Waiver. Chairman Chronister stated that the recommendation to close KNI was not a reflection on the care administered by the facility, but was based on other factors presented in the report. She stated that the base closure process was used, and recommended not using an Executive Reorganization Order, but instead the Legislature could pass a law stating that the Legislature would make the final decision unless one body voted it down. Chairman Chronister explained the outcome and placement of clients effected by the closing of Winfield State Hospital. She stated that clients did not return home to reside with their families, but were placed in communities which had developmentally disabled organizations, and in most cases were located near their family or guardian. There were no waiting lists and the client's state financial support would follow the relocated client, which is based on a tier level and the severity of the client's needs. The process for determining a client's needs involved mediation with the community developmental disability organization, state and family members, which proves to be a successful process, she noted. It was noted that the Rainbow Mental Health Center proved to be a good model within the mental health system. Chairman Chronister stated that the 2010 Commission will expire this year, unless renewed by the Legislature. She reviewed the commissions findings regarding best practices for ensuring every child receives the maximum benefit of their education; recommendations for funding schools on a three-year funding cycle; and changing the formula for determining special education catastrophic aid.

Chairman Yoder reported on the response from Acting Secretary, Josh Svaty, regarding hotel inspection problems, as requested by the committee. He stated that there were 35 bed bug complaints and only 11 of those complaints were valid.

The next meeting is scheduled for January 21, 2010.

The meeting was adjourned at 10:55 a.m.

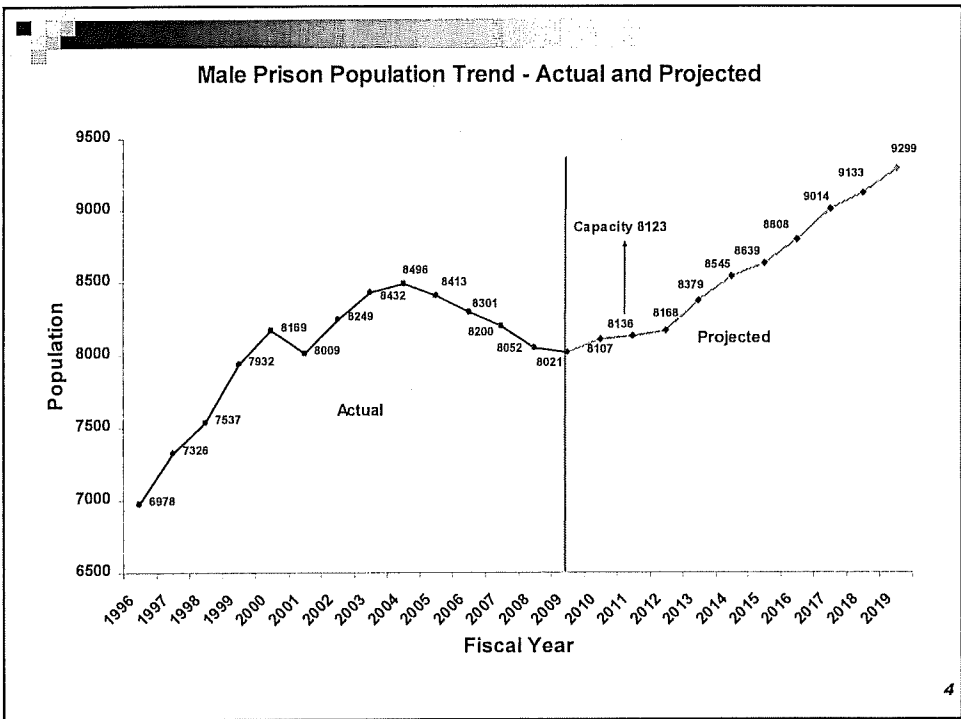
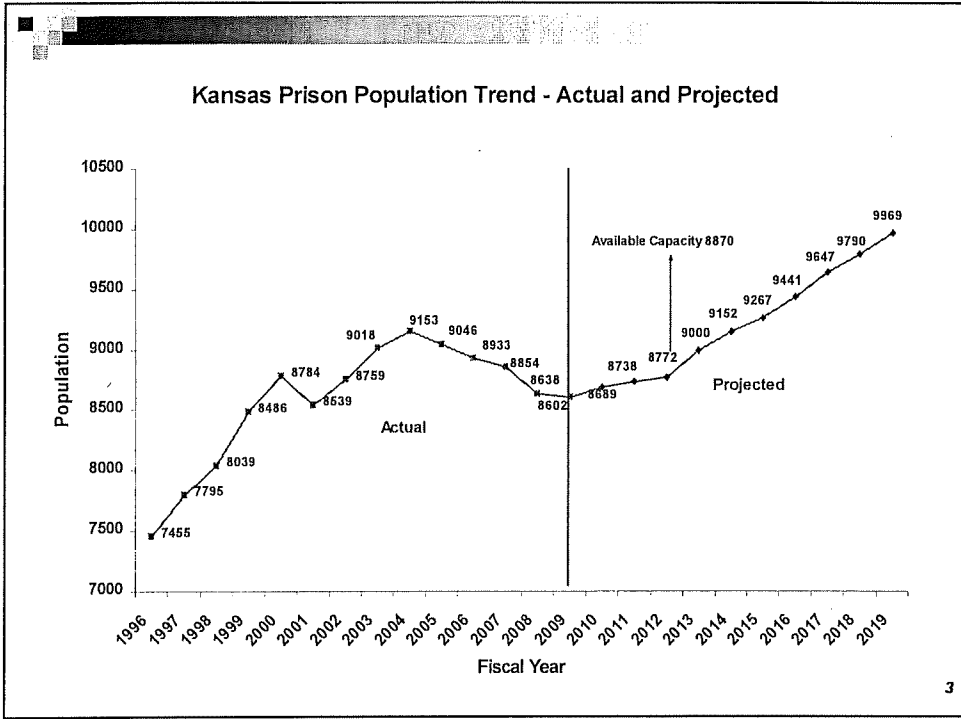

Kevin Yoder, Chairman

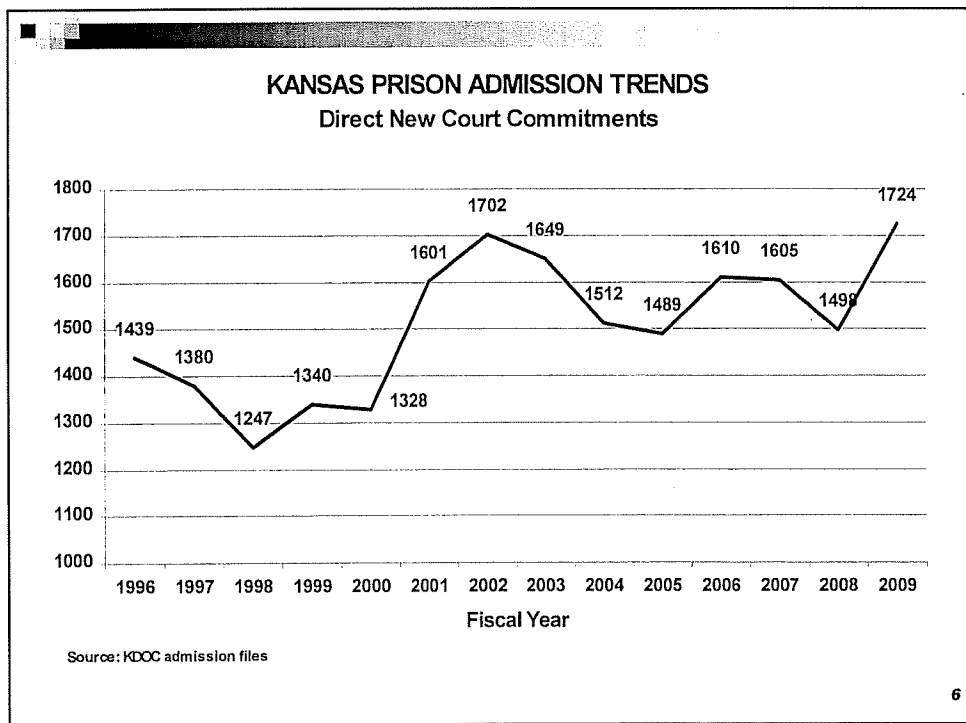
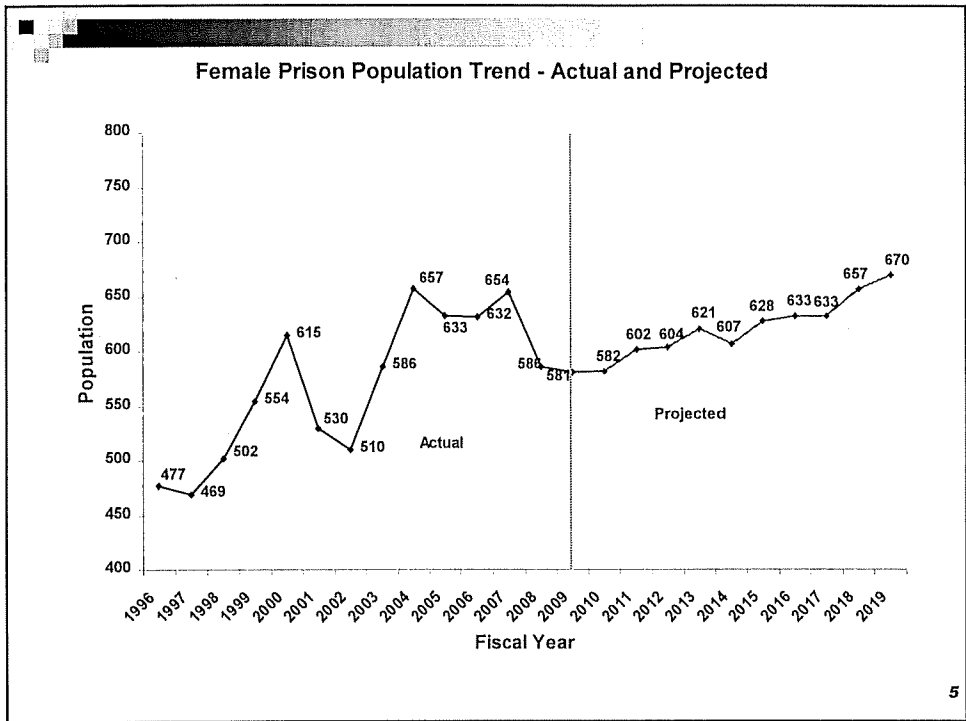


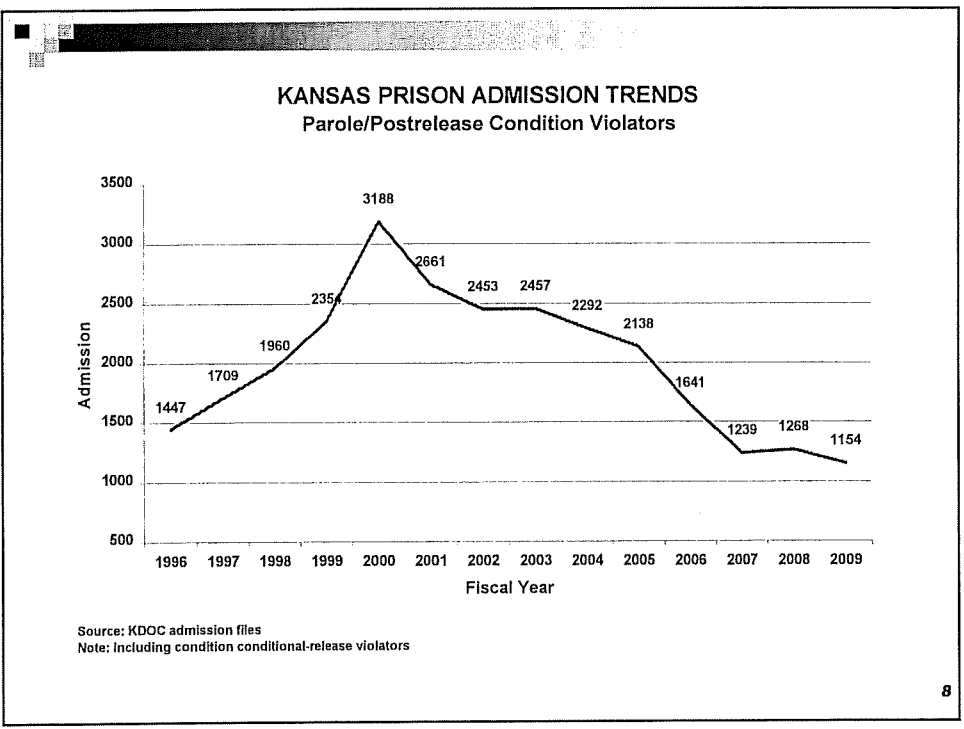
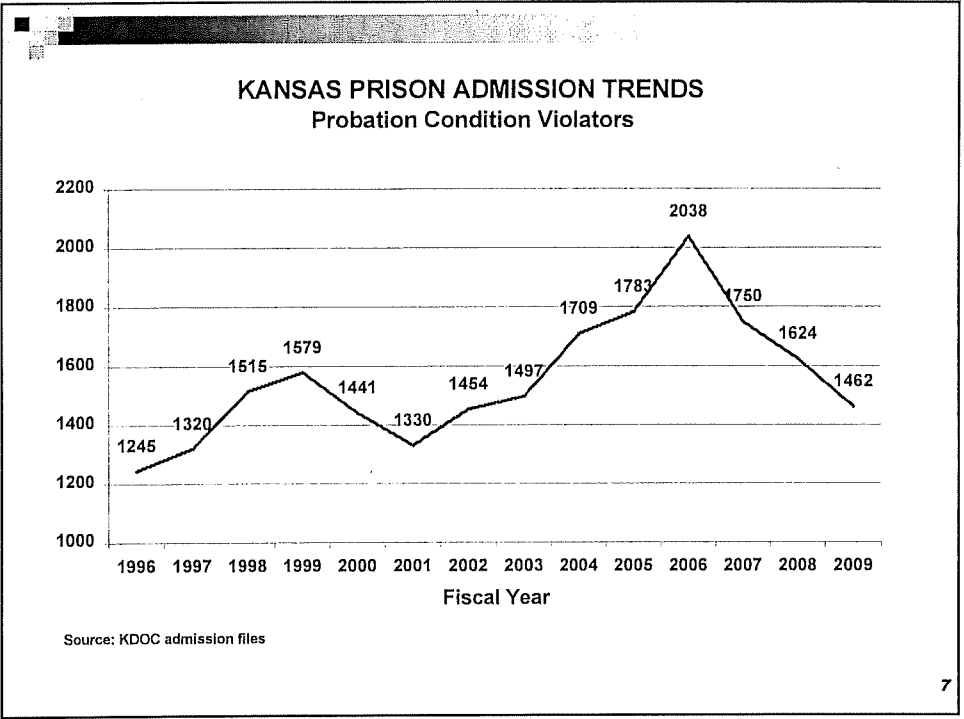
PRISON POPULATION MONTHLY MONITORING REPORT FY 2010 OFFICIAL MODEL

| Month/Year | Projected FY 2010# | Actual | Difference | Percent Error |
|----------------|--------------------|--------|------------|---------------|
| July 2009 | 8624 | 8578 | -46 | 0.54% |
| August 2009 | 8619 | 8618 | 1 | 0.01% |
| September 2009 | 8640 | 8627 | 13 | 0.15% |
| October 2009 | 8640 | 8637 | 3 | 0.03% |
| November 2009 | 8633 | 8648 | -15 | -0.17% |
| December 2009 | 8649 | 8636 | 13 | 0.15% |
| January 2010 | 8650 | | | |
| February 2010 | 8653 | | | |
| March 2010 | 8667 | | | |
| April 2010 | 8683 | | | |
| May 2010 | 8674 | | | |
| June 2010 | 8689 | | | |

Note: The projected population is from FY 2010 prison population projections and the actual population is from DCC monthly offender population reports. Federal female inmates housed at Topeka Correctional Facility are excluded.







(5)

Unresolved Issues

- Restore Offender Treatment, Education and Support Services to FY 2009 levels
 - Harder than it sounds
 - KDOC experienced major reductions in FY 2000 which have never been fully restored
 - In FY 2010 we lost 63% of all state funding for programs compared to FY 2009
 - In FY 2010 we lost 95% of SGF for programs as compared to FY 2009
 - FY 2011 Governor's recommendation would cut losses to 60% and 86% respectively

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Program, Treatment and Support Services Funding (all sources)

- FY 2000 - \$12,416,469 (actual expenditures)
- FY 2009 - \$12,644,436 (actual expenditures)
- FY 2010 - \$ 5,296,312 (budgeted appropriation)
- FY 2011 - \$ 5,375,199 (Governor's recommendation)
 - FY 2011 increase is due Governor's recommendation to restore some transitional housing resources

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9-1

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State General Funded Programs Capacity Reductions Summary

| | <u>FY09 capacity</u> | <u>FY10 capacity</u> | <u>Change</u> |
|-------------------|----------------------|----------------------|---------------|
| • GED/Lit | 312 | 218 | -94 |
| • Vocational | 198 | * 72 | -126 |
| • Spec ED | 50 | 42 | -8 |
| • Life Skills | 42 | 0 | -42 |
| • Sub Abuse | 56 | 40 | -16 |
| • Therapeutic Com | 220 | 0 | -220 |
| • Sex Offender | 312 | 152 | -160 |
| • CRB | 104 | 0 | -104 |
| • DRC | 140 | 0 | -140 |

910 net loss

*10 slots from the DOL/Apprenticeship grant funds were shifted to SGF for FY 2010. This increased the SGF funded vocational slot capacity from 72 to 82 although no actual increase in capacity occurred.

12/30/2009 11

State General Fund/Contract Program Capacity Reductions Detail Summary for FY10

Vocational programs

- Barbering at HCF 10
- Building Maintenance at WCF 12
- Business Support at TCF 12
- Construction trades at NCF 12
- Homebuilding (Cabins for KDWP) at HCF, ECF, NCF reduction in capacity of 24
- Industries Technology at IICF 20
- Landscaping at NCF 12
- Manufacturing Technology at HCF 12
- Welding at LCF 12

126 program slots were lost

12/30/2009 12

(1)

Special or Grant Funded programs

| | FY09 | FY10 | Change | End Date |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|------|------|--------|--------------------------------|
| • JFI | 188 | 203 | 15 | |
| • Food Service (12W) (ARAMARK) | 54 | 51 | -3 | Continental added value |
| • Hospitality (KCKCC) | 30 | 0 | -30 | 1/2009 |
| • Retail (KCKCC) | 30 | 0 | -30 | 1/2009 |
| • Dental lab Tech (Delta Dental) | 8 | 8 | 0 | (SCIP in FY11) |
| • Aerostructure (WIA Funds) | 15 | 0 | -15 | 9/2008 |
| • DOL/Apprenticeship Department of Labor | 40 | *30 | -10 | 6/30/2010 *10 shift to SCIP |
| • Title 1 (Fed Funds) | 8 | 8 | 0 | Annual allocation |
| • Basic Business Skills (Kan-ya (Henn/Colby College)) | 0 | 20 | 20 | 5/28/2010 |
| • Electrical Skills Training (USDH) | 0 | 42 | 42 | 9/30/2010 |
| • Barton County CC (CBJT Grant) Computer Assisted Drafting: 30 HVAC: 20 Manufacturing Skills Cert: 42 Welding: 32 Lifeskills: 225 | 0 | 349 | 349 | 2/2012 |

338 Net Gains

*Hand
APR \$
338 slots
and slots
already
except
any
2012*

12/30/2009

3


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Unresolved Issues

- Restore cuts to medical/mental health contract for FY 2011
- Original negotiated amount - \$49,297,186
- Current budgeted amount - \$45,427,765
- At risk
 - Discharge planners
 - Forensic evaluations for MDT and KPB
 - Releases with adequate supplies of psychotropic medications
 - Nurses supervising medication administration
 - NCCHC accreditation
 - Mental health activity groups for mentally ill inmates
 - TCF Program for victims of abuse
 - Drug formulary

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Unresolved Issues

- Reduce Shrinkage Rates
 - 1999 Legislative Post Audit Study
 - Facilities at or below “operational” (reduced) staffing levels well over 50% of the time for a decade
 - Currently (Jan. 11, 2010) 88.5 positions are being deliberately held vacant to meet budget. A total of 179.5 positions were open that date.

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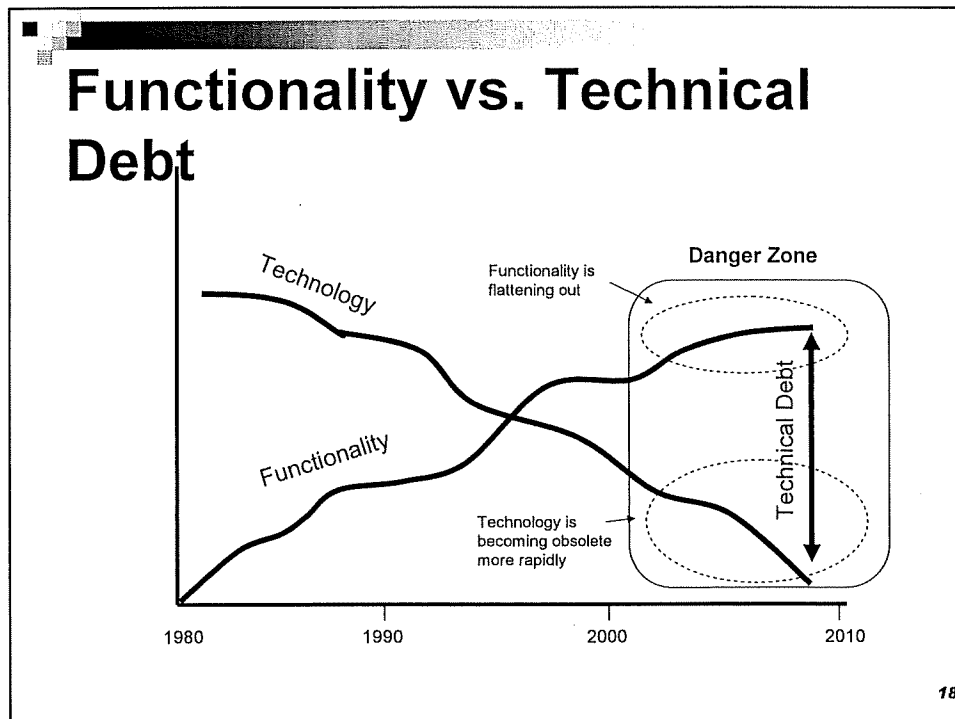
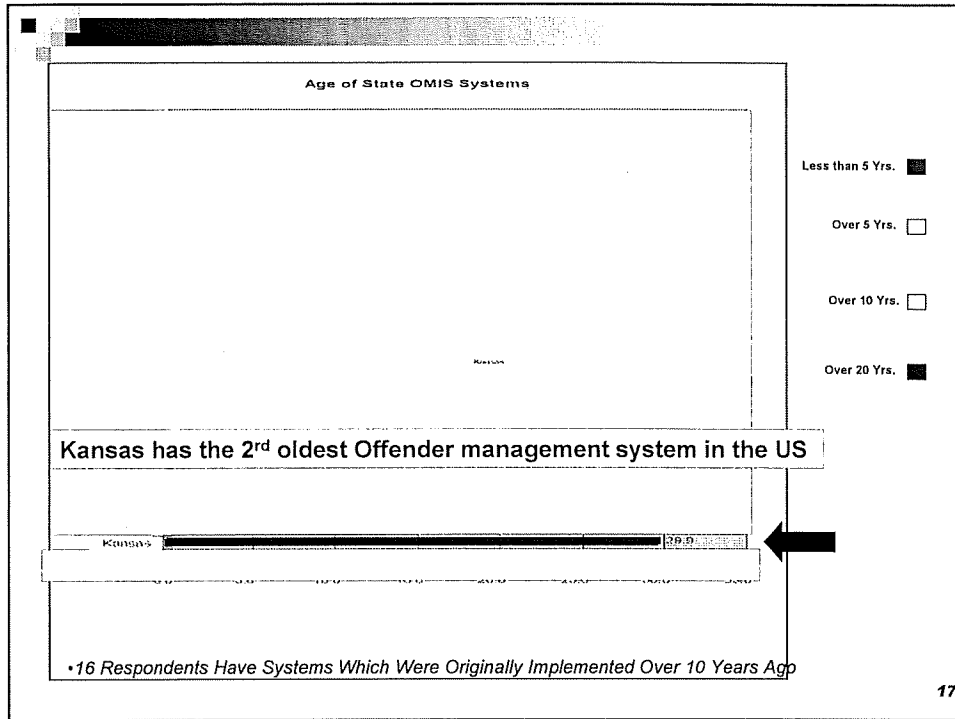


Unresolved Issues

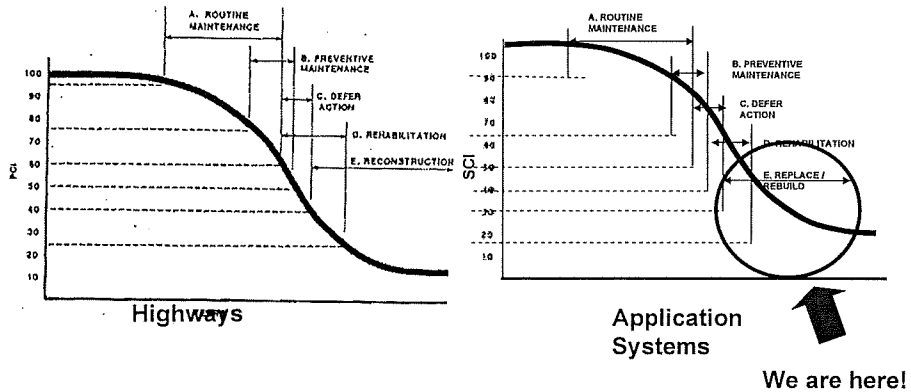
- Replacement of KDOC core information technology systems (OMIS/TOADS)
 - Over the last 4 years (including FY11) we have deferred \$3,000,000 in IT investment and we have used approximately \$500,000 in outside grant money and some project funds intended for system replacement to conduct the EA study required by the JCIT, we need to recover that money and begin to rebuild KDOC’s IT environment.
 - Lessons learned from planned outage in Dec. 2009

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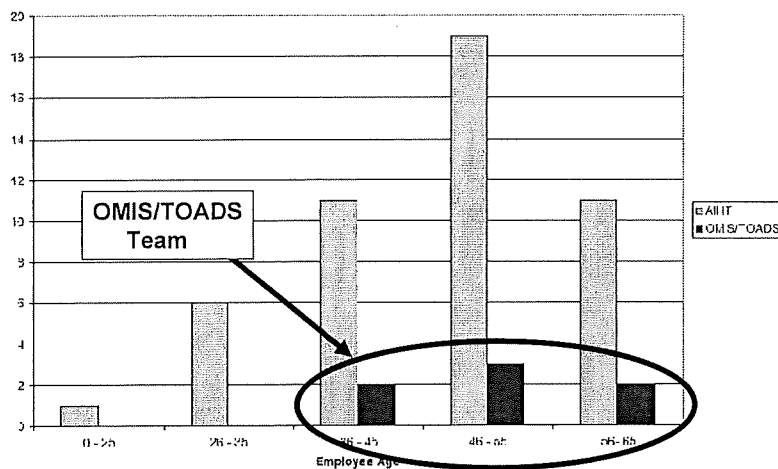


What we can learn from KDOT about Asset Management



KDOC has an aging workforce

KDOC IT Staff Age



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Unresolved Issues

- Replacement of aging vehicle fleet
 - Over 170 vehicles already beyond replacement schedule
 - We are contemplating ceasing perimeter patrols because of worn out vehicles and staffing shortages

Unresolved Issues

- Conversion to narrowband radio communications
 - Federal mandate to be compliant by Jan. 1, 2013
 - Requires lead time for towers, bidding, etc.
 - Current estimated cost - \$742,945

Unresolved Issues

- Restoration of Community Corrections funding
 - FY 2010 and 2011 community corrections budget relies on \$1,500,000 in ARRA Byrne/JAG funding each year.
 - Community corrections programs received an average reduction of 6% in FY 2010 (\$1,050,000 reduction)

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Unresolved Issues

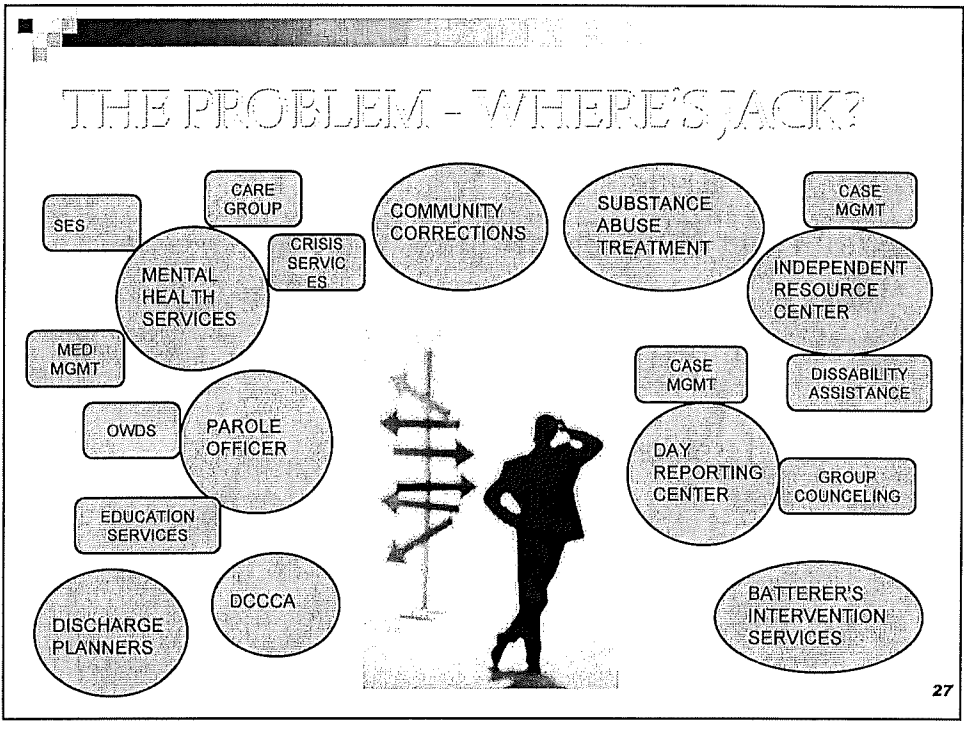
- Housing and treatment services for severely mentally ill and behaviorally disordered inmates and parolees

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Mentally-Ill Offenders

- 61% of women and 30% of men in KDOC facilities are diagnosed with a mental illness (MH Disorder Code 3-6)
- Persons with a significant mental illness were more likely to be re-admitted within one year than those without a significant mental illness (30% vs. 25%)
- Most offenders with mental illness released to Shawnee (44%), Sedgwick (33%), Johnson (26%), and Wyandotte (26%) Counties

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- ### CHARACTERISTICS OF POPULATION
- Mental Illness
 - Alcohol and Drug Addiction
 - Homeless
 - Mental Retardation/Development Disabilities
 - Traumatic Brain Injury
 - Physical Health Problems
 - Limited Education
 - Limited Family Support
 - Poor Work History
 - Fetal Alcohol Syndrome
- 28

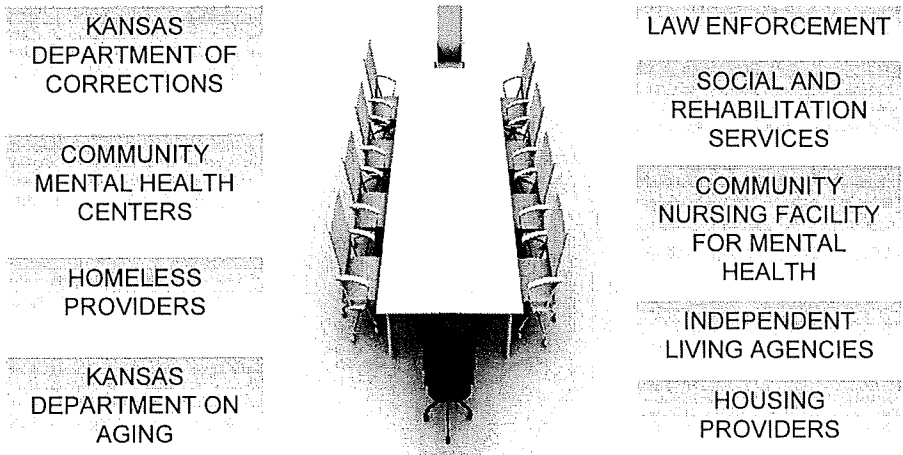
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COST OF JACK - 9 MONTHS

| AGENCY | SERVICE | COST |
|----------------------|-------------------------|-----------------------|
| Mirror, Inc. | Housing | \$4,462.20 |
| KDOC | Voucher Funds | \$964.00 |
| Valeo | Services/Non-Housing | \$10,563.49 |
| Valeo | Housing/Community | \$800.00 |
| Pharmacy | Medication | \$571.23 |
| Valeo, The Residence | Crisis Services/Housing | \$741.32 |
| Stormont Vail West | Crisis Services | \$8,800.00 |
| Police/911 Cost | Crisis Intervention | \$2,250.00 (estimate) |
| TOTAL | | \$29,152.24 |

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BRINGING AGENCIES TO THE TABLE



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1-15

WHY COLLABORATION WORKS

- No one agency is able to serve this population
- Duplication of services is ending
- Offender has an active role in plan
- Expenses saved increases resource stock for all
- Treatment planning is no longer driven by funding source
- Treatment programming addresses and incorporates Evidenced Based Practices

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Back to the community

- Release planning now includes planning for a placement based on assessments done in the community pre revocation.
- Will release with 30 days of meds
- Partners on stand by to launch appropriate services pre release
- Transparency in the referral process in critical to public safety

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Unresolved Issues

- Inclusion of KDOC employees in KP&F or a comparable system
 - Equity issue
 - Cost is what has prevented this in the past
 - No cost in FY 2011 if enacted this session
 - \$5.3 million annual cost beginning in FY 2012
(based on an FY 2010 estimate)

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Decreased Recidivism for MIOs

- Recidivism rates for offenders with mental illness decreased substantially between FY03/04 & FY06/07
 - ❖ FY03/04 rates: 51-74%
 - ❖ FY06/07 rates: 12-39%
 - ❖ Total Decrease of 35-39%!!!
- Both agency-wide recidivism decreases and better discharge planning are responsible for these improvements!

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81-1

(1)

Performance Measures

- 8,639 – facility population on 1/13/10 (9,251 on 2/19/04) 6.6% reduction
- 5,995 – Parole Population on 1/13/10 (4,261 on 2/19/04, 4,167 on 6/30/03) 43.8% 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 (avg. FY '10 to date = 94)
- 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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**Return Rate of Offenders Released From KDOC Facilities During FY 2001-2008
by Type of Readmission and Length of Follow-up Period***

| | FY 2001 | | FY 2002 | | FY 2003 | | FY 2004 | | FY 2005 | | FY 2006 | | FY 2007 | | FY 2008 | |
|----------------------------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % | No. | % |
| One-year Follow-up | | | | | | | | | | | | | | | | |
| No return to KDOC | 1,705 | 44.0% | 1,535 | 43.2% | 1,517 | 46.0% | 1,619 | 47.9% | 1,690 | 53.5% | 2,075 | 62.5% | 1,789 | 64.7% | 1,393 | 66.0% |
| Violation, New Sentence | 55 | 1.4% | 55 | 1.5% | 62 | 1.8% | 61 | 1.8% | 57 | 1.8% | 70 | 2.4% | 66 | 2.4% | 43 | 1.6% |
| Violation, No New Sentence | 1,755 | 47.2% | 1,722 | 48.4% | 1,553 | 45.0% | 1,502 | 44.4% | 1,293 | 37.4% | 844 | 25.6% | 684 | 24.5% | 652 | 24.6% |
| New Commitment (After Discharge) | 13 | 0.3% | 30 | 0.8% | 17 | 0.4% | 11 | 0.3% | 16 | 0.5% | 22 | 0.7% | 7 | 0.3% | 15 | 0.6% |
| Active Warrant (End of Period) | 237 | 6.2% | 213 | 6.0% | 245 | 7.1% | 197 | 5.5% | 241 | 6.9% | 201 | 6.5% | 226 | 8.1% | 214 | 7.5% |
| Total (All Cases) | 3,895 | 100.0% | 3,555 | 100.0% | 3,450 | 100.0% | 3,380 | 100.0% | 3,468 | 100.0% | 3,301 | 100.0% | 2,787 | 100.0% | 2,117 | 100.0% |
| Two-year Follow-up | | | | | | | | | | | | | | | | |
| No return to KDOC | 1,476 | 30.0% | 1,324 | 31.2% | 1,411 | 40.9% | 1,432 | 42.4% | 1,695 | 48.9% | 1,849 | 56.0% | 1,620 | 50.9% | | |
| Violation, New Sentence | 16 | 2.0% | 17 | 2.4% | 31 | 3.5% | 36 | 7.0% | 160 | 2.9% | 129 | 2.5% | 102 | 3.7% | | |
| Violation, No New Sentence | 2,097 | 55.1% | 1,987 | 55.2% | 1,010 | 52.0% | 1,724 | 51.0% | 1,497 | 43.2% | 1,115 | 33.5% | 650 | 32.2% | | |
| New Commitment (After Discharge) | 77 | 2.0% | 32 | 1.6% | 62 | 1.8% | 75 | 2.1% | 80 | 2.3% | 126 | 3.8% | 80 | 2.9% | | |
| Active Warrant (End of Period) | 69 | 1.8% | 95 | 1.8% | 70 | 2.0% | 56 | 1.7% | 90 | 2.6% | 89 | 2.6% | 65 | 2.3% | | |
| Total (All Cases) | 3,895 | 100.0% | 3,555 | 100.0% | 3,450 | 100.0% | 3,380 | 100.0% | 3,468 | 100.0% | 3,301 | 100.0% | 2,782 | 100.0% | | |
| Three-year Follow-up | | | | | | | | | | | | | | | | |
| No return to KDOC | 1,372 | 36.1% | 1,238 | 34.8% | 1,332 | 38.6% | 1,333 | 39.4% | 1,606 | 46.3% | 1,730 | 52.7% | | | | |
| Violation, New Sentence | 97 | 2.5% | 97 | 2.7% | 95 | 2.8% | 101 | 3.0% | 116 | 3.3% | 144 | 4.4% | | | | |
| Violation, No New Sentence | 2,116 | 57.9% | 2,048 | 57.0% | 1,016 | 64.4% | 1,771 | 57.4% | 1,595 | 44.9% | 1,397 | 36.0% | | | | |
| New Commitment (After Discharge) | 133 | 3.5% | 139 | 3.9% | 115 | 3.3% | 140 | 4.1% | 140 | 4.0% | 201 | 6.1% | | | | |
| Active Warrant (End of Period) | 28 | 0.7% | 32 | 0.9% | 30 | 0.9% | 35 | 1.0% | 48 | 1.4% | 30 | 0.9% | | | | |
| Total (All Cases) | 3,895 | 100.0% | 3,555 | 100.0% | 3,450 | 100.0% | 3,380 | 100.0% | 3,468 | 100.0% | 3,301 | 100.0% | | | | |
| Four-year Follow-up | | | | | | | | | | | | | | | | |
| No return to KDOC | 1,200 | 30.6% | 1,159 | 32.6% | 1,274 | 36.9% | 1,204 | 36.0% | 1,540 | 44.6% | | | | | | |
| Violation, New Sentence | 99 | 2.6% | 99 | 2.8% | 99 | 2.9% | 101 | 3.0% | 117 | 3.4% | | | | | | |
| Violation, No New Sentence | 2,195 | 57.9% | 2,077 | 58.1% | 1,039 | 59.0% | 1,709 | 52.1% | 1,588 | 45.7% | | | | | | |
| New Commitment (After Discharge) | 304 | 8.4% | 303 | 8.7% | 162 | 4.7% | 185 | 5.5% | 194 | 5.6% | | | | | | |
| Active Warrant (End of Period) | 26 | 0.7% | 17 | 0.5% | 16 | 0.5% | 21 | 0.6% | 25 | 0.7% | | | | | | |
| Total (All Cases) | 3,895 | 100.0% | 3,555 | 100.0% | 3,450 | 100.0% | 3,380 | 100.0% | 3,468 | 100.0% | | | | | | |
| Five-year Follow-up | | | | | | | | | | | | | | | | |
| No return to KDOC | 1,225 | 32.2% | 1,124 | 31.6% | 1,235 | 35.0% | 1,236 | 36.6% | | | | | | | | |
| Violation, New Sentence | 164 | 7.3% | 100 | 2.8% | 95 | 2.8% | 102 | 3.0% | | | | | | | | |
| Violation, No New Sentence | 2,107 | 58.0% | 2,081 | 58.5% | 1,035 | 55.2% | 1,800 | 53.3% | | | | | | | | |
| New Commitment (After Discharge) | 730 | 8.8% | 334 | 6.6% | 191 | 3.7% | 226 | 6.7% | | | | | | | | |
| Active Warrant (End of Period) | 19 | 0.5% | 16 | 0.5% | 13 | 0.4% | 14 | 0.4% | | | | | | | | |
| Total (All Cases) | 3,895 | 100.0% | 3,555 | 100.0% | 3,450 | 100.0% | 3,380 | 100.0% | | | | | | | | |

Note: The category "Violation, No New Sentence" includes a significant number of cases in which the offender was officially returned with no new sentence, but normally had been convicted of a new felony offense, the date of offense for which was before the return to prison. Documentation for the new sentence did not become available until after the offender was admitted.

*See enclosure includes next page.

Kansas Department of Corrections
Statistical Profile: FY 2009

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(117)

Net Change and Rate of Improvement

- 1 year – 21.2% net change – 47% rate of improvement
- 2 years – 20.1% net change – 52% rate of improvement
- 3 years – 16.6% net change – 46% rate of improvement
- 4 years – 11% net change – 33% rate of improvement
- 5 years – 4.4% net change – 14% rate of improvement

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SUMMARY OF GOVERNOR'S BUDGET RECOMMENDATIONS - FY 2011

KDOC
1/13/10

| | <u>KDOC</u> | <u>Governor</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| <u>A. Reductions/Transfers - State General Fund</u> | | |
| <u>Central Office Operations</u> | | |
| Delete funding for capital outlay | 35,000 | 35,000 |
| Staffing reductions | 395,000 | 395,000 |
| Total | <u>\$ 430,000</u> | <u>\$ 430,000</u> |
| <u>Information Systems</u> | | |
| Delete funding for equipment acquisitions | 710,000 | 710,000 |
| Unspecified reductions | | |
| Staffing reductions | 244,000 | 244,000 |
| | <u>\$ 954,000</u> | <u>\$ 954,000</u> |
| <u>Parole Services</u> | | |
| Delete funding for capital outlay | 98,000 | 98,000 |
| Reduce funding for travel and vehicle expenses and utilize supervision fees to finance parole services operating costs | 60,000 | 60,000 |
| Reduce funding for local jail costs | 261,000 | 261,000 |
| Reduce funding for GPS monitoring of sex offenders | 360,000 | 360,000 |
| Reduce funding for transitional housing | 410,000 | 410,000 |
| Eliminate/reduce funding for clothing, training, SEO equipment/supplies, drug testing, vehicles and utilize supervision fees for parole services operating costs | 178,000 | 178,000 |
| Total | <u>\$ 1,367,000</u> | <u>\$ 1,367,000</u> |
| <u>Reentry Programs</u> | | |
| Reduce funding for program contracts | 517,000 | - |
| Staffing reductions | 706,000 | - |
| Total | <u>\$ 1,223,000</u> | <u>\$ -</u> |
| <u>Victims Services</u> | | |
| Staffing reduction | 52,000 | 52,000 |
| Total | <u>\$ 52,000</u> | <u>\$ 52,000</u> |
| <u>Community Corrections</u> | | |
| Eliminate funding for adult residential centers | 2,068,000 | - |
| Reduce funding for intensive supervision programs | 399,000 | - |
| Total | <u>\$ 2,467,000</u> | <u>\$ -</u> |
| <u>Kansas Correctional Industries</u> | | |
| Transfer of Correctional Industries Fund moneys to State General Fund | 500,000 | 500,000 |
| Total | <u>\$ 500,000</u> | <u>\$ 500,000</u> |

12-1

SUMMARY OF GOVERNOR'S BUDGET RECOMMENDATIONS - FY 2011

KDOC
1/13/10

| | <u>KDOC</u> | <u>Governor</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|----------------------------|
| <u>Facilities Operations</u> | | |
| Eliminate funding for chemical dependency recovery program at Larned Correctional Mental Health Facility | 231,000 | - |
| Housing unit closures | 3,568,000 | - |
| Total | <u>\$ 3,799,000</u> | <u>\$ -</u> |
| <u>Other</u> | | |
| Reduce funding for food service contract due to menu changes (\$452,000 less (1) enhancement package request of \$236,000 to fully fund contract and (2) shift of \$150,000 to kitchen equipment replacement fund) | 66,000 | 66,000 |
| Eliminate funding for substance abuse treatment program at Topeka Correctional Facility | 160,000 | 160,000 |
| Cancel FY 2009 encumbrances and return funds to the State General Fund; utilize these resources to finance FY 2011 budget. | 272,000 | - |
| Retain funds to lessen the impact of excessive shrinkage rates and/or changes to the health care contract required to remain with base budget | (650,000) | - |
| Total | <u>\$ (152,000)</u> | <u>\$ 226,000</u> |
| Grand Total | <u>\$ 10,640,000</u> | <u>\$ 3,529,000</u> |

B. Enhancements - State General Fund

| | | |
|----------------------------------------------------|----------------------------|----------------------------|
| Reduce shrinkage rates for correctional facilities | 3,567,249 | 3,567,249 |
| Restore funding for inmate health care contract | 2,340,000 | - |
| Total | <u>\$ 5,907,249</u> | <u>\$ 3,567,249</u> |

C. Reductions - Other Funds

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|---|-----------|
| Reduce funding for systemwide renovation and repair projects based upon revised estimate of receipts to the Correctional Institutions Building Fund | - | (143,000) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|---|-----------|

Consequences to State Budget if No Revenue Package is Enacted

| Expenditures | | |
|---------------------------|--------------------------------------------------------|-----------------------|
| Education | Reduce General State Aid to Schools | 187,498,000 |
| Education | Eliminate Mentor Teacher Program | 1,450,000 |
| Regents | Additional 2% Cut to Regents Block Grant | 25,000,000 |
| Medicaid Agencies | Leave Provider Rate Cut at 10% | 77,231,000 |
| SRS | Reduce Mental Health Grants | 3,900,000 |
| SRS | Reduce Community Develop. Disab. Org. Grants | 1,300,000 |
| Aging | Reduce SGF for Nutrition Programs | 675,000 |
| KDHE | Reduce Primary Health Care Clinics | 566,663 |
| KDHE | Reduce Local Health Departments | 267,727 |
| KDHE | Eliminate Cerebral Palsy Posture Seating | 105,637 |
| Legislative Agencies | Return to FY 2006 Expenditure Level | 3,384,925 |
| Judiciary | Reduce Court Operations | 3,000,000 |
| Corrections | Release Inmates Early and Close Cellblocks | 7,366,000 |
| Corrections | Reduce Inmate Re-Entry Programs | 1,223,000 |
| Corrections | Close Johnson & Sedgwick Co. Adult Residential Centers | 2,068,000 |
| Corrections | Reduce Intensive Supervision Programs | 399,000 |
| KBI | Continue DNA Processing Backlog | 1,081,000 |
| Veterans Commission | Close One Veterans Service Office | 54,906 |
| Agriculture/Animal Health | Merge Animal Health into Department of Agriculture | 300,000 |
| State Agencies | Eliminate Undermarket Salary Adjustments | 8,534,972 |
| State Fair | Make Bond Payment with Fee Funds | 1,550,000 |
| Wildlife & Parks | Eliminate Park Entry Discount | 800,000 |
| State Library | Reduce State Aid Additional 10% | 265,000 |
| All Other Agencies | Make Further Operational Reductions | 4,600,000 |
| Revenues | | |
| CIF | Sweep CIF By Cutting: | |
| SRS | Eliminate Family Centered System of Care | 5,000,000 |
| Education | Eliminate Parent Education | 7,539,500 |
| JJA | Eliminate Prevention Program Grants | 3,785,814 |
| EDIF | Sweep EDIF By Cutting: | |
| KTEC | Eliminate Agency | 5,990,000 |
| WSU | Reduce EDIF Spending (NIAR Aviation Research) | 5,000,000 |
| Regents | Reduce EDIF Spending (Tech Schools) | 2,745,000 |
| Water Plan Fund | Make No SGF Transfer to Water Plan Fund | |
| KDHE | Reduce Contamination Remediation | 226,161 |
| Agriculture | Reduce Funding for Interstate Water Issues | 137,945 |
| Cons. Commission | Reduce Aid to Conservation Districts | 634,139 |
| KDHE | Eliminate State Match for Treece Buyout | 350,000 |
| Bioscience Authority | Reduce Cap to \$30 M | 5,000,000 |
| Regents | Eliminate Faculty of Distinction Transfer | 3,000,000 |
| Regents | Eliminate Research Bonds Transfer | 6,240,000 |
| Licensing Boards | Cut Biennial Agencies 10% and Sweep to SGF | 2,454,307 |
| Total | | \$ 380,723,696 |

FY 2010 BUDGET ADJUSTMENTS - DEPARTMENT OF CORRECTIONS

Re
10/12/09

| Item | Adjustment to Base Budget | Total Adjustments | |
|-------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------|----------------------------|
| 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 |

Appropriations Committee
Date 1-20-10
Attachment 2-1

2-2
FY 2010 BUDGET ADJUSTMENTS - DEPARTMENT OF CORRECTIONS

Revi
 10/12

| Item | Adjustment to Base Budget | Total Adjustments | |
|----------------------------------------------------------------------------------------|---------------------------------|----------------------|-------------------------------|
| 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 |
| Operating expenditures - correctional facilities | (1,100,000) | (24,002,048) | |
| Operating expenditures - DOC central office | (500,000) | (24,502,048) | Governor's Allotment |
| Add funding for undermarket salary adjustments | 987,149 | (23,514,899) | Other |

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.

**PROPOSED REDUCTIONS TO ACHIEVE FY 2010 ALLOTMENT OF \$3,820,885
KANSAS DEPARTMENT OF CORRECTIONS**

KDOC
11/23/09

| | |
|-----------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Cancel FY 2009 encumbrances and utilize Inmate Benefit Fund moneys to replace State General Fund financing for offender programs. | 468,000 |
| Cancel FY 2009 encumbrances and utilize JEHT moneys to replace State General Fund financing for reentry programs. | 58,000 |
| Delete funding for capital outlay - central office operations. | 34,000 |
| Reduce funding for information technology equipment acquisitions. | 263,000 |
| Delete funding for capital outlay - parole services. | 98,000 |
| Reduce funding for travel and vehicle expenses - parole services. | 50,000 |
| Reduce funding for local jail costs (annualization of first quarter obligations indicates payments will total \$1,100,000). | 261,000 |
| Reduce funding for GPS monitoring of sex offenders. | 230,000 |
| Reduce funding for transitional housing. | 771,000 |
| Delete unobligated amount for reentry program contracts. | 85,000 |
| Replace funding for community corrections grants with unexpended moneys in local program accounts. | 480,000 |
| Eliminate funding for substance abuse treatment program at Topeka Correctional Facility. | 160,000 |
| Food service contract savings based upon payments through 10/31/09. | 50,000 |
| Reduce funding for food service contract due to menu changes. | 222,000 |
| Health care contract savings | 177,000 |
| Lapse of unspent funds from the prior fiscal year. | <u>413,885</u> |
| Total | <u>\$3,820,885</u> |

ROCHELLE CHRONISTER

17124 BETHEL ROAD
NEODESHA, KANSAS 66757

November 23, 2009

Governor Mark Parkinson
Kansas Statehouse
Topeka, Kansas 66612

Dear Governor Parkinson,

The Kansas Facilities Closure and Realignment Commission has finished its work and is pleased to submit the enclosed report with our recommendations to you.

As chairman of the Commission I can truly say this was one of the most fully engaged groups that I have ever worked with during my time with state government. There were almost no absences from meetings and we were able to tour all of the facilities which were on the list for our examination. We held public hearings at each site and held further hearings on all of the facilities in Topeka at the Capitol also.

The decisions which were made were very difficult as they dealt with some of the most fundamental decisions affecting people's lives and the Commissioners felt their responsibilities deeply. The Cabinet members who were providing information to the Commission also did an excellent job of providing the information that was requested. Commission staff deserves a special thank you for keeping us on point and insuring that our recommendations were accurately reflected.

We hope these recommendations will prove useful.

Sincerely,

Rochelle Chronister, Chairman
Facilities Closure and Realignment Commission

Appropriations Committee
Date 1-20-10
Attachment 3-1

2-3

EXECUTIVE SUMMARY

The Governor's Facilities Closure and Realignment Commission has made the following recommendations on the facilities named in Executive Order 09-01 and one additional facility, the Rehabilitation Center for the Blind and Visually Disabled. One facility named in Executive Order 09-01, the Beloit Juvenile Correctional Facility, suspended operations independent of the Commission.

The Commission met monthly from April through October. In order to both educate Commissioners and allow ample input from the public and from stakeholders, Commissioners visited each facility for a tour and a public hearing on the site. The Commission also hosted a public hearing for each facility at the Statehouse in Topeka.

The Commission submits two recommendations on the **Kansas State School for the Blind (KSSB) and the Kansas School for the Deaf (KSD)**:

1. KSSB and KSD will combine as many functions as possible in the areas of administration, maintenance, security and food service. The services to be considered for merger include but are not limited to business office, human resources, technology and the health center. The Department of Education estimates merger of these functions should save a combined \$400,000 to \$500,000 per year.
2. In order to simplify administrative functions and more accurately account for the savings targeted by the Commission, KSSB and KSD should be budgeted as a single entity.

The Commission submits two recommendations on the **Rehabilitation Center for the Blind and Visually Disabled (RCBVI)**:

1. RCBVI will be closed and SRS will reinvest savings from the closure of the facility into outreach programs to better serve the blind and visually impaired population in Kansas.
2. An Advisory Committee for the Blind and Visually Impaired be created either through Executive Order or statutory change.

The Commission has one recommendation for **Rainbow Mental Health Center (Rainbow)**:

1. Rainbow will remain open and SRS will pursue public/private partnerships with community hospitals, with an integrated health model, inclusive of community mental health centers and moving toward downsizing state hospitals. SRS will report progress towards this recommendation to the 2011 Legislature.

3-2

The Commission submits three recommendations for **Kansas Neurological Institute (KNI) and Parsons State Hospital (Parsons)**:

1. The Commission recommends SRS develop criteria for placement in community based services that take into account
 - What population has proven it can be successfully served in the community
 - What circumstances and needs are presented by the most recent admissions to Parsons or KNI
 - Of the current population at Parsons and KNI, who would have a high probability of success in the community if given the right supports
 - Of the current population at Parsons and KNI, who would present moderate challenges but would have a high probability for success given appropriate supports and services from the right provider
 - SRS has estimated at least 49 residents at KNI and 62 residents at Parsons State Hospital meet these criteria and the Commission recommends those residents be placed in community based services.

2. The Commission recommends SRS review the residents not preliminarily identified by SRS to meet these criteria at KNI (108 residents) for placement in the community or for transfer to Parsons State Hospital and that KNI be closed. The Commission also recommends remaining residents at Parsons State Hospital (129 residents) be reviewed for placement in the community.

3. The Commission recommends that when the Governor prepares his Executive Reorganization Order (ERO) to carry out the recommendations concerning the closure of KNI and downsizing of Parsons that the ERO be written as clearly and strongly as possible to ensure any savings go to expand funding for the Home and Community Based Services for the Developmentally Disabled (HCBS DD) Waiver. The Commission recommends that this be done by specifically requiring the ERO to transfer all dollars from KNI to the HCBS DD Waiver prior to closure of the state hospital. In fact, some specific components that are recommended for the Governor's ERO, budget and other documents to carry out our recommendation by:
 - a. Immediately transferring, through ERO or other means, all appropriations for KNI into the same budget line item as HCBS DD Waiver Services, to ensure that every dollar saved in closure will stay in the DD Waiver budget.
 - b. Writing into the ERO that all programmatic savings due to closure as well as all proceeds from the sale of real estate, surplus property and all other savings must flow to a special trust fund which can only be used for new services on the HCBS DD Waiver.
 - c. Having the Governor require by ERO or Executive Order (EO) that his agencies separately track all appropriations from this trust account and from any accounts with KNI or DD Waiver services, in order to ensure that the savings are going to new DD Waiver services.
 - d. Having the Governor take any and all other steps to ensure that the full recommendation of the Commission is carried out, whether it is through EO, ERO, policy directive or via the proposed FY 2011 Governor's Budget Report.

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Kansas State School for the Blind and Kansas School for the Deaf

The Commission made visits to the Kansas State School for the Blind (KSSB) and the Kansas School for the Deaf (KSD) on April 6 and April 7. At each visit, Commissioners toured the campuses of both schools and held a public hearing. On June 22, the Commission held a second public hearing on KSSB at the State Capitol in Topeka. On July 27, the Commission held a second public hearing on KSD at the State Capitol in Topeka. All told, the Commission heard from 29 individuals and organizations regarding KSSB. The Commission heard from 32 individuals and organizations regarding KSD.

At each of the schools Commissioners expressed concerns over the age of the facilities as well as the utilization of space across the campuses compared to the number of students being served. Following the four public hearings, the Commission directed KSSB, KSD, and the Department of Education to explore plans to either use current buildings on the campus of KSD for students of KSSB or to construct new buildings on the KSD campus for students of KSSB. The Commission's directive was clear – to merge the two campuses into a single campus.

Several additional suggestions were studied by the Commission over the course of the summer, but it should be noted that at no time did any Commission member recommend closure of either KSSB or KSD nor was it ever suggested that the two schools be merged. There was a proposal presented by Envision, Inc. that outlined how Envision would provide outreach services to blind students across the state in the event of closure of KSSB. That proposal was distributed to Commission members and no further information was requested.

Commissioners were also provided information on the possibility of using "foster families" for elementary school students who are currently living at on-campus dormitories; the executive summaries of prior studies of the two schools' facilities; information regarding the ownership of KSSB property should the land no longer be used for education of blind students;

The Department of Education Commissioned Hollis & Miller architects to estimate the costs of the scenarios presented by the Commission. Their estimate for campus-wide improvements, remodeling costs and new construction is \$26,653,584. To build a new KSSB building at the west end of the current KSSD campus would cost \$29M - \$32M.

Given costs of at least \$25 million for upgraded facilities, the Commission focused on whether efficiencies from closed facilities, such as closing the KSSB campus and co-locating with KSD, and efficiencies from shared services would be enough to cover the costs of upgraded facilities. Several Commission members were hopeful that, given the age and condition of the buildings on both campuses, sufficient efficiency could be found to justify construction of a new state of the art facility that could house both campuses.

In analyzing the current budget for both schools, the five year capital improvement plan for both schools, and the annual maintenance currently being done at both schools, the Department of Administration, the Division of the Budget, the Department of Education, and the two schools all agreed that the maximum efficiencies which could be generated would be approximately \$1.5 million a year. This total would include reduced utility costs, reduced capital costs due to closure of the current KSSB campus, and the merger of several administrative functions. However, it was estimated that debt service on new construction would be approximately \$3 million a year.

Therefore, the Commission submits two recommendations on the Kansas State School for the Blind and the Kansas School for the Deaf:

3. KSSB and KSB will combine as many functions as possible in the areas of administration, maintenance, security and food service. The services to be considered for merger include but are not limited to business office, human resources, technology and the health center. The Department of Education estimates merger of these functions should save a combined \$400,000 to \$500,000 per year.
4. In order to simplify administrative functions and more accurately account for the savings targeted by the Commission, KSSB and KSD should be budgeted as a single entity.

7-8

Rehabilitation Center for the Blind and Visually Impaired (RCBVI)

The Commission visited RCBVI on July 28. Commissioners toured the facility in Topeka and held a public hearing. Commissioners heard from 13 organizations and individuals about the services provided at RCBVI. The consensus opinion was that the services delivered there were very important to blind Kansans and should be preserved. Testimony was presented by the Kansas Optometric Association, Envision, and Alphapointe indicating there was interest from private organizations in providing the same services being provided at RCBVI.

Commissioners asked SRS to provide information on what services would be available in the private sector and what the comparative costs would be. SRS put together a plan which would utilize \$300,000 in American Recovery and Reinvestment Act (ARRA) funding to enhance and build community capacity. SRS identified a network of approximately 80 vocational rehabilitation counselors statewide and five facility based services in Kansas, Nebraska, Missouri, Iowa, and Colorado which could provide similar or enhanced services at a lower cost than RCBVI.

SRS estimates the average cost for a consumer at RCBVI is \$23,024 a month; SRS found the five facility-based services surveyed could provide complete services for between \$21,672 and \$31,649. SRS determined that closure of RCBVI by July 1, 2010 would generate a savings of \$73,275 SGF/\$344,015 All Funds.

Commissioners agreed with the SRS assessment that by closing RCBVI the state has an opportunity to enhance services by utilizing savings and collaborating with current service providers to offer people an enhanced level of community services. The Commission recommends RCBVI be closed by July 1, 2010 and the money saved by closing the facility be used to make assistance available to persons across the state by reinvesting it in outreach programs. Resources can be shifted to provide more services to a greater number of people without them having to travel great distances. It would also be possible to contract with the School for the Blind to serve both the adult and child populations.

The Commission also recommends an Advisory Committee for the Blind and Visually Impaired be created that is similar in size and responsibilities to the Kansas Commission for the Deaf and Hard of Hearing. The Commission makes no recommendation on the disposal of the current RCBVI facility. According to SRS, there are two buildings that make up RCBVI and each carries a current bond payment. For the AWL building debt service runs through FY 2011. For the Woodward building, debt service runs through FY 2021 at a rate of approximately \$100,000/year.

Therefore, the Commission submits two recommendations on the Rehabilitation Center for the Blind and Visually Disabled:

3. RCBVI will be closed and SRS will reinvest savings from the closure of the facility into outreach programs to better serve the blind and visually impaired population in Kansas.
4. An Advisory Committee for the Blind and Visually Impaired be created either through Executive Order or statutory change.

Rainbow Mental Health Center (Rainbow)

The Commission visited Rainbow Mental Health Center on April 6. Commissioners toured the facility in Kansas City and held a public hearing. During the visit to Rainbow, Commissioners heard testimony from twelve individuals representing a broad range of the community, including former clients and their families, local law enforcement, and local mental health providers.

The Commission held a second public hearing on June 22 at the Statehouse in Topeka. Commissioners heard from eight conferees representing law enforcement and local mental health providers. At the June 22 hearing Commissioners also heard a proposal from KVC Behavioral HealthCare to acquire Rainbow from the State of Kansas and develop the facility into a psychiatric hospital facility and training center.

In reviewing the testimony on Rainbow and the mental health resources available statewide, Commissioners consistently indicated a preference for smaller, community based mental health resources and believed Rainbow provided a good model for SRS to utilize in developing additional capacity within the mental health system. Commissioners, in reviewing the costs of operating Rainbow compared to the costs of operating state hospitals at Osawatomie and Larned, did not indicate an interest in closing Rainbow and reducing the availability of inpatient mental health services in the state.

Therefore, the Commission has one recommendation for Rainbow Mental Health Center:

Rainbow will remain open and SRS will pursue public/private partnerships with community hospitals, with an integrated health model, inclusive of community mental health centers and moving toward downsizing state hospitals. SRS will report progress towards this recommendation to the 2011 Legislature.

Parsons State Hospital (Parsons) and Kansas Neurological Institute (KNI)

The Commission visited Parsons State Hospital for a tour and public hearing on May 18. Commissioners toured both the state hospital facilities and the KU Life Span Institute. Commissioners heard testimony from 25 individuals and organizations, including parents and family members, representatives from local communities, and representatives of local community mental health and developmental disability organizations.

The Commission visited the Kansas Neurological Institute on May 189 for a tour and a public hearing. Commissioners heard testimony from 21 individuals at KNI, mostly parents, guardians, and advocates for the disabled.

Following the visits to Parsons and KNI, Commissioners requested information from SRS on the number of patients who were residents at Winfield State Hospital when it was closed who are still residents or who were unable to be served in a community setting. SRS submitted the following chart:

| People Moving From Winfield State Hospital | To Parsons State Hospital | To Kansas Neurological Institute | To Community Setting |
|-----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| I: At time of Winfield State Hospital closure | 14 <i>Tier rating information: Tier 1 – 9 people (64%) Tier 2 – 2 people (14%) Tier 3 – 3 people (21%)</i> | 28 <i>Tier rating information: Tier 1 – 19 people (68%) Tier 2 – 5 people (18%) Tier 3 – 4 people (14%)</i> | 209 <i>Tier rating information: Tier 1 – 135 people (65%) Tier 2 – 46 people (22%) Tier 3 – 22 people (10.5%) Tier 4 – 5 people (2%) Tier 5 – 1 person (0.5%)</i> |
| II: People from category I who later moved to community setting | 2 | 2 | 4 additional (213 total) |
| III: People from category II who later returned to a state hospital setting | 0 | 0 | 0 |

SRS also provided estimates to the Commission on costs associated with closing one of the two institutions while leaving the other opened. Those estimates are attached as Attachment A.

The Commission held a second public hearing on Parsons and KNI at the Statehouse in Topeka on September 28 and September 29. On September 28, Commissioners heard from 21 individuals and organizations on KNI and from an additional 6 individuals and organizations on Parsons.

*Separate
Commission Hearing
Hawens*

On September 29, Commissioners heard from Rod Turnbull with the KU Center on Developmental Disabilities, Kathy Lobb with the Self-Advocate Coalition of Kansas, Jane Rhys with the Council on Developmental Disabilities, Rocky Nichols with the Disability Rights Center of Kansas, and Tom Laing with InterHab. Each testified on the benefits of providing services for the disabled in a community setting as opposed to a state hospital setting.

On October 26 and 27, the Commission held a public hearing in Topeka to make its recommendation. The Commission received Attachment B from SRS outlining the costs of identifying current residents at KNI and Parsons who could be best served in the community and the costs of maintaining bed space for remaining residents. The Commission made a pair of recommendations.

The Commission feels strongly that community based services are the best resource for Kansans in need of care.

As its first recommendation, the Commission recommends SRS develop criteria for placement in community based services that take into account

- What population has proven it can be successfully served in the community
- What circumstances and needs are presented by the most recent admissions to Parsons or KNI
- Of the current population at Parsons and KNI, who would have a high probability of success in the community if given the right supports
- Of the current population at Parsons and KNI, who would present moderate challenges but would have a high probability for success given appropriate supports and services from the right provider

Current patients were identified who met these criteria. KNI identified 49 who met this criteria and Parsons State Hospital identified 62 who meet the criteria. The Commission asked SRS to develop criteria based upon the above factors and place in the community those individuals previous identified and those determined through further evaluation.

In reviewing the projected census numbers for KNI, the Commission found the number of residents has been at a steady rate of decline for a number of years with a limited number of admissions. In reviewing the projected census numbers for Parsons State Hospital, the Commission found the number of residents has remained steady and that admissions and discharges have remained fairly constant.

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Therefore, the Commission recommends SRS review the remaining residents at KNI (108 residents) for placement in the community or for transfer to Parsons State Hospital and that KNI be closed. The Commission also recommends remaining residents at Parsons State Hospital (129 residents) be reviewed for placement in the community.

According to SRS, a timeline for placing residents and closing KNI is between 30 and 36 months. During this time there will be a cost incurred in the community, as well as a cost to continue operating KNI and an increased cost at Parsons. As a result there would be a savings in the first year of \$86,010 all funds, \$36,167 state funds. In the second year there will be an all funds savings of \$7,758,823, SGF savings of \$3,262,585. In the third year and subsequent years there will be a savings of \$13,662,079 all funds, SGF savings of \$5,744,904

As its second recommendation, the Commission approved the following motion. The Commission believes its recommendation on transferring current residents to community services and closing KNI will only benefit the State of Kansas and the developmental disability system if the funding currently appropriated for residents at KNI is dedicated to the DD waiver list, and as such considers its recommendation to be contingent upon also implementing the approved motion.

- The Commission recommends that when the Governor prepares his ERO to carry out the recommendations concerning the closure of KNI and downsizing of Parsons, that the ERO be written as clearly and strongly as possible to ensure any savings go to expand funding for the HCBS DD Waiver. The Commission recommends that this be done by specifically requiring the ERO to transfer all dollars from KNI to the HCBS DD Waiver prior to closure of the state hospital. In fact, some specific components that are recommended for the Governor's ERO, budget and other documents to carry out our recommendation by:
 - Immediately transferring, through ERO or other means, all appropriations for KNI into the same budget line item as HCBS DD Waiver Services, to ensure that every dollar saved in closure will stay in the DD Waiver budget.
 - Writing into the ERO that all programmatic savings due to closure as well as all proceeds from the sale of real estate, surplus property and all other savings must flow to a special trust fund which can only be used for new services on the HCBS DD Waiver.
 - Having the Governor require by ERO or EO that his agencies separately track all appropriations from this trust account and from any accounts with KNI or DD Waiver services, in order to ensure that the savings are going to new DD Waiver services.
 - Having the Governor take any and all other steps to ensure that the full recommendation of the Commission is carried out, whether it is through Executive Orders (EO), ERO, policy directive or via the proposed FY 2011 Governor's Budget Report.

In summary, the Commission submits three recommendations for Kansas Neurological Institute and Parsons State Hospital:

1. The Commission recommends SRS develop criteria for placement in community based services that take into account:
 - What population has proven it can be successfully served in the community
 - What circumstances and needs are presented by the most recent admissions to Parsons or KNI
 - Of the current population at Parsons and KNI, who would have a high probability of success in the community if given the right supports
 - Of the current population at Parsons and KNI, who would present moderate challenges but would have a high probability for success given appropriate supports and services from the right provider
 - SRS has estimated at least 49 residents at KNI and 62 residents at Parsons State Hospital meet these criteria and the Commission recommends those residents be placed in community based services.

2. The Commission recommends SRS review the residents not preliminarily identified by SRS to meet these criteria at KNI (108 residents) for placement in the community or for transfer to Parsons State Hospital and that KNI be closed. The Commission also recommends remaining residents at Parsons State Hospital (129 residents) be reviewed for placement in the community.

3. The Commission recommends that when the Governor prepares his ERO to carry out the recommendations concerning the closure of KNI and downsizing of Parsons that the ERO be written as clearly and strongly as possible to ensure any savings go to expand funding for the HCBS DD Waiver. The Commission recommends that this be done by specifically requiring the ERO to transfer all dollars from KNI to the HCBS DD Waiver prior to closure of the state hospital. In fact, some specific components that are recommended for the Governor's ERO, budget and other documents to carry out our recommendation by:
 - a. Immediately transferring, through ERO or other means, all appropriations for KNI into the same budget line item as HCBS DD Waiver Services, to ensure that every dollar saved in closure will stay in the DD Waiver budget.
 - b. Writing into the ERO that all programmatic savings due to closure as well as all proceeds from the sale of real estate, surplus property and all other savings must flow to a special trust fund which can only be used for new services on the HCBS DD Waiver.
 - c. Having the Governor require by ERO or EO that his agencies separately track all appropriations from this trust account and from any accounts with KNI or DD Waiver services, in order to ensure that the savings are going to new DD Waiver services.
 - d. Having the Governor take any and all other steps to ensure that the full recommendation of the Commission is carried out, whether it is through Executive Orders (EO), ERO, policy directive or via the proposed FY 2011 Governor's Budget Report.

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ATTACHMENT A
Consolidation Options of State Developmental Disability Facilities

This document is to provide information to the Closure and Realignment Commission concerning options of combining Parsons State Hospital and Training Center, and Kansas Neurological Institute, and moving some residents to the community.

Rated Bed Capacity

Each of the five state institutions has a rated bed capacity that is higher than they would be able to serve. The rated bed capacity is based on the original design of the facility which was determined by how services and programs were provided to the residents of these facilities at the time. Since this time the standard of practice has changed considerably, which requires more space per resident. This change in the standard of practice is also reflected in the current survey standards for these facilities. If we were to go back to the rated bed capacity in these facilities we would lose federal funding, because we would not meet survey requirements. We would also in all probability come under action from the Department of Justice for rights violations. In addition, in several instances it would be physically impossible to go back to the rated bed capacity because of modifications and remodeling of space which has occurred to meet the current standard of practice.

In both of the scenarios presented below the additional persons added to Parsons and KNI is the absolute maximum increase they could sustain and will push them to the limit of their space utilization and still be able to meet survey requirements.

Close Parsons State Hospital and Training Center, Moving 39 Residents to KNI and 152 residents to the community

Parsons on average cares for 191 residents a year. KNI could accept 39 of these residents without any modifications or renovations to their facilities, leaving 152 residents to move to the community. A rough estimate of the savings of this option was calculated using the assumptions outlined below, using FY2009 budgeted expenses. It is important to note these cost savings are estimates based on averages for the community costs, as well as the Institutional costs, the actual savings cannot be calculated until it is determined who would be moved to the community and who would be moved to another institution.

Using the assumptions below, it was determined it would take 22 months before all of the residents of Parsons are moved to the community. During this time there will be a cost incurred in the community, as well as a cost to continue operating Parsons and an increased cost at KNI. As a result there would a savings in the first year of \$536,288 all funds, \$225,509 state funds. In the second year there will be an all funds savings of \$2,776,214, SGF savings of \$1,167,398. In the third year there will be a savings of \$6,858,810 all funds, SGF savings of \$2,884,130. In the fourth and subsequent years there will be an all funds savings of \$7,207,443, SGF savings of \$3,030,730.

Close Kansas Neurological Institute, Move 40 residents to Parsons and 118 residents to the Community

KNI on average cares for 158 residents a year. Parsons could accept 40 ambulatory residents with some minor modifications to their facilities, leaving 118 residents to move to the community. A rough estimate of the savings of this option was calculated using the assumptions outlined below, using FY2009 budgeted expenses. It is important to note these cost savings are estimates based on averages for the community costs, as well as the Institutional costs, the actual savings cannot be calculated until it is determined who would be moved to the community and who would be moved to another institution.

Using the assumptions below, it was determined it will take 17 months before all of the residents of KNI are moved to the community. During this time there will be a cost incurred in the community, as well as a cost to continue operating KNI and an increased cost at Parsons. As a result there would be a savings in the first year of \$86,010 all funds, \$36,167 state funds. In the second year there will be an all funds savings of \$7,758,823, SGF savings of \$3,262,585. In the third year and subsequent years there will be a savings of \$13,662,079 all funds, SGF savings of \$5,744,904.

Assumptions Used in determining the costs and savings

We have used historical data from the closure of the Winfield State Hospital, and current tier rate cost data to determine a rough estimate of savings.

Using Winfield State Hospital as an example the following information was used as a bases for calculating costs and savings:

- The Closure Commission submitted their report to the Governor, recommending the closure of Winfield State Hospital, on November 30, 1995. The closure of Winfield occurred on January 30, 1998.
- During closure an average of 7 people moved from Winfield to the community each month.
- Approximately 90% of the people moved to the community had individual rates which were above the standard tier rates.
- On average each person moving to the community received start up money of \$4,600.

Factors used in determining the community costs, Parsons and KNI costs are:

- 7 people would move to the community each month, and 8 people would move to the Institutions each month (8 people is the average size of a KNI home)
- 75% of the people moving to the community would receive super tier rate reimbursement, which would closely equate to the individual rates used during the Winfield closure.
- A per person monthly average of the day and residential rates were used to calculate the monthly costs.
- Each person moving to the community would receive \$4,600 for start up costs.

h1-E

- Parsons and KNI Direct Care costs were reduced proportionally each time a home could be closed.
- Parsons and KNI Physical Plant and Central Services costs were reduced proportionally each time a building was able to close.
- The Dual Diagnosis Outreach Program at Parsons would move to KNI and continue.
- All school age children at Parsons would move to the community.
- The cost of serving a resident at KNI and Parsons was averaged and then used in determining the cost of residents moving to KNI and Parsons.

It should also be pointed out that there are additional costs associated with moving residents to the community, such as other Medicaid medical costs which average \$6,321 per person per year, housing costs, etc. that have not been considered in this review.

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ATTACHMENT B

FOLLOW UP INFORMATION TO THE SEPTEMBER CLOSURE REALIGNMENT COMMISSION MEETING

1. Are we delaying the inevitable by not closing KNI, what are the projected census numbers for KNI?

KNI Admission and Discharge Information

| Fiscal Year | Admissions | Discharges | Deaths | Census |
|---------------|------------|------------|--------|--------|
| 2005 | 3 | 1 | 2 | 168 |
| 2006 | 3 | 2 | 3 | 166 |
| 2007 | 3 | 2 | 4 | 163 |
| 2008 | 3 | 3 | 3 | 160 |
| 2009 | 6 | 3 | 7 | 156 |
| 9/30/09 (YTD) | 1 | 0 | 0 | 157 |
| Totals | 19 | 11 | 19 | |
| Avg/year | 3.6 | 2.2 | 3.8 | |

At this rate of reduction in census it would take approximately 75 years for all of the KNI residents to be discharged. However, it would be anticipated that due to the aging population at KNI the number of deaths would increase, making this time frame shorter.

Parsons Admission and Discharge information

| Calendar Year | Admissions | Discharges | Deaths | ADC |
|----------------|------------|------------|--------|-----|
| 2004 | 22 | 11 | | 188 |
| 2005 | 17 | 14 | 1 | 195 |
| 2006 | 16 | 15 | 2 | 198 |
| 2007 | 15 | 17 | 2 | 195 |
| 2008 | 18 | 16 | 3 | 194 |
| thru 10/9/2009 | 12 | 10 | 3 | 191 |
| Average | 16.7 | 13.8 | 2.2 | |

At this rate of admissions, discharges and deaths the census at Parsons has remained fairly constant.

2. How many people chose to stay in the Winfield area, how many went to the other institutions?

• Of the 241 people who left Winfield

- 10 went to Parsons (4%)
- 26 went to KNI (11%)
- 112 stayed in Cowley County (46%)
- 93 went to other communities across Kansas (39%)

3. What are the costs/savings if Parsons and KNI were to close and all residents were moved to the community? At Attachment A are two spreadsheets that show the cost and savings of moving all residents from Parsons and KNI to the Community. The difference in these cost/savings projections from those of the DRC and other stakeholders is that these projections use the actual tier rates of the individuals living at KNI and Parsons, with a projection that 75% of them would be on the super tier reimbursement rate. This 75% super tier rate is based on the Winfield closure experience.

As you can see on the attached spreadsheets, the average annual cost to serve a KNI resident in the community is projected to be \$86,646 and the savings that would be experienced when KNI is completely closed is \$15,046,860 all funds, \$6,327,205 state funds.

The average annual cost to serve a Parsons State Hospital resident in the community is projected to be \$79,087 and the savings that would be experienced when PSH is completely closed is \$10,340,949 all funds, \$4,348,369 state funds.

The total savings that would be expected when both facilities are completely closed is \$25,387,809 all funds, \$10,675,574 state funds.

4. What would the cost/savings be if KNI and Parsons were to downsize, while maintaining the community outreach programs, specialized services and continuing to serve the people with the more severe support needs, behaviorally and medically?

The Superintendents at KNI and Parsons were asked to review all of the people they serve in their facilities and make a determination as to who they felt could be served successfully in the community. They based their decision as to who could be successfully served in the community; on the circumstances and needs they were seeing around the recent admissions to their facilities.

They worked with their clinical and support staff to determine who they believed would have a high probability for success in the community with few problems if given the right supports; and people they believe would present moderate challenges, but who would have a high probability for success given appropriate supports and services from the right provider.

KNI identified 49 people that met these criteria and Parsons State Hospital identified 62 people who would meet the criteria. Using the names of the people identified, their Tier Scores were determined and the cost of serving these individuals in the community was determined. Again based on the Winfield closure it was estimated that 75% of these people would receive super tier rates. The two charts at Attachment B show the calculation used to determine the cost of serving them in the community. As you can see from the charts, it is estimated it would cost \$4,520,812 to serve the people leaving Parsons, and it would cost \$4,075,088 to serve the people leaving KNI.

The Superintendents were also asked to determine the savings that would be experienced at their facilities based on the reduced census resulting from moving these people to the community. KNI determined there would be a savings of \$6,051,111. These savings would be realized through the elimination of 153 FTEs, and the closure of two buildings consisting of 8 homes. Parsons determined they would have a savings of \$3,307,154. These savings would be realized through the elimination of 82 FTE and the closure of two cottages. The difference in the savings between the two facilities is the higher per person costs at KNI because of the higher degree of medical and activities of daily living needs for the people living at KNI.

As a result, there would be an overall savings to the system of \$762,365 all funds, \$320,574 state funds by moving this number of people to the community.

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All KNI Residents to the Community

| Community Placement Costs | | | | | | KNI Costs During Transition | | | |
|-------------------------------------------------|----------------------|-----------------|-----------|--------------|---------------|-----------------------------|------------|--------------|---------------|
| | # Moved to Community | Avg Waiver Cost | Start Up | Total | Cumulative | Direct Care | Admin | Total | Cumulative |
| Jan | 7 | \$ 50,543 | \$ 32,200 | \$ 82,743 | \$ 82,743 | \$ 1,799,742 | \$ 594,997 | \$ 2,394,739 | \$ 2,394,739 |
| Feb | 14 | \$ 101,087 | \$ 32,200 | \$ 133,287 | \$ 216,030 | \$ 1,724,753 | \$ 590,451 | \$ 2,315,204 | \$ 4,709,943 |
| March | 21 | \$ 151,630 | \$ 32,200 | \$ 183,830 | \$ 399,860 | \$ 1,649,764 | \$ 585,904 | \$ 2,235,668 | \$ 6,945,611 |
| April | 28 | \$ 202,173 | \$ 32,200 | \$ 234,373 | \$ 634,233 | \$ 1,574,774 | \$ 551,279 | \$ 2,126,053 | \$ 9,071,664 |
| May | 35 | \$ 252,716 | \$ 32,200 | \$ 284,916 | \$ 919,149 | \$ 1,499,785 | \$ 546,732 | \$ 2,046,517 | \$ 11,118,181 |
| June | 42 | \$ 303,260 | \$ 32,200 | \$ 335,460 | \$ 1,254,609 | \$ 1,424,796 | \$ 542,186 | \$ 1,966,981 | \$ 13,085,162 |
| July | 49 | \$ 353,803 | \$ 32,200 | \$ 386,003 | \$ 1,640,612 | \$ 1,424,796 | \$ 542,186 | \$ 1,966,981 | \$ 15,052,144 |
| August | 56 | \$ 404,346 | \$ 32,200 | \$ 436,546 | \$ 2,077,159 | \$ 1,349,807 | \$ 537,639 | \$ 1,887,445 | \$ 16,939,589 |
| Sept | 63 | \$ 454,890 | \$ 32,200 | \$ 487,090 | \$ 2,564,248 | \$ 1,274,817 | \$ 533,092 | \$ 1,807,910 | \$ 18,747,499 |
| Oct | 70 | \$ 505,433 | \$ 32,200 | \$ 537,633 | \$ 3,101,881 | \$ 1,199,828 | \$ 498,467 | \$ 1,698,295 | \$ 20,445,794 |
| Nov | 77 | \$ 555,976 | \$ 32,200 | \$ 588,176 | \$ 3,690,058 | \$ 1,124,839 | \$ 493,920 | \$ 1,618,759 | \$ 22,064,553 |
| Dec | 84 | \$ 606,520 | \$ 32,200 | \$ 638,720 | \$ 4,328,777 | \$ 1,049,850 | \$ 489,374 | \$ 1,539,223 | \$ 23,603,776 |
| Jan | 91 | \$ 657,063 | \$ 32,200 | \$ 689,263 | \$ 689,263 | \$ 974,860 | \$ 484,827 | \$ 1,459,687 | \$ 1,459,687 |
| Feb | 98 | \$ 707,606 | \$ 32,200 | \$ 739,806 | \$ 1,429,069 | \$ 899,871 | \$ 480,281 | \$ 1,380,152 | \$ 2,839,839 |
| March | 105 | \$ 758,149 | \$ 32,200 | \$ 790,349 | \$ 2,219,418 | \$ 824,882 | \$ 475,734 | \$ 1,300,616 | \$ 4,140,455 |
| April | 112 | \$ 808,693 | \$ 32,200 | \$ 840,893 | \$ 3,060,311 | \$ 749,893 | \$ 441,109 | \$ 1,191,001 | \$ 5,331,456 |
| May | 119 | \$ 859,236 | \$ 32,200 | \$ 891,436 | \$ 3,951,747 | \$ 674,903 | \$ 436,562 | \$ 1,111,465 | \$ 6,442,921 |
| June | 126 | \$ 909,779 | \$ 32,200 | \$ 941,979 | \$ 4,893,727 | \$ 599,914 | \$ 432,015 | \$ 1,031,929 | \$ 7,474,850 |
| July | 133 | \$ 960,323 | \$ 32,200 | \$ 992,523 | \$ 5,886,249 | \$ 524,925 | \$ 427,469 | \$ 952,393 | \$ 8,427,244 |
| August | 140 | \$ 1,010,866 | \$ 32,200 | \$ 1,043,066 | \$ 6,929,315 | \$ 524,925 | \$ 427,469 | \$ 952,393 | \$ 9,379,637 |
| Sept | 147 | \$ 1,061,409 | \$ 32,200 | \$ 1,093,609 | \$ 8,022,924 | \$ 449,936 | \$ 392,843 | \$ 842,779 | \$ 10,222,416 |
| Oct | 154 | \$ 1,111,953 | \$ 32,200 | \$ 1,144,153 | \$ 9,167,077 | \$ 374,946 | \$ 388,297 | \$ 763,243 | \$ 10,985,659 |
| Nov | 158 | \$ 1,140,834 | \$ 18,400 | \$ 1,159,234 | \$ 10,326,311 | \$ 299,957 | \$ 383,750 | \$ 683,707 | \$ 11,669,366 |
| Dec | 158 | \$ 1,140,834 | \$ - | \$ 1,140,834 | \$ 11,467,146 | \$ - | \$ - | \$ 341,854 | \$ 12,011,219 |
| Jan-Dec | 158 | \$ 1,140,834 | \$ - | \$ 1,140,834 | \$ 13,690,013 | \$ - | \$ - | \$ - | \$ - |
| | 1 | \$ 86,646 | | | | | | | |
| Average per person annual community cost | | | | | | | | | |

KNI to Community Savings

| | | | |
|------------------------------|---------------|----------------------------|---------------|
| Total First Year Costs | \$ 27,932,553 | Total 2nd year costs | \$ 23,478,365 |
| FY09 KNI Costs | \$ 28,736,873 | FY09 KNI Costs | \$ 28,736,873 |
| Savings first year all funds | \$ 804,320 | Savings 2nd year all funds | \$ 5,258,508 |
| Savings first year SGF | \$ 338,217 | Savings 2nd year SGF | \$ 2,211,203 |
| Total 3rd year costs | \$ 13,690,013 | Total 4th year costs | \$ 13,690,013 |

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| | | | |
|----------------------------|---------------|----------------------------|---------------|
| FY09 KNI Costs | \$ 28,736,873 | FY09 KNI Costs | \$ 28,736,873 |
| Savings 3rd year all funds | \$ 15,046,860 | Savings 4th year all funds | \$ 15,046,860 |
| Savings 3rd year SGF | \$ 6,327,205 | Savings 4th year SGF | \$ 6,327,205 |

Attachment A – page 2 of 2

All Parsons Residents to the Community

| Community Placement Costs | | | | | | Parsons Costs During Transition | | | |
|---------------------------|----------------------|-----------------|------------------------------------------|--------------|---------------|---------------------------------|------------|----------------|---------------|
| | # Moved to Community | Avg Waiver Cost | Start Up | Total | Cumulative | Direct Care | Admin | Total | Cumulative |
| Jan | 7 | \$ 46,134 | \$ 32,200 | \$ 78,334 | \$ 78,334 | \$ 1,401,909 | \$ 594,587 | \$ 1,996,496 | \$ 1,996,496 |
| Feb | 14 | \$ 92,268 | \$ 32,200 | \$ 124,468 | \$ 202,802 | \$ 1,401,909 | \$ 594,587 | \$ 1,996,496 | \$ 3,992,991 |
| March | 21 | \$ 138,402 | \$ 32,200 | \$ 170,602 | \$ 373,403 | \$ 1,274,462 | \$ 569,992 | \$ 1,844,454 | \$ 5,837,445 |
| April | 28 | \$ 184,535 | \$ 32,200 | \$ 216,735 | \$ 590,138 | \$ 1,274,462 | \$ 569,992 | \$ 1,844,454 | \$ 7,681,899 |
| May | 35 | \$ 230,669 | \$ 32,200 | \$ 262,869 | \$ 853,008 | \$ 1,147,016 | \$ 545,396 | \$ 1,692,412 | \$ 9,374,311 |
| June | 42 | \$ 276,803 | \$ 32,200 | \$ 309,003 | \$ 1,162,011 | \$ 1,147,016 | \$ 545,396 | \$ 1,692,412 | \$ 11,066,724 |
| July | 49 | \$ 322,937 | \$ 32,200 | \$ 355,137 | \$ 1,517,148 | \$ 1,147,016 | \$ 545,396 | \$ 1,692,412 | \$ 12,759,136 |
| August | 56 | \$ 369,071 | \$ 32,200 | \$ 401,271 | \$ 1,918,418 | \$ 1,019,570 | \$ 520,801 | \$ 1,540,371 | \$ 14,299,506 |
| Sept | 63 | \$ 415,205 | \$ 32,200 | \$ 447,405 | \$ 2,365,823 | \$ 1,019,570 | \$ 520,801 | \$ 1,540,371 | \$ 15,839,877 |
| Oct | 70 | \$ 461,338 | \$ 32,200 | \$ 493,538 | \$ 2,859,362 | \$ 892,124 | \$ 496,205 | \$ 1,388,329 | \$ 17,228,206 |
| Nov | 77 | \$ 507,472 | \$ 32,200 | \$ 539,672 | \$ 3,399,034 | \$ 892,124 | \$ 496,205 | \$ 1,388,329 | \$ 18,616,535 |
| Dec | 84 | \$ 553,606 | \$ 32,200 | \$ 585,806 | \$ 3,984,840 | \$ 892,124 | \$ 496,205 | \$ 1,388,329 | \$ 20,004,864 |
| Jan | 91 | \$ 599,740 | \$ 32,200 | \$ 631,940 | \$ 631,940 | \$ 764,677 | \$ 471,610 | \$ 1,236,287 | \$ 1,236,287 |
| Feb | 98 | \$ 645,874 | \$ 32,200 | \$ 678,074 | \$ 1,310,014 | \$ 764,677 | \$ 471,610 | \$ 1,236,287 | \$ 2,472,575 |
| March | 105 | \$ 692,008 | \$ 32,200 | \$ 724,208 | \$ 2,034,222 | \$ 637,231 | \$ 447,014 | \$ 1,084,246 | \$ 3,556,820 |
| April | 112 | \$ 738,142 | \$ 32,200 | \$ 770,342 | \$ 2,804,563 | \$ 637,231 | \$ 447,014 | \$ 1,084,246 | \$ 4,641,066 |
| May | 119 | \$ 784,275 | \$ 32,200 | \$ 816,475 | \$ 3,621,038 | \$ 509,785 | \$ 422,419 | \$ 932,204 | \$ 5,573,270 |
| June | 126 | \$ 830,409 | \$ 32,200 | \$ 862,609 | \$ 4,483,648 | \$ 509,785 | \$ 422,419 | \$ 932,204 | \$ 6,505,474 |
| July | 133 | \$ 876,543 | \$ 32,200 | \$ 908,743 | \$ 5,392,391 | \$ 509,785 | \$ 422,419 | \$ 932,204 | \$ 7,437,678 |
| August | 140 | \$ 922,677 | \$ 32,200 | \$ 954,877 | \$ 6,347,268 | \$ 382,339 | \$ 397,824 | \$ 780,162 | \$ 8,217,840 |
| Sept | 147 | \$ 968,811 | \$ 32,200 | \$ 1,001,011 | \$ 7,348,278 | \$ 382,339 | \$ 397,824 | \$ 780,162 | \$ 8,998,002 |
| Oct | 154 | \$ 1,014,945 | \$ 32,200 | \$ 1,047,145 | \$ 8,395,423 | \$ 254,892 | \$ 373,228 | \$ 628,121 | \$ 9,626,123 |
| Nov | 161 | \$ 1,061,078 | \$ 32,200 | \$ 1,093,278 | \$ 9,488,701 | \$ 254,892 | \$ 373,228 | \$ 628,121 | \$ 10,254,243 |
| Dec | 168 | \$ 1,107,212 | \$ 32,200 | \$ 1,139,412 | \$ 10,628,114 | \$ 254,892 | \$ 373,228 | \$ 314,060 | \$ 10,568,304 |
| Jan | 175 | \$ 1,153,346 | \$ 32,200 | \$ 1,185,546 | \$ 1,185,546 | \$ 127,446 | \$ 348,633 | \$ 476,079 | \$ 476,079 |
| Feb | 182 | \$ 1,199,480 | \$ 32,200 | \$ 1,231,680 | \$ 2,417,226 | \$ 127,446 | \$ 348,633 | \$ 476,079 | \$ 952,158 |
| March | 189 | \$ 1,245,614 | \$ 32,200 | \$ 1,277,814 | \$ 3,695,040 | \$ 127,446 | \$ 348,633 | \$ 476,079 | \$ 1,428,237 |
| April | 191 | \$ 1,258,795 | \$ 9,200 | \$ 1,267,995 | \$ 4,963,035 | \$ 127,446 | \$ 348,633 | \$ 476,079 | \$ 1,904,316 |
| May | 191 | \$ 1,258,795 | \$ - | \$ 1,258,795 | \$ 6,221,830 | \$ - | \$ 174,316 | \$ 174,316 | \$ 2,078,632 |
| June | 191 | \$ 1,258,795 | \$ - | \$ 1,258,795 | \$ 7,480,625 | \$ - | \$ 174,316 | \$ 174,316 | \$ 2,252,949 |
| July-Dec | 191 | \$ 7,552,770 | \$ - | \$ 7,552,770 | \$ 15,033,394 | \$ - | \$ - | \$ - | \$ 2,252,949 |
| Jan-Dec | 191 | \$ 15,105,539 | \$ - | \$ - | \$ - | \$ - | \$ - | 4th Year costs | \$ 15,105,539 |
| | 1 | \$ 79,087 | Average per person annual community cost | | | | | | |

Parsons to Community Savings

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| | | | |
|------------------------------|---------------|----------------------------|---------------|
| Total First Year Costs | \$ 23,989,704 | Total 2nd year costs | \$ 21,196,417 |
| FY09 Parsons Costs | \$ 25,446,488 | FY09 Parsons Costs | \$ 25,446,488 |
| Savings first year all funds | \$ 1,456,784 | Savings 2nd year all funds | \$ 4,250,071 |
| Savings first year SGF | \$ 612,578 | Savings 2nd year SGF | \$ 1,787,155 |
| Total 3rd year costs | \$ 17,286,343 | Total 4th year costs | \$ 15,105,539 |
| FY09 Parsons Costs | \$ 25,446,488 | FY09 Parsons Costs | \$ 25,446,488 |
| Savings 3rd year all funds | \$ 8,160,145 | Savings 4th year all funds | \$ 10,340,949 |
| Savings 3rd year SGF | \$ 3,431,341 | Savings 4th year SGF | \$ 4,348,369 |

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Attachment B

Parsons Tier Rates Based on 75% of Consumers Funded at Super Tiers

| PSH | Number | ST - Res | Annual Res | ST - Day | Annual Day | Annual Total Costs |
|--------|--------|----------|--------------|----------|--------------|--------------------|
| Tier 1 | 6 | \$192.05 | \$420,589.50 | \$120.87 | \$188,557.20 | \$609,146.70 |
| | 3 | \$160.21 | \$175,429.95 | \$99.53 | \$77,633.40 | \$253,063.35 |
| Tier 2 | 9 | \$171.36 | \$562,917.60 | \$111.12 | \$260,020.80 | \$822,938.40 |
| | 4 | \$131.22 | \$191,581.20 | \$73.60 | \$76,544.00 | \$268,125.20 |
| Tier 3 | 13 | \$152.56 | \$723,897.20 | \$102.36 | \$345,976.80 | \$1,069,874.00 |
| | 6 | \$94.86 | \$207,743.40 | \$59.19 | \$92,336.40 | \$300,079.80 |
| Tier 4 | 8 | \$133.74 | \$390,520.80 | \$93.31 | \$194,084.80 | \$584,605.60 |
| | 3 | \$61.26 | \$67,079.70 | \$43.55 | \$33,969.00 | \$101,048.70 |
| Tier 5 | 8 | \$114.55 | \$334,486.00 | \$85.31 | \$177,444.80 | \$511,930.80 |
| | 2 | \$44.27 | \$32,317.10 | \$37.37 | \$19,432.40 | \$51,749.50 |
| | 62 | | | | Total | \$4,520,812.55 |

Average Annual Cost \$72,916.33

KNI Tier Rates Based on 75% of Consumers Funded at Super Tiers

| KNI | Number | ST - Res | Annual Res | ST - Day | Annual Day | Annual Total Costs |
|--------|--------|----------|--------------|----------|--------------|--------------------|
| Tier 1 | 11 | \$192.05 | \$771,080.75 | \$120.87 | \$345,688.20 | \$1,116,768.95 |
| | 3 | \$160.21 | \$175,429.95 | \$99.53 | \$77,633.40 | \$253,063.35 |
| Tier 2 | 11 | \$171.36 | \$688,010.40 | \$111.12 | \$317,803.20 | \$1,005,813.60 |
| | 4 | \$131.22 | \$191,581.20 | \$73.60 | \$76,544.00 | \$268,125.20 |
| Tier 3 | 11 | \$152.56 | \$612,528.40 | \$102.36 | \$292,749.60 | \$905,278.00 |
| | 4 | \$94.86 | \$138,495.60 | \$59.19 | \$61,557.60 | \$200,053.20 |
| Tier 4 | 4 | \$133.74 | \$195,260.40 | \$93.31 | \$97,042.40 | \$292,302.80 |
| | 1 | \$61.26 | \$22,359.90 | \$43.55 | \$11,323.00 | \$33,682.90 |
| Tier 5 | 0 | \$114.55 | \$0.00 | \$85.31 | \$0.00 | \$0.00 |
| | 0 | \$44.27 | \$0.00 | \$37.37 | \$0.00 | \$0.00 |
| | 49 | | | | Total | \$4,075,088.00 |

Average Annual Cost \$83,165.06

**Report of the
2010 Commission
to the
2010 Kansas Legislature**

CHAIRPERSON: Ms. Rochelle Chronister

VICE-CHAIRPERSON: Dr. Ray Daniels

LEGISLATIVE MEMBERS: Senator Jean Schodorf and Representatives Clay Aurand and Marti Crow

NON-LEGISLATIVE MEMBERS: Carolyn Campbell; Stephen Iliff; Dennis Jones; Emile McGill; Barb Hinton, Post Auditor (or designee); and Teri Canfield, Attorney General's designee

STUDY TOPICS

The Commission is required to:

- Conduct ongoing monitoring of the school district finance act;
- Evaluate the school district finance act and determine if there is a fair and equitable relationship between the costs of the weighted components and assigned weightings;
- Determine if additional school district operations should be weighted;
- Review the amount of base state aid per pupil and determine if the amount should be adjusted;
- Evaluate the system of financial support, reform, and restructuring of public education in Kansas and in other states to ensure that the Kansas system is efficient and effective;
- Conduct hearings and receive and consider suggestions for improvements in the educational system from teachers, parents, the Kansas Department of Education the State Board of Education, other governmental officers and agencies, and the general public;
- Make recommendations it deems necessary to guide the Legislature to fulfill goals established by the Legislature in meeting its constitutional duties.

2010 Commission

REPORT

CONCLUSIONS AND RECOMMENDATIONS

- **The Legislature should refocus its revenue and funding priorities to make education Priority Number One.** Education is the single most important function provided by state government. It is at its essence how we prepare for the future. The Commission has heard repeatedly that education spending has a direct and positive impact on student performance, most recently in the 2006 Legislative Post Audit report entitled “Elementary and Secondary Education in Kansas: Estimating the Costs of K-12 Education Using Two Approaches.” That report stated, in part, “We found a strong association between the amounts districts spend and the outcomes they achieve....” The Commission also has received information regarding the state’s dire economic situation. However, we also know the Legislature has made tax policy decisions that have contributed to these dire circumstances. Tax cuts made by the Legislature from FY 2005 through FY 2010 have totaled \$180 million. By FY 2011, that total will rise to nearly \$209 million (See Attachment 1). In contrast to the philosophy that “low taxes contribute to economic growth and high taxes detract from it,” we believe instead the following:

- Kansas is not a “high tax” state, and the Kansas tax burden (taxes compared to personal income) has been stable for decades.
- Tax policy alone does not drive prosperity.
- Education attainment drives state income more than tax burden.
- Lower taxes will not help the economy in the long run if the State cannot support a strong public education system – and that takes a significant investment.
- In prosperous economic times, the Legislature has been eager to reduce revenues. Now, in these difficult times, the Legislature must face the fact that it needs to replace some of that revenue.

In summary, the Commission believes we cannot sacrifice a generation of Kansas students because the economy is weak. It is time for the Legislature to take steps to ensure that the revenue and funding policies of the Legislature allow every Kansas student to achieve his or her full potential.

- **The Legislature should consider generating revenue from at least three specific revenue sources.** These are: (1) reversing previous tax cuts, (2) increasing the state school mill levy back to its former level, and (3) increasing the state sales tax. It should be noted the Commission is not suggesting that all of these be implemented in full; rather, the Commission recommends the Legislature consider implementing one or a combination of these potential revenue sources. The Commission believes the revenue generated should equal the amount

needed to fund the statutorily mandated base state aid per pupil (BSAPP) for the 2009-2010 school year of \$4,492. This amount would have totaled approximately \$314 million for the 2009-2010 school year, given the recent enrollment growth.

- **In addition to the knowledge that the education of children is the most important function of state government, there are practices we know make a difference in assuring that every child receives the maximum benefit of his or her education.** These practices include the following:
 - Early childhood education.
 - Before- and after- school tutoring and support programs.
 - At-risk funding and programs.
 - Staff development.
 - Leadership academies, especially for principals who must be the educational leaders of their schools.
 - Highly qualified teachers. Nothing impacts the quality of education like the quality of the teaching staff.

The Commission recommends these items remain, or become, funding priorities.

- **The Legislature should continue the three-year funding cycle.** The Commission recommends public education funding in Kansas be implemented on a minimum of a three-year basis so school districts have the flexibility to plan for the future.
- **The Legislature should change the formula for determining special education catastrophic aid.** The Commission recommends a change in the calculation of the special education catastrophic aid. The threshold for qualifying for catastrophic aid should be based upon twice the previous year's categorical aid per teacher less any special education state aid.
- **The Legislature should shift the *tiny-k* and Early Head Start programs' administration to the Kansas Department of Education.** The Commission has made these recommendations in previous years and is making the same recommendations again.

Proposed Legislation: The Commission requests the introduction of two bills (special education catastrophic aid and placement of *tiny-k* and Early Head Start programs).

BACKGROUND

The 2006 Legislature created the 2010 Commission, which is composed of eleven members, nine voting and two serving as *ex*

officio nonvoting members. The statutory duties of the Commission include:

- Monitoring the implementation and operation of the School District Finance and Quality Performance Act and other

provisions of law relating to school finance and the quality performance accreditation system;

- Evaluating the School District Finance and Quality Performance Act and determining if there is a fair and equitable relationship between the costs of the weighted components and assigned weightings;
- Determining if existing weightings should be adjusted;
- Determining if additional school district operations should be weighted;
- Reviewing the amount of base state aid per pupil and determining if the amount should be adjusted;
- Evaluating the reform and restructuring components of the Act and assessing the impact thereof;
- Evaluating the system of financial support, reform, and restructuring of public education in Kansas and in other states to ensure that the Kansas system is efficient and effective;
- Conducting hearings and receiving and considering suggestions from teachers, parents, the Department of Education, the State Board of Education, other governmental officers and agencies, and the general public concerning suggested improvements in the educational system and the financing thereof;
- Making any recommendations it deems necessary to guide the Legislature to fulfill goals established by the Legislature in meeting its constitutional duties to: provide for intellectual, educational, vocational, and scientific improvement in public schools and make suitable provision for the finance of the educational interest of the state;

- Examining the availability of revenues to ensure adequate funding of elementary and secondary education in the state;
- Examining voluntary activities, including extracurricular activities, which affect educational costs;
- Monitoring and evaluating associations and organizations that promote or regulate voluntary or extracurricular activities including, but not limited to, the Kansas State High School Activities Association; and
- Providing direction to the Legislative Division of Post Audit school finance audit team and receiving performance audits conducted by the team.

The statute authorizing the Commission will sunset on December 31, 2010.

The Commission is to submit an annual report to the Legislature on the work of the Commission.

COMMITTEE ACTIVITIES

The Commission met seven times during 2009. Among the issues discussed were:

- Current funding issues related to the economic downturn, including federal stimulus package funding, local property valuation reductions, changes in the number of students eligible for the federal free lunch program (which affects the amount of at-risk funding), and reduction in state revenues. The Commission also heard from a number of school district superintendents who described the effects of the funding cuts.
- Special education catastrophic aid and the recent dramatic increase in numbers of claims and total amount claimed.

- 58-E
- Early childhood education programming and related funding.
 - Merit pay for teachers.
 - Efforts to increase school district efficiency.

Additional detail on the Commission's activities is contained in the following section, "Conclusions and Recommendations."

CONCLUSIONS AND RECOMMENDATION

The Legislature should refocus its revenue and funding priorities to make education Priority Number One. Education is the single most important function provided by state government. It is at its essence how we prepare for the future. Whether a student is three or twelve or twenty years old, it is education that allows the student to succeed and to contribute to the state's economy and well-being. The Commission has heard repeatedly that education spending has a direct and positive impact on student performance, most recently in the 2006 Legislative Post Audit report entitled "Elementary and Secondary Education in Kansas: Estimating the Costs of K-12 Education Using Two Approaches." That report stated, in part:

"We found a strong association between the amounts districts spend and the outcomes they achieve. In the cost function results, a 1.0% increase in district performance outcomes was associated with a 0.83% increase in spending – almost a one-to-one relationship. This means that, all other things being equal, districts that spent more had better student performance. The results were statistically significant beyond the 0.01 level, which means we can be more than 99% confident there is a relationship between spending and outcomes." (Audit # 05PA19, Page 40.)

The Commission also received information regarding the state's dire economic situation. This includes the following:

- For the state revenue situation in general:
 - Revenue estimates are still dropping in the current fiscal year. In comparison to the June 2009 Consensus Revenue estimate, the November 2009 estimate shows FY 2010 revenues decreased by another \$235.2 million. The revised estimate of \$5.301 billion represents a 5.1 percent decrease below final FY 2009 receipts.
 - The initial estimate for FY 2011 of \$5.301 billion is 2.3 percent below the newly revised FY 2010 figure. While the Consensus Revenue Estimating Group anticipates a modest improvement in tax receipts for FY 2011, it estimates a net change in over \$250 million for transfers out, in compliance with statutory requirements.

(Source: Kansas Legislative Research Department)

- Specifically with regard to K-12 education:
 - It is estimated that general state aid, using the current base state aid per pupil (BSAPP) of \$4,218, will require an increase of approximately \$100 million for the 2009-10 school year. The increase is due primarily to increases in school district enrollment, the number of students eligible for free lunches, bilingual and virtual school enrollments, and a decrease in assessed valuation. If an increase in appropriation is not approved, this will have the effect of reducing the BSAPP by approximately \$150 (\$4,218 - \$150 = \$4,068).

- Because approximately \$244 of the BSAPP increase in the recent past was a “trade” in which the enrollment weighting was decreased at the same time, the net result was no increased spending authority. This in effect means the \$4,068 BSAPP figure effectively would place education spending authority back to the 2000-01 level.

(Source: Kansas Department of Education)

However, we also know the Legislature has made tax policy decisions that have contributed to these dire circumstances. Tax cuts made by the Legislature from FY 2005 through FY 2010 have totaled \$180 million. By FY 2011, that total will rise to nearly \$209 million (See Attachment 1). In contrast to the philosophy that “low taxes contribute to economic growth and high taxes detract from it,” we believe instead the following:

- Kansas is not a “high tax” state, and the Kansas tax burden (taxes compared to personal income) has been stable for decades. Kansas is a highly educated state, but not a “high tax” state, ranking 23rd in the nation on state and local tax collections as a percent of personal income according to the most recent report from the National Federation of State Tax Administrators. (Source: Kansas Association of School Boards [KASB])
- Tax policy alone does not drive prosperity. Prosperous states do not have low average tax burdens, and low income states do not have high tax burdens. If low taxes spur income growth and prosperity, low tax states should rank high on income measures. However, that is not the case. State per capita income in 2007 ranged from a high of \$54,981 in Connecticut to a low of \$28,541 in Mississippi. The top 10 states in per capita income had an average ratio of total

tax collections to state personal income of 12.17 percent. The 10 states with the lowest incomes had a slightly lower tax burden of 11.34 percent. Likewise the top 10 income states had an average national ranking of 22.4 (where 1 is the highest tax burden) and the bottom 10 had an average ranking of 26.3. In other words, high income states were more likely to be high tax states, not the reverse. (Source: KASB)

- Education attainment drives state income more than tax burden. In a presentation to the Commission, the KASB combined several measures of educational attainment (percent of population 18-24 who are high school completers and percent of population over age 24 with a high school diploma, bachelor’s and advanced degrees), ranked the states based on this combined measure, and compared against a number of measures of wealth and tax burden. The analysis showed a stronger correlation to income than tax rates. The 10 highest income states had an average educational rank of 12. As state incomes decline, average education rankings also decline. The bottom 10 income states had by far the worst average educational ranking: 39.2.

This can be seen even more clearly in Kansas’ neighboring states and the other Plains states. Of the five regional states with a lower tax burden than Kansas, only Colorado has a higher per capita income and median household income, and only Iowa had a (slightly) lower poverty rate. Lower taxes on low income is not a benefit. For example, Kansans paid about one percent more of their personal income in state and local taxes than Oklahoma, but had a 7.7 percent higher per capita income, 8.5 percent higher household income, and 4.7 percent fewer people living in poverty. Kansas also had better wealth measures than two states with higher tax burdens: Nebraska and North Dakota. On the other hand, Colorado has a low tax rate but

a high ranking on income measures (but also a higher poverty rate). What the top income states in the region (Minnesota, Colorado, and Kansas) have in common is not low taxes, but high education attainment. Likewise, the lowest wealth states have the lowest education levels. (See Attachment 2)

- Lower taxes will not help the economy in the long run if the State cannot support a strong public education system – and that takes a significant investment.
- In prosperous economic times the Legislature has been eager to reduce revenues. Now, in these difficult times, the Legislature must face the fact that it needs to replace some of that revenue.

In summary, the Commission believes we cannot sacrifice a generation of Kansas students because the economy is weak. It is time for the Legislature to take steps to ensure that the revenue and funding policies of the Legislature allow every Kansas student to achieve his or her full potential.

The Legislature should consider generating revenue from at least three specific revenue sources. These are: (1) reversing previous tax cuts, (2) increasing the state school mill levy back to its former level, and (3) increasing the state sales tax. It should be noted the Commission is not suggesting that all of these be implemented in full; rather, the Commission recommends the Legislature consider implementing one or a combination of these potential revenue sources:

- Reversing Previous Tax Cuts – As mentioned previously, the Legislature has reduced the State’s tax base and resulting revenues by making a number of tax cuts, and the Commission believes the policy decision on several of these cuts should be reviewed and reversed. If the tax cuts – which, as mentioned previously, have resulted in a

cumulative total of \$180 million in revenue lost from FY 2005 through FY 2010 – were reversed for FY 2011, the total recovered for that year would be almost \$30 million. Furthermore, if the Highway Fund were not repaid in FY 2011 from a previous “loan” to the State General Fund, approximately \$31 million would remain in the State General Fund to help finance education.

- Increasing the Statewide School Mill Levy – In 1992, the statewide school mill levy was 32 mills. It increased to 33 mills in 1993 and rose again to 35 mills in 1994, remaining at that level through 1996. The current rate is 20 mills. According to recent estimates, each 1.0 mill increase in the statewide school mill levy would generate approximately \$29 million in FY 2011.
- Increasing the State Sales Tax – According to a recent estimate, a 1-cent increase in the state sales tax rate would generate \$351 million in FY 2012 receipts.

The Commission believes the revenue generated should equal the amount needed to fund the statutorily mandated base state aid per pupil (BSAPP) for the 2009-2010 school year of \$4,492. This amount would have totaled approximately \$314 million for the 2009-2010 school year, given the recent enrollment growth.

In addition to the knowledge that the education of children is the most important function of state government, there are practices we know make a difference in assuring that every child receives the maximum benefit of his or her education. These practices include the following:

- Early childhood education.
- Before- and after- school tutoring and

support programs.

- At-risk funding and programs.
- Staff development.
- Leadership academies, especially for principals who must be the educational leaders of their schools.
- Highly qualified teachers. Nothing impacts the quality of education like the quality of the teaching staff.

The Commission recommends these items remain, or become, funding priorities.

The Legislature should continue the three-year funding cycle. The Commission recommends public education funding in Kansas be implemented on a minimum of a three-year basis so school districts have the flexibility to plan for the future.

The Legislature should change the formula for determining special education catastrophic aid. The Commission recommends a change in the calculation of the special education catastrophic aid. The threshold for qualifying for catastrophic aid should be based upon twice the previous year's categorical aid per teacher less any special education state aid.

The current statutory formula allows a school district to receive the aid if the cost for a special

education student exceeds \$25,000. This amount was placed in law in 1994 with no provision to adjust the threshold for inflation. Because special education costs have increased while the \$25,000 threshold amount remained the same, the number of special education students who qualify for catastrophic aid has increased.

In addition, the current formula allows districts to count certain special education expenditures in the \$25,000 amount, even though districts receive state aid already for these costs. This results in a "double counting" of transportation and teacher costs, both of which qualify for significant amounts of state aid.

Finally, catastrophic aid has spiked dramatically because one or more districts have begun applying for catastrophic aid for every single student costing over \$25,000. More reportedly are planning to do so.

Since catastrophic aid "comes off the top" of special education state aid distributed to teachers, these catastrophic aid increases likely will result in a dramatic decrease in the amount of special education teacher aid, (categorical special education aid).

The Legislature should shift the tiny-k and Early Head Start programs' administration to the Kansas Department of Education. The Commission has made these recommendations in previous years and is making the same recommendations again.

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Minority Report to the Legislature

December 2009

by Stephen R Iliff CPA, MBA

2010 Commission member

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Executive Summary

Education leaders must be willing to make significant changes to the system:

- Install a comprehensive, consistent accounting system down to the building level so everyone can tell how each building is doing and be able to compare them to each other.
- Reward and dismiss teachers based on quality not seniority.
- Install Leadership academies run by successful business people on the model of New York City's academy.
- Give principals complete local control to run their schools as they see fit without interference from the union.
- The system of tenure should be removed.
- Small school districts need to consolidate and give their students better opportunities much more economically.

3-29

Introduction

Kansas and the United States are suffering one of the worst economic downturns since the Great Depression. Tax revenues are down in every area: sales tax, property tax, and income tax etc. The people of our state are being laid off; salaries are being cut, businesses closed, and mandatory furloughs imposed. The financial strain is almost universal. All areas of the economy are suffering, and yet our state is not suffering as greatly as many. Many of our school districts are wrestling with budget cuts and are looking to increase efficiencies to save money. And there is no end in sight.

The major focus of the recommendations of the 2010 Commission to the 2010 Legislature is to get more money for education by raising taxes. We have lost focus on the basic principles of government and economics on which our country and State were founded as well as the purpose for the 2010 Commission in the first place. The 2010 Commission recommendations are little different from those of the paid education lobby.

My goal in this minority report to the legislature on behalf of at least one member of 2010 Commission is to remind the legislature and the Commission of the historical, political and economic principles upon which government and society are based. I believe I represent the common taxpayer and businessperson.

We have some very dedicated teachers and principals, who are underpaid but some are overpaid and therefore we cannot make broad statements on a statewide scale without significant qualifications and distinctions. And while appreciating the role of all those in the education community, we must try to determine a course of action that would not plunder the remaining families, businesses, churches, voluntary associations and other departments of government. The legislature hears most often from the paid lobbyist and his/her powerful organization rather than the individual tax payer. I give to you the following warning of Benjamin Franklin to the Constitution Convention. It was part of his lecture in the debate regarding salaries for the executive branch.

Sir, there are two passions which have a powerful influence on the affairs of men. These are ambition and avarice; the love of power, and the love of money. Separately each of these has great force in prompting men to action; but when united in view of the same object, they have in many minds the most violent effects. Place before the eyes of such men, a post of honour [sic] that shall be at the same time a place of profit, and they will move heaven and earth to obtain it. The vast number of such places it is that renders the British Government so tempestuous. The struggles for them are the true sources of all those factions which are perpetually dividing the Nation, distracting its Councils, hurrying sometimes into

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fruitless & mischievous wars, and often compelling a submission to dishonorable terms of peace.

And what kind are the men that will strive for this profitable pre-eminence, through all the bustle of cabal, the heat of contention, the infinite mutual abuse of parties, tearing to pieces the best of characters? It will not be the wise and moderate; the lovers of peace and good order, the men fittest for the trust. It will be the bold and the violent, the men of strong passions and indefatigable activity in their selfish pursuits. These will thrust themselves into your Government and be your rulers.—And these too will be mistaken in the expected happiness of their situation: For their vanquished competitors of the same spirit, and from the same motives will perpetually be endeavoring to distress their administration, thwart their measures, and render them odious to the people. ¹

Constitution

The Commission has also heard that there is no constitutional obligation to fund the system as it currently exists. The current structure—and the current costs associated with it—represent a policy choice, not a constitutional obligation.

With Regard to the Montoy decision which forced the legislature to bow to the Kansas Supreme Court.

The legislature should not allow the Kansas Supreme Court to bully it into making certain decisions.

If [the legislature] will positively enact a thing to be done, the judges are not at liberty to reject it, for that were to set the judicial power above that of the legislature, which would be subversive of all government.

Sir William Blackstone.²

Principles of Government

According to the 2010 Commission report:

Education is the single most important function provided by state government.

But the Declaration of Independence states:

¹ Benjamin Franklin, Motion by Doctr. Franklin made before the Constitutional Convention Saturday, June 2nd, 1787

² Sir William Blackstone, *Commentaries on the Laws of England (1765-1770)*. According to a work written by Chancellor James Kent of New York entitled, *Commentaries on American Law (1826-1830)*, Blackstone's *Commentaries* were so universally accepted in America that by 1775 they had sold more copies in America than in England. This work set the foundation for America's great legal minds including Chief Justice John Marshall.

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed.

To our founding fathers, government's main purpose was the protection of life, liberty, and private property without which no one can pursue happiness. The first and foremost duty of the State is enforcement of the moral law and contracts.

Great and Chief End, therefore, of Men's uniting into Commonwealths, and putting themselves under Government, is the preservation of their property.... [Locke, John]

While a moral and historically accurate, scientific and disciplined education is a very good thing, it is not the most important. Public safety, strong families, and just laws and their enforcement are far more important and in fact foundational. Without law and order and critical infrastructure education as we know it would not be possible.

As James Madison says in a letter regarding property:

That is not a just government, nor is property secure under it, where the property which a man has in his personal safety and personal liberty, is violated by arbitrary seizures of one class of citizens for the service of the rest. A magistrate issuing his warrants to a press gang, would be in his proper functions in Turkey or Indostan, under appellations proverbial of the most compleat despotism.³

The Pilgrims and Puritans fled England and Europe in hopes of finding religious freedom. They educated their own and risked all kinds of losses in order to obtain that freedom. In the first year their colony lost 50 precious lives out of the 100 that came across. Not one would return when given the chance. Education, at least a public education like we have, was not the most important thing to them.

³ **The Founders' Constitution** Volume 1, Chapter 16, Document 23 <http://press-pubs.uchicago.edu/founders/documents/v1ch16s23.html> The University of Chicago Press *The Papers of James Madison*. Edited by William T. Hutchinson et al. Chicago and London: University of Chicago Press, 1962--77 (vols. 1--10); Charlottesville: University Press of Virginia, 1977--(vols. 11--).

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Secondly, consider for a moment what life would be like without decent roads, water, electricity and other basic infrastructure like water treatment plants, sewage removal, waste removal, electricity and gasoline. What about state health departments which have administered H1N1 vaccines to protect the public from diseases. We must have judges, jury, police, fire, National Guard, homeland security, roads, bridges, waste removal and sanitation so that we can study at all. Without law and order public education is not possible.

My first semester at Kansas University was in the spring of 1970. The Kansas Union was set on fire by a group of radical students. As a fraternity member, I was asked to guard and sleep in the basement of the Natural History Museum at Dyche Hall with a baseball bat and a fire extinguisher. Outside fire trucks were racing up and down Jayhawk Boulevard. The firemen were carrying shotguns. One day on my way to the Jayhawk Café I noticed the National Guard surrounding a home on Ohio Street. The inhabitants were making Molotov cocktails in the basement. Chancellor Laurence Chalmers called us to the stadium and told us the University would be closing early with no finals.

Thirdly: What does the Commission mean by *education*? It sounds simple and appeals to the emotion but is it meaningful?

The word "education" as used in their main sentence is completely void of meaning. The current educational system we have is a dinosaur that does not function effectively or efficiently. True education goes on only between a teacher and a student. In room **A** you have a standout teacher motivating the students and the little lights turn on in their heads as concepts are repeated and recreated until each student sees something new and true. In room **B**, you have a tired, old history teacher reading in a monotone out of a text that he is not interested in and students bored and learning to dislike history. In room **C** you have a teacher with a child misbehaving; the teacher stands the child up, asks her several humiliating personal questions and ridicules her into submission. Roll all three classrooms up into a bundle and call it "education" and the public buys it like many investors did the subprime mortgage bundles that had AAA ratings stamped on them.

We have some great teachers supported by great principals. We have some really poor ones who are truly harming the students. The strong student will always make it through; but the sensitive genius and troubled slow will not.

The system must be broken into local pieces subject to local parent boards and principals. Principals should not have to fight with unions to hire, motivate or reward one teacher or discipline another. You can't run a business or a school like that. Good teachers must be able to make more than poor teachers.

Take two average wage teachers in Kansas both making \$45,000 per year. The good teacher works 2000 hours per year while the poor teacher works 1100. The good teacher makes \$22.50 per hour while the bad one makes \$40.90 per

hour. What is fair or good about that? It demoralizes the good teachers and causes the poor teacher to hang on to the job for dear life.

The Commission appears to be demanding more money to do the same old thing we have been doing, completely ignoring the economy, struggling families and recommendations that would really improve education. But the purpose of the 2010 Commission was to help the legislature determine where we can get the most “bang for our buck” to quote our Chair Rochelle Chronister. The commission should continue in this vein.

Education has been receiving a percentage of an expanding pie. This was not unreasonable. But when the economy is down and families and businesses are suffering, is it equitable to allocate a greater percentage of a shrinking pie to one faction of the body politic? Shouldn't schools equally bear their share of the downturn even if it means a temporary reduction in wages in order to prevent the loss of critical programs and people? With over 6% unemployment, few teachers and administrators would leave their critical positions because there is little opportunity elsewhere.

Government is coercive by nature

The nature of government requires the use of force and the police power. When the education lobby requests more money from the government, they are really asking the legislators to use the police power of the State to force taxpayers (families and businesses) to hand over more money. This power should be used sparingly. We all know that we must surrender a certain amount of our freedom (i.e. money via taxes) to the government in return for certain critical protections and help for our neighbors, but this power should not be used to plunder⁴the populace at will.

But what is government itself, but the greatest of all reflections on human nature? If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary. In framing a government which is to be administered by men over men, **the great difficulty lies in this: you must first enable the government to control the governed; and in the next place oblige it to control itself.**⁵

Taxes

The taxes recommended by the 2010 Commission will hurt everyone as well as create an environment that is unattractive to new and existing businesses. According to the Tax Foundation Kansas ranks 31st in total tax burden but it is ahead of Nebraska, Missouri and Oklahoma.⁶

⁴ Frederick Bastiat uses this term in his famous book *The Law* on government and economics.

⁵ James Madison Federalist 51

⁶ <http://www.taxfoundation.org/research/topic/29.html>

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According to retirement living, Kansas is 21st in highest tax burden.⁷

Sales taxes are regressive and hurt the poor and those on fixed incomes. Our current sales tax in Shawnee County is 7.775%. This means that if a family spends \$10,000 on groceries (food and dry goods) it will pay \$777.50 in taxes.

Property taxes hurt the poor, retired, those on fixed incomes and prevents businesses from coming to Kansas

Income taxes hurt everyone but are progressive, so the more you earn the more you will pay.

The 2010 Commission said:

The legislature has created some of the problem by decreasing taxes and keeping those decreases in place.

This is not an accurate opinion. It has been successfully shown that tax decreases create more money for business to expand and employ more people and take more risk. Decreased taxes create an environment friendly to families and businesses. Businesses and the wealthy are evacuating California, New York and Michigan and seeking more business-friendly environments. Kansas could and should be one of those locations that would be attractive to these people.

According to Dennis Jones of the Canada Free Press in October 2009 there have been three major tax cuts in the twentieth century, all with excellent results in the growth of wealth, prosperity and job creation. President Harding in 1921, John F. Kennedy in 1963 and Ronald Reagan in the 1980s. John F. Kennedy said the following in a speech to the Economic Club in New York on December 14, 1962:

But the most direct and significant kind of Federal action aiding economic growth is to make possible an increase in private consumption and investment demand—to cut the fetters which hold back private spending. If Government is to retain the confidence of the people, it must not spend more than can be justified on grounds of national need or spent with maximum efficiency. The final and best means of strengthening demand among consumers and business is to reduce the burden on private income and the deterrents to private initiative which are imposed by our present tax system; and this administration pledged itself last summer to an across-the-board, top-to-bottom cut in personal and corporate income taxes to be enacted and become effective in 1963.

⁷ http://www.retirementliving.com/tax_burden_2008.pdf

Shouldn't this be the same economic principle we hold today in both the Federal and State governments?

Objective, creative ideas are needed

The 2010 Commission hears many things but rarely hears unbiased information that is resourceful. Standard and Poor's made an excellent presentation as did the Blue Ribbon Schools and Legislative Post auditors but we often hear from lobbyists with vested interests who present information which tends to benefit them in their quest to obtain more money and power.

The KNEA presents teachers' salaries from their Kansas Education Summary that show that Kansas ranks 37th in the nation. This sounds bad until you adjust it for cost of living in the region, which moves us up to 28th. But cost of living is not all. Kansans are able to live close to their jobs, the traffic is light and the roads are good, which save us time. When you compare Kansas' average teacher salaries to other average Kansas worker then Kansas jumps to number 7 in ranking.⁸ According to Calnews.com, Kansas pays its teachers 48% more than the average worker in Kansas.

The average teacher salary in Kansas is \$45,136. If we add the average health benefit of 10% and the average pension contribution or promise of \$20% (this is on top of the required 4% from the employee) you get an average wage of \$56,077. When you divide by the average work year of 1600⁹ hours you find an average hourly wage with benefits of \$35.00 per hour or the equivalent of a \$72,800 per year for a full-time job, all this with tenured security. This seems like a very good pay rate. Again, some would still be underpaid at this rate and some far overpaid.

I was once offered a job in Los Angeles working as a movie production accountant. They would have doubled my salary. But after doing a few calculations, I realized that my standard of living would have dropped significantly.

Economic Environment

We may be looking at a taxpayer revolt. Tax revenues have dropped significantly due to the economic downturn and Kansas would have suffered a billion dollar deficit if it did not make drastic cuts in the budget. Unemployment is growing; wages are being frozen or decreased; mandatory furloughs, hiring freezes or layoffs are being imposed.

⁸ www.calnews.com/Archives/1YB_II_sal.htm

⁹ Some teachers work far more some much less. A school year is 186 6 hour school days. This leaves 484 hours per year for planning, grading and professional education.

ARRA is protecting many of the current cuts into the education budget but it will only protect one year and that only under certain circumstances. The ARRA money coming from the Federal government is borrowed money which the federal government really can't afford either.

Businesses are very aware of friendly environments in each state.

According to the Topeka Independent Business Association, Kansas has gone up in rankings as being friendly to small business.

The Small Business and Entrepreneurship Council just released its "2009 Small Business Survival Index". Since last year, Kansas jumped from 31st to 26th in its friendliness to entrepreneurs, jumping over New Mexico, Pennsylvania, Louisiana, Wisconsin, and New Hampshire.¹⁰

This should continue. The government must be wise in its use of various tax-and-spend policies in order to attract not only businesses but population to the State.

Recommendations

Accounting

We must simplify the accounting and make it transparent and accessible to everyone.

This would allow schools to compete against one another and the citizens and voluntary associations to ask good questions and encourage creative ideas.

Please refer to my previous reports, but Jefferson wrote well on the subject.

In 1802 Thomas Jefferson wrote to Secretary of the Treasury Albert Gallatin recommending he simplify the system of government finance to improve understanding and ensure citizen control of government.

"I think it an object of great importance to be kept in view and to be undertaken at a fit season, to simplify our system of finance and bring it within the comprehension of every member of Congress. ... [W]e might hope to see the finances of the Union as clear and intelligible as a merchant's books, so that every member of Congress and every man of any mind in the union should be able to comprehend them, to investigate abuses, and consequently to control them."

- We should have a comprehensive accounting system down to the building level so high schools can be compared to high schools and grade schools

¹⁰ <http://www.topekaiba.org>

to grade schools. We must break through the mystery of districts to gain comparable size buildings comparing:

- o Outcomes:
- o Demographics:
- o Input-Finances.

Consolidation

The Commission had heard a number of times the benefits of consolidation. Consolidation offers many educational opportunities not available to small districts and the economies of scale which benefits the State budget. This should be considered a top priority before raising taxes.

Testing

While we have been shown consistent increases in test scores and improvements according to AYP graphs, ACT and SAT scores have made no improvements at all in Kansas.

An article in The Wall Street Journal stated that Kansas' 4th grade reading tests have been altered so proficiency is below 2007 national assessment test.¹¹ Kansas changed proficiency tests in 2005 making long-term historical comparison more difficult. This appears to be a pattern. Tests should not be changed from year to year so that true historical patterns can be seen.

Personnel Costs and Benefits

Suggestions regarding Teachers

- Tenure for teachers is harmful to students.**

Good teachers don't need it and it makes it difficult for principals to remove poor teachers from the classroom. The New Yorker Magazine recently ran an article entitled *The Rubber Room* by Steven Brill August 31, 2009. The Rubber Room is an expose' on Teachers Unions, specifically the one in New York City and the difficulties they have created for principals and education leaders to remove poor teachers and keep the best teachers. It looks specifically at New York City schools which are now being managed by Mayor Bloomberg under a semi-dictatorship, but has shown enough positive results that he has been given another 4 years. Bloomberg hired Joel Klein, who was a former Assistant Attorney General for the Clinton Administration, to be the school chancellor.

The following quotations come from this article:

"You can never appreciate how irrational the system is until you've lived with it."
Joel Klein

¹¹ October 30, 2009 Some States Drop Testing Bar Wall Street Journal

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In Klein's view, tenure is "ridiculous." "You cannot run a school system that way," he says. "The three principles that govern our system are lockstep compensation, seniority, and tenure. All three are not right for our children."

By now, most serious studies on education reform have concluded that the critical variable when it comes to kids succeeding in school isn't money spent on building or books but, rather, the quality of their teachers. A study of the Los Angeles public schools published in 2006 by the Brookings Institution concluded that "having a top-quartile teacher rather than a bottom-quartile teacher four years in a row would be enough to close the black-white test score gap." But, in New York and elsewhere, holding teachers accountable for how well they teach has proven to be a frontier that cannot be crossed.

- **Pay for Performance (Merit Pay) for the best teachers. Included in this idea should be differential pay for districts in urban centers and any hard-to-find position that is essential to the mission.**

Currently the state of Kansas is held hostage to what Klein calls "lockstep compensation."

Principals and superintendents complain about how hard it is to get a science or math teacher for what they pay. This is true. Science and industry does pay more than schools currently. However, in order to increase the pay for science and math you must increase everyone's pay scale because it is "lockstep". Even though there is no shortage of kindergarten and grade school teachers, in fact there are waiting lists, you must give them an equal increase based on their seniority. Let's take a look at what this would look like.

Assume you have a pay scale like the following:

| Grade | Subject | No. of Teachers | Current wage | Current Total Cost | Merit Pay | Lockstep |
|------------------|----------|-----------------|--------------|--------------------|-----------|------------|
| Kindergarten | General | 20 | 35,000 | 700,000 | 700,000 | 1,200,000 |
| 1st | General | 18 | 35,000 | 630,000 | 630,000 | 1,080,000 |
| 2nd | General | 18 | 35,000 | 630,000 | 630,000 | 1,080,000 |
| 3rd | General | 18 | 35,000 | 630,000 | 630,000 | 1,080,000 |
| 4th | General | 18 | 35,000 | 630,000 | 630,000 | 1,080,000 |
| 5th | General | 18 | 35,000 | 630,000 | 630,000 | 1,080,000 |
| 6th | General | 18 | 35,000 | 630,000 | 630,000 | 1,080,000 |
| 7th | General | 18 | 35,000 | 630,000 | 630,000 | 1,080,000 |
| 8th | General | 18 | 35,000 | 630,000 | 630,000 | 1,080,000 |
| 9th | General | 18 | 35,000 | 630,000 | 630,000 | 1,080,000 |
| 10th | General | 18 | 35,000 | 630,000 | 630,000 | 1,080,000 |
| 11th | General | 18 | 35,000 | 630,000 | 630,000 | 1,080,000 |
| 12th | Math | 1 | 35,000 | 35,000 | 60,000 | 60,000 |
| 12th | Science | 1 | 35,000 | 35,000 | 60,000 | 60,000 |
| 12 th | English | 1 | 35,000 | 35,000 | 35,000 | 60,000 |
| 12 th | History | 1 | 35,000 | 35,000 | 35,000 | 60,000 |
| 12 th | Art | 1 | 35,000 | 35,000 | 35,000 | 60,000 |
| 12 th | Business | 1 | 35,000 | 35,000 | 35,000 | 60,000 |
| 12 th | Gym | 2 | 35,000 | 70,000 | 70,000 | 120,000 |
| Total Cost | | | | 7,910,000 | 7,960,000 | 13,560,000 |
| Difference | | | | | 50,000 | 5,650,000 |

Assume you want to hire a science and math teacher but no one is interested for the \$35,000 starting salary even though it is for 9 months, but they will take \$60,000. If you would allow merit or differential pay scale for special groups depending on the district and the demand it would cost \$50,000. But under the lockstep method you would have to pay \$5,650,000 more. This is senseless. It would cause the grade school teachers to be overpaid because they were very happy at their current pay and there is a waiting list to get in. It also would cause incompetent teachers to do anything hang on to their jobs. And it would break the taxpayer.

Michelle Rhee, chancellor of Washington DC school district proposed changes to the tenure system that would offer six digit salaries to teachers willing to link their paychecks to student performance. Those who choose instead to be paid solely on seniority would retain their job security but receive much smaller pay increases.¹²

- Allow professionals who are not certified to teach subjects they may be competent to teach.**

¹² Wall Street Journal *Who's Got Michelle Rhee's Back?* December 15, 2009

17-E

Currently there are many highly qualified and competent individuals in private industry who would love to teach but are prevented from applying because they don't have the right education courses on their resume. CPA's can teach at the college level but not at the high school level.

- **Do not increase wages for master degrees unless it really improves the teaching.**

Teachers should get paid on results, not based on their educational attainments.

- **Provide differential pay for science, math and hard-to-place teachers**
 - See above

Curriculum costs

Changing curriculum is very expensive both in cost of textbooks but also in the time commitment of teachers to retool with new lesson plans, rereading material and tests. There should be no reason to change a perfectly good curriculum on math, reading, science or history. Instead of changing science curriculum you could just make addendums for new discoveries the students ought to know or note change in theories as old ones are phased out. It is a helpful educational tool for students to understand why theories are replaced.

Professional Development

This should be done in-house or within the district. Every district has super-competent teachers and principals who can train others. If a prophet is not esteemed in his own country then trade with another district. At least get them from within the state. You don't need to go to DC, Hawaii or other states for continuing education at taxpayer expense.

Management

- **Mayoral Leadership**

This seems like a very good idea if you have a strong mayor with very good business sense. New York has done it very successfully. I think some of the things I've read about changes in Chicago schools under Mayor Daley seem very encouraging. Not every mayor would be game for this, but an ambitious, businesslike person who can cut through bureaucracy and is willing to stand up to vested interests to improve schools should give it a try.

- **Principals must have more sovereignty and be held fully responsible for performance of their teachers and staff.**

Set up a leadership academy modeled on the one in New York City.

This is a great academy set up by very sharp business leaders. It decentralizes the districts and empowers people (principals) at the most local level.

□ **Give principals power to decide what teachers they keep.**

<http://www.nyleadershipacademy.org/> When you go to this website you will find an article from the New York Daily News that describes the new empowerment given to principals of schools:

Here's how it worked. Since Bloomberg and Klein took over, the city has aggressively shifted powers that used to belong to central school administration to individual principals. This includes power over budget, staffing, curriculum and schedules. The change, launched in 28 schools in 2004, grew to include all 1,467 schools within the next three years. No other city has moved as far, as fast.

As a result, principals in New York City's empowered schools now control, on average, 86% percent of their budgets, compared to the 6% that I measured in an earlier 2001 study, when I sampled 66 of the city's schools.¹³

Read more: http://www.nydailynews.com/opinions/2009/06/07/2009-06-07_at_the_head_of_the_class_.html#ixzz0Z8gFpIRL

Culture Changing and increased competition and choice

□ **Charter schools with real freedom not in name only**

There is no use starting a Charter school if it remains under the same shackles as all public schools. You must set them free and they will offer real options for parents. Many charters across the nation are beginning to show real improvements for disadvantaged students.

□ **Tax credits and more school choice**

Currently between the state, federal and local budgets the cost to educate a student in Kansas is \$12,660 per year. Why not give parents a tax credit on their tax return for \$5,000 and let them choose to go where ever they want to go? This would save the State \$7,600 per student who chooses to go elsewhere. If just 10% of the students chose this option it would save the State, local and Federal government \$300 million a year.

Cair Paravel-Latin School charges under \$6,000 per year for an excellent education (highest average ACT scores in the city of Topeka) and that includes the price of a full 5-6 day tour to Washington DC, New York City, California or Virginia for the 8th thru 12th grade students.

Heritage and Topeka Lutheran charge similar amounts. Collegiate is a little higher but has scholarships available.

Hayden High School charges \$2,000 for those in the Parrish.

¹³ William Ouchi 6/5/09 New York Daily News

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There are a number of options other than public schools that would relieve tremendous pressure off the current public school system.

Competition

If we had an accounting system that was comparable and consistent to the building level you could easily see which schools were doing the best job given their demographics and scores with the money they have.

Politics

It seems unfair for vested interests to lobby or testify when their salary comes either directly or indirectly from the taxpayer. I was asked to testify in front of a house budget committee by Representative Lana Gordon. I was surprised that those testifying for transparency and strong accounting consistency and comparability were volunteers i.e me. On the other hand those who want the five billion dollars spent by the State on education each year to be incomprehensible were salaried employees of the school system paid with taxpayer dollars or paid lobbyists paid by union dues from employees paid with taxpayer dollars.

KPERS Defined Benefit Pension Plan is unsustainable

No business, city or State is big enough to maintain a defined benefit plan. These plans guarantee a fixed payout for the rest of a person life no matter what the economy does. This is not economically possible. While everyone in the private sector lost half their retirement due to the economic down turn, State and school employees are being told that the economy had no impact on their pension whatsoever.

The legislature is currently promising a payout the taxpayers cannot afford. And teachers are led to believe in a false promise. The people that are getting paid out are getting a far higher payout than they and the State has actually funded.

KPERS is a defined benefit program and their retirements are as secure as the State of Kansas finances. If you go to the KPERS website you will find the following frequently asked questions.

Is my Retirement System money safe?¹⁴

KPERS retiree benefits are safe and guaranteed by Kansas law. A retiree will receive his or her benefit for life, no matter the economic condition. Members who leave employment and withdraw their contributions before retirement will receive the full amount they have contributed, plus interest.

What is a defined benefit plan?

The Retirement System is a 401(a) defined benefit pension plan. With a defined benefit plan, members' benefits are guaranteed by law and

¹⁴ KPERS website <http://www.kpers.org/faqs.htm#14>

depend on a formula, not on member contributions or market performance.

An estimate of the benefit each teacher and administrator receives each year to their Pension plan could be as high as 22% of their wages

The money that the State actually puts in and goes through the books has never been enough to fund the plan. According to the table below at the end of 2007 it was 63% funded for schools and it dropped in 2008 as a result of the economy.

KPERS has always been actuarially underfunded.

| Date | All State Employees | Schools |
|----------|---------------------|---------|
| 12/31/07 | 71% | 63% |
| 12/31/08 | 59% | 52% |

7/17/09 Kansas Schools portion of the KPERS plan was under funded by 5.2 billion

Projected unfunded liabilities in 5-10 years: 10 billion

The reasons for underfunding are manifold. The State can't afford to pay employees 22% of their salaries to a pension fund so they make a promise of over 11% on top of what they can pay. Secondly, retired employees are pulling out large fixed payments for the rest of their lives which are much longer than originally anticipated and are draining the fund. Thirdly, when the economy goes down, it affects dramatically all the investments in the plan. And fourthly much depends on the management of those in charge of the fund.

If we continue to increase public wages and underfund pensions eventually, like any Ponzi scheme, the State will be forced into bankruptcy sooner rather than later. Technically it may be bankrupt now.

Solution: The only honest solution I know of, is to convert that current Defined Benefit Pension Plan into a defined contribution plan like all private firms have or are moving to. The fixed amounts being drawn out now and in the future are simply unsustainable. But no legislator wants to touch this.

Bankruptcies partially due to Defined Benefit plans

- City of Vallejo, CA
- Detroit Schools
- General Motors
- State of California is getting close.

Sh-ε

On the 25th anniversary of the release of *A Nation at Risk*, the nonpartisan organization Strong American Schools released a report card of our nation's progress since the initial report. The organization's analysis said:

"While the national conversation about education would never be the same, stunningly few of the Commission's recommendations actually have been enacted. "Now is not the time for more educational research or reports or commissions. We have enough commonsense ideas, backed by decades of research, to significantly improve American schools. The missing ingredient isn't even educational at all. It's political. Too often, state and local leaders have tried to enact reforms of the kind recommended in *A Nation at Risk* only to be stymied by organized special interests and political inertia. Without vigorous national leadership to improve education, states and local school systems simply cannot overcome the obstacles to making the big changes necessary to significantly improve our nation's K-12 schools."

Estimated Fiscal Notes for Selected Tax Cuts Enacted Since 2005

| (\$ in millions) | | | | | | | | | | | | |
|-------------------|---------|--------------------------------------------------|----------|----------|-----------|-----------|------------|------------|------------|------------|------------|--------------|
| Session | Bill # | Brief Description | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | thru FY 13 |
| 2005 | SB 256 | Inc Tax Exemption - Military Recruitment Bonuses | \$0.000 | -\$0.587 | -\$0.622 | -\$0.660 | -\$0.699 | -\$0.741 | -\$0.786 | -\$0.833 | -\$0.883 | -\$5.810 |
| 2005 | SB 133 | Homestead Program - Indexation | \$0.000 | \$0.000 | -\$0.025 | -\$0.050 | -\$0.075 | -\$0.100 | -\$0.125 | -\$0.150 | -\$0.175 | -\$0.700 |
| 2005 | SB 23 | Repeal of "Clunker" Sales Tax on Used Vehicles | -\$5.000 | -\$5.175 | -\$5.356 | -\$5.544 | -\$5.738 | -\$5.939 | -\$6.147 | -\$6.362 | -\$6.584 | -\$51.845 |
| 2005 | SB 138 | Certain Tax Credits | -\$0.500 | -\$0.500 | -\$0.500 | -\$0.500 | -\$0.500 | -\$0.500 | -\$0.500 | -\$0.500 | -\$0.500 | -\$4.500 |
| 2005 | HB 2040 | Sales Tax Ex - Hearing Aid Repair | \$0.000 | -\$0.093 | -\$0.096 | -\$0.100 | -\$0.103 | -\$0.107 | -\$0.110 | -\$0.114 | -\$0.118 | -\$0.842 |
| 2005 | HB 2222 | Indiv Dvlpment Account Program | -\$0.503 | -\$0.503 | -\$0.503 | -\$0.503 | -\$0.503 | -\$0.503 | -\$0.503 | -\$0.503 | -\$0.503 | -\$4.527 |
| 2006 | SB 365 | Phasing Out of Estate Tax | \$0.000 | \$0.000 | \$0.000 | -\$9.000 | -\$20.000 | -\$37.000 | -\$47.000 | -\$52.000 | -\$52.000 | -\$217.000 |
| 2006 | SB 404 | Numerous Sales Tax Exemptions | \$0.000 | \$0.000 | -\$12.702 | -\$15.448 | -\$17.291 | -\$8.173 | -\$8.630 | -\$10.087 | -\$11.546 | -\$83.877 |
| 2006 | HB 2583 | M and E | \$0.000 | \$0.000 | -\$3.500 | -\$27.162 | -\$42.737 | -\$58.905 | -\$63.698 | -\$62.729 | -\$68.869 | -\$327.600 |
| 2007 | HB 2031 | Soc Sec Exemption and EITC Expansion | \$0.000 | \$0.000 | \$0.000 | -\$12.900 | -\$19.400 | -\$21.300 | -\$23.400 | -\$25.800 | -\$26.135 | -\$128.935 |
| 2007 | HB 2171 | Sales Tax Exemptions - Various | \$0.000 | \$0.000 | \$0.000 | -\$0.650 | -\$0.673 | -\$0.696 | -\$0.721 | -\$0.746 | -\$0.772 | -\$4.258 |
| 2007 | HB 2240 | Sales Tax Ex - Repair of Transmission Lines | \$0.000 | \$0.000 | \$0.000 | -\$3.000 | -\$3.387 | -\$3.506 | -\$3.629 | -\$3.756 | -\$3.887 | -\$21.165 |
| 2007 | HB 2405 | Historic Preservation Tax Credits | \$0.000 | \$0.000 | \$0.000 | -\$0.575 | -\$0.575 | -\$0.575 | -\$0.575 | -\$0.575 | -\$0.575 | -\$3.450 |
| 2007 | HB 2476 | Homestead Program Expansion | \$0.000 | \$0.000 | \$0.000 | -\$10.500 | -\$11.000 | -\$11.600 | -\$12.200 | -\$12.800 | -\$13.500 | -\$71.600 |
| 2007 | HB 2264 | Franchise Tax Phase Out | \$0.000 | \$0.000 | \$0.000 | -\$7.000 | -\$16.500 | -\$26.500 | -\$37.000 | -\$48.000 | -\$50.000 | -\$185.000 |
| 2007 | HB 2004 | Various Tax Credits | \$0.000 | \$0.000 | \$0.000 | -\$4.100 | -\$4.100 | -\$4.100 | -\$4.100 | -\$4.100 | -\$4.100 | -\$24.600 |
| 2007 | HB 2540 | Business Disaster Sales Tax Relief | \$0.000 | \$0.000 | -\$0.400 | -\$1.600 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$0.000 | -\$2.000 |
| 2008 | HB 2434 | Omnibus Tax Bill Includes Corporate Rate Cut | \$0.000 | \$0.000 | \$0.000 | \$0.000 | \$0.141 | \$0.141 | \$0.139 | \$1.079 | \$1.078 | \$2.578 |
| Total These Bills | | | -\$6.003 | -\$6.858 | -\$23.704 | -\$99.291 | -\$143.140 | -\$180.104 | -\$208.985 | -\$227.975 | -\$239.070 | -\$1,135.131 |

| Tax Burden, Wealth and Education Attainment | | | | | | | | | |
|---------------------------------------------|---------------------------------------------------|--------------|-----------------------------------------|--------------|-----------------------------------|--------------|------------------------------|--------------|--------------------------------------------------------------------|
| | Tax Collections % of Personal Income (2006) | U.S. Rank | Personal Income Per Capita (2007) | U.S. Rank | Household Income Median (2007) | U.S. Rank | Percent in Poverty (2007) | U.S. Rank | Education Attainment Adults 18 and older (Average U.S. Rank) |
| Nebraska | 11.9% | 14 | \$36,471 | 24 | \$47,085 | 33 | 11.2% | 17 | 15 |
| Minnesota | 11.8% | 19 | \$41,034 | 11 | \$55,802 | 10 | 9.5% | 8 | 5 |
| North Dakota | 11.7% | 21 | \$34,846 | 29 | \$43,753 | 39 | 12.1% | 25 | 23 |
| Kansas | 11.7% | 23 | \$36,768 | 22 | \$47,451 | 30 | 11.2% | 17 | 10 |
| Iowa | 11.0% | 34 | \$35,023 | 27 | \$47,292 | 32 | 11.0% | 16 | 26 |
| Oklahoma | 10.6% | 41 | \$34,153 | 33 | \$43,424 | 41 | 15.9% | 41 | 40 |
| Missouri | 10.1% | 44 | \$34,389 | 32 | \$45,114 | 37 | 13.0% | 31 | 32 |
| Colorado | 9.8% | 46 | \$41,042 | 10 | \$55,212 | 12 | 12.0% | 22 | 11 |
| South Dakota | 9.1% | 50 | \$33,905 | 34 | \$41,567 | 44 | 13.1% | 32 | 30 |

Source:
Kansas Association of School Boards

EXECUTIVE SUMMARY

The Governor's Facilities Closure and Realignment Commission has made the following recommendations on the facilities named in Executive Order 09-01 and one additional facility, the Rehabilitation Center for the Blind and Visually Disabled. One facility named in Executive Order 09-01, the Beloit Juvenile Correctional Facility, suspended operations independent of the Commission.

The Commission met monthly from April through October. In order to both educate Commissioners and allow ample input from the public and from stakeholders, Commissioners visited each facility for a tour and a public hearing on the site. The Commission also hosted a public hearing for each facility at the Statehouse in Topeka.

The Commission submits two recommendations on the **Kansas State School for the Blind (KSSB) and the Kansas School for the Deaf (KSD)**:

1. KSSB and KSD will combine as many functions as possible in the areas of administration, maintenance, security and food service. The services to be considered for merger include but are not limited to business office, human resources, technology and the health center. The Department of Education estimates merger of these functions should save a combined \$400,000 to \$500,000 per year.
2. In order to simplify administrative functions and more accurately account for the savings targeted by the Commission, KSSB and KSD should be budgeted as a single entity.

The Commission submits two recommendations on the **Rehabilitation Center for the Blind and Visually Disabled (RCBVI)**:

1. RCBVI will be closed and SRS will reinvest savings from the closure of the facility into outreach programs to better serve the blind and visually impaired population in Kansas.
2. An Advisory Committee for the Blind and Visually Impaired be created either through Executive Order or statutory change.

The Commission has one recommendation for **Rainbow Mental Health Center (Rainbow)**:

1. Rainbow will remain open and SRS will pursue public/private partnerships with community hospitals, with an integrated health model, inclusive of community mental health centers and moving toward downsizing state hospitals. SRS will report progress towards this recommendation to the 2011 Legislature.

The Commission submits three recommendations for **Kansas Neurological Institute (KNI) and Parsons State Hospital (Parsons)**:

1. The Commission recommends SRS develop criteria for placement in community based services that take into account
 - What population has proven it can be successfully served in the community
 - What circumstances and needs are presented by the most recent admissions to Parsons or KNI
 - Of the current population at Parsons and KNI, who would have a high probability of success in the community if given the right supports
 - Of the current population at Parsons and KNI, who would present moderate challenges but would have a high probability for success given appropriate supports and services from the right provider
 - SRS has estimated at least 49 residents at KNI and 62 residents at Parsons State Hospital meet these criteria and the Commission recommends those residents be placed in community based services.

2. The Commission recommends SRS review the residents not preliminarily identified by SRS to meet these criteria at KNI (108 residents) for placement in the community or for transfer to Parsons State Hospital and that KNI be closed. The Commission also recommends remaining residents at Parsons State Hospital (129 residents) be reviewed for placement in the community.

3. The Commission recommends that when the Governor prepares his Executive Reorganization Order (ERO) to carry out the recommendations concerning the closure of KNI and downsizing of Parsons that the ERO be written as clearly and strongly as possible to ensure any savings go to expand funding for the Home and Community Based Services for the Developmentally Disabled (HCBS DD) Waiver. The Commission recommends that this be done by specifically requiring the ERO to transfer all dollars from KNI to the HCBS DD Waiver prior to closure of the state hospital. In fact, some specific components that are recommended for the Governor's ERO, budget and other documents to carry out our recommendation by:
 - a. Immediately transferring, through ERO or other means, all appropriations for KNI into the same budget line item as HCBS DD Waiver Services, to ensure that every dollar saved in closure will stay in the DD Waiver budget.
 - b. Writing into the ERO that all programmatic savings due to closure as well as all proceeds from the sale of real estate, surplus property and all other savings must flow to a special trust fund which can only be used for new services on the HCBS DD Waiver.
 - c. Having the Governor require by ERO or Executive Order (EO) that his agencies separately track all appropriations from this trust account and from any accounts with KNI or DD Waiver services, in order to ensure that the savings are going to new DD Waiver services.
 - d. Having the Governor take any and all other steps to ensure that the full recommendation of the Commission is carried out, whether it is through EO, ERO, policy directive or via the proposed FY 2011 Governor's Budget Report.