

STATE INSTITUTIONS FOR MENTAL HEALTH

	Actual FY 2020	Agency Est. FY 2021	Gov. Rec. FY 2021	Agency Req. FY 2022	Gov. Rec. FY 2022
Operating Expenditures:					
State General Fund	\$ 100,356,106	\$ 103,728,544	\$ 102,024,289	\$ 105,476,858	\$ 92,003,048
Other Funds	14,233,221	18,462,714	20,875,163	17,539,628	21,934,661
<i>Subtotal</i>	<i>\$ 114,589,327</i>	<i>\$ 122,191,258</i>	<i>\$ 122,899,452</i>	<i>\$ 123,016,486</i>	<i>\$ 113,937,709</i>
Capital Improvements:					
State General Fund	\$ 2,495	\$ 86,697	\$ 0	\$ 0	\$ 0
Other Funds	8,985	2,364,000	1,294,000	150,000	25,000
<i>Subtotal</i>	<i>\$ 11,480</i>	<i>\$ 2,450,697</i>	<i>\$ 1,294,000</i>	<i>\$ 150,000</i>	<i>\$ 25,000</i>
TOTAL	<u>\$ 114,600,807</u>	<u>\$ 124,641,955</u>	<u>\$ 124,193,452</u>	<u>\$ 123,166,486</u>	<u>\$ 113,962,709</u>
Percentage Change:					
Operating Expenditures					
State General Fund	1.0 %	3.4 %	1.7 %	1.7 %	(9.8) %
All Funds	3.0	6.6	7.3	0.7	(7.3)
FTE Positions	1,423.0	1,423.0	1,423.0	1,423.0	1,429.0

For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

AGENCY OVERVIEW

The State Institutions for Mental Health (Mental Health Institutions) serve individuals diagnosed with severe and persistent mental illnesses who require inpatient treatment. There are two mental health institutions operated by the State of Kansas: Osawatomie State Hospital (OSH) and Larned State Hospital (LSH). Both facilities are state agencies administered by the Kansas Department for Aging and Disability Services (KDADS), pursuant to KSA 39-1904.

MAJOR ISSUES FROM PRIOR YEARS

The **2009 Legislature** passed House Sub. for SB 91, which prohibits the Department of Social and Rehabilitation Services (SRS), the agency that oversaw the Mental Health Institutions before the creation of KDADS, from placing more than eight sexually violent predators in any one county on transitional release or conditional release, states these patients be housed only on state property, and requires a report to the Governor every year on the status of transitional persons.

As part of a submitted 10.0 percent reduced resources option prepared at the direction of the Senate Committee on Ways and Means in 2009, SRS included the closure of the Inpatient Psychiatric Treatment Unit for Youth located on the LSH campus and the option to contract out these services to a private facility. The new private program, KVC Behavioral HealthCare, began operations in Spring 2010 in Hays, Kansas. When the space reserved for the Inpatient Psychiatric Treatment Unit for Youth was vacated during Summer 2010, 11 additional Adult Civil Psychiatric Service beds were opened in the building complex. Funding for the staffing of the newly opened 11-bed unit at LSH was from savings realized from contracting out the youth beds at LSH.

The opening of the additional adult beds was determined necessary by SRS as the agency temporarily suspended voluntary admissions to the three Kansas mental health hospitals during May 2010 and July 2010. The hospitals continued to accept people ordered to the facilities by the courts or escorted by police. Voluntary admissions require a referral by one of the state's 27 Community Mental Health Centers and involve adults who must have the capacity to consent to care, have a treatment facility that agrees the person is in need of services offered by a facility, and are mentally ill as defined by law and medical understanding. When the hospitals are full, the community centers are expected to find placement alternatives for people who otherwise would be admitted. According to SRS, all three facilities were full beyond licensed capacities and did not have additional resources to serve persons seeking voluntary admissions. Additional actions were taken, such as initiating agreements with community partners to establish alternative inpatient resources, but SRS expected census issues to continue in fiscal year (FY) 2012 and FY 2013.

Beginning **November 9, 2011**, all patients previously served by Rainbow Mental Health Facility, in Kansas City, Kansas were served at OSH after all but six beds were closed at Rainbow Mental Health Facility due to a failed Fire Marshal inspection. A 30-bed wing was subsequently opened at OSH.

The **2012 Legislature** approved funding to open an additional 30-bed unit for the Sexual Predator Treatment Program (SPTP), which was completed July 31, 2012, in the Isaac Ray Building on the grounds of the LSH.

The **2013 Legislature** concurred with the Governor's recommendation to combine the operations of OSH and Rainbow Mental Health Facility into one agency to eliminate redundancies in one management operating two separate agencies.

In **September 2013**, the Legislative Division of Post Audit (LPA) performed a follow-up audit of the SPTP and determined, overall, the Program has sufficiently addressed staff and resident safety and security issues. However, it identified further areas of concern, including inadequate key controls, employees working excessive amounts of overtime, and prohibited items entering the residential buildings. Agency officials concurred with the report's findings for the most part and reported they were taking action to comply with the recommendations from LPA. The agency did not agree it had not met its own minimum staffing goals because audit findings were based on data errors and any drop below minimum staffing was planned and approved.

The **2014 Legislature** transferred the remaining balance and liabilities of the Rainbow Mental Health Facility's fee funds to the OSH fee funds as part of the closure of Rainbow Mental Health Facility, as well as transferred 112.2 FTE positions to OSH. Thirty beds at OSH that had previously been operating as Rainbow Mental Health Facility beds were officially designated as OSH beds, increasing OSH's budgeted bed capacity from 176 to 206 in FY 2015.

In **fall 2014**, the federal Centers for Medicare and Medicaid Services (CMS) conducted surveys at OSH and determined the hospital would need to take action to address over-census numbers and safety concerns.

In **April 2015**, LPA performed another follow-up audit of the SPTP at LSH and determined that Kansas' program did not adhere to the recommended practices of programs in Iowa, Washington, and Wisconsin regarding emphasizing individualized treatment. It noted that the Kansas SPTP met many legal requirements and most statutory program requirements. However, the program may not have adequately addressed other statutory requirements related to education and rehabilitation. It also was noted the residents who completed the first five phases at LSH did not necessarily arrive at the reintegration facilities with the skills to be successful; program officials had not maintained appropriate records and documentation to effectively manage the program, policies, and program guidance were outdated and not adhered to; and until recently, KDADS had not filed annual reports with the Legislature as required by statute. The audit also found program costs were anticipated to double by 2025 and an insufficient labor force will create staffing problems for the program as it grows. KDADS officials disagreed with a number of the report findings, noting recent changes to the program after the audit had been completed.

The **2015 Legislature** added \$2.0 million, all from special revenue funds, in FY 2015 for operating expenditures for the plan of correction following the surveys by the federal CMS in fall 2014. The Legislature added \$500,000, all from the State General Fund (SGF), for FY 2016 and FY 2017 for additional operational expenditures related to ongoing replacement of equipment and other expenses necessary for compliance following the CMS surveys. The Legislature also deleted \$247,080 SGF for FY 2016 and FY 2017 to implement agency-submitted reduced resource options concerning inventory and dispensing of medication and reduced supplies and other resources.

The **2015 Legislature** deleted \$5.4 million SGF in FY 2015 and \$2.2 million SGF for FY 2016 to adopt the agency's reduced resource option to delay opening of the Meyer Building for the SPTP until January 2016.

In **December 2015**, CMS conducted surveys at OSH and cited the facility for staffing and patient safety concerns. CMS decertified the facility, meaning it could not bill for Medicaid or Medicare reimbursements.

The **2016 Legislature** added \$2.0 million SGF to address recertification and understaffing issues in FY 2016. The Legislature also added \$9.5 million, all SGF, and deleted \$5.9 million, all from special revenue funds, for increased operational expenditures, a consulting contract to regain federal CMS certification, and to offset reductions in fee fund and Title XIX revenue in FY 2016. The Legislature deleted \$1.5 million SGF in FY 2016 and FY 2017 and added \$1.5 million, all from the OSH Fee Fund, in FY 2016 and FY 2017 to change the source of operational funding in FY 2016 and FY 2017. The Legislature added \$1.3 million SGF to increase registered nurse pay by 10.0 percent and mental health technician pay by 12.0 percent for FY 2017.

The **2016 Legislature** also added language prohibiting the privatization of OSH in FY 2016, FY 2017, and FY 2018 without prior authorization by the Legislature. The Legislature added language that any request for proposal to provide services and management at OSH in FY 2016 and FY 2017 must include provisions for electronic medical records. Provisions noted patient data must not be hosted offshore and any selection of entity providing services or management must be approved by the Legislature.

The **2016 Legislature** deleted \$973,000 SGF in FY 2016 and \$1.0 million SGF for FY 2017, and deleted 10.0 FTE positions in both years to decrease operations of the SPTP at LSH and added the same amount to expand the SPTP transition units at Parsons State Hospital and Training Center. Also, the Legislature deleted \$151,461 SGF in FY 2016 and \$155,989 SGF for FY 2017, and 2.0 FTE positions to reallocate a Forensic Psychologist position and Legal Support position to KDADS. Funding for both positions was transferred to KDADS.

The **2016 Legislature** also added \$1.0 million SGF to address under-staffing issues in FY 2016. The Legislature also added \$1.9 million SGF and deleted \$1.9 million, all from special revenue funds, in FY 2016 to replace Medicaid Disproportionate Share Hospital revenues lost due to a previous calculation of SPTP patients in the indigent patient population group at LSH.

In addition, the **2016 Legislature** added \$450,000 SGF to provide a 2.5 percent pay increase for mental health technicians at LSH for FY 2017.

In **August 2016**, two living units at OSH were functionally separated from the hospital to form Adair Acute Care (AAC), which is functionally considered a free-standing unit, though it is included among the 206 overall licensed beds on the grounds. The agency notes certification from CMS for these beds will be sought during FY 2017 and if certification is gained, will be maintained during the remainder of FY 2017 and future fiscal years.

The **2017 Legislature** added \$11.8 million, including \$9.0 million SGF; deleted \$9.0 million, all from special revenue funds, in FY 2017; and added \$6.6 million, including \$2.3 million SGF, for FY 2018 for increased operating costs and to replace federal and other funding lost due to the OSH being decertified for Medicaid and Medicare reimbursements. The Legislature also added \$4.7 million SGF for both FY 2018 and FY 2019 and added language to open at least 20 additional beds for patients at OSH. If the facility could not open the beds at OSH, the funding was to be used to enter into a contract to provide patient beds through third-party facilities. The Legislature added funding for a 2.5 percent adjustment for all state employees with less than five years of service (except for Highway Patrol law enforcement personnel, legislators, teachers, and licensed personnel and employees at the Schools for the Deaf and the Blind, employees at Kansas Bureau of Investigation who are part of the Recruitment and Retention Plan, and other statewide elected officials); a 5.0 percent adjustment for state employees who have not had a pay adjustment in five years; and a 2.5 percent adjustment for judges and non-judicial staff for FY 2018 and FY 2019. For OSH, the Legislature added \$435,825 SGF for both FY 2018 and FY 2019. For LSH, the Legislature added \$519,586 SGF for both FY 2018 and FY 2019.

In addition, the **2017 Legislature** added language requiring OSH issue a request for proposal for the construction of a 100-bed psychiatric care facility. The Legislature also added language to require the agency conduct an engineering survey on all buildings on the grounds of OSH to determine whether buildings can be renovated and the cost of renovation, or, if buildings cannot be renovated, the cost of demolition. The Legislature included language that reports on both topics should be presented to certain legislative committees during the 2018 Legislative Session.

The **2017 Legislature** also added \$6.5 million SGF in FY 2017, FY 2018, and FY 2019 to replace federal and other funding lost due to LSH previously counting patients in the SPTP as part of the eligible Disproportionate Share Hospital population and due to a decreased number of patients eligible for Medicaid and Medicare reimbursements.

The **2018 Legislature** added \$8.2 million, including \$7.9 million SGF, in FY 2018 and \$16.1 million, including \$7.2 million SGF, for FY 2019 for additional operating expenditures at

OSH. Also, the Legislature deleted \$2.2 million SGF and added \$2.2 million, all from the federal Title XIX Fund, in FY 2018 and added \$5.1 million SGF and deleted \$5.1 million, all from the federal Title XIX Fund, for FY 2019 to more closely match the agency's projections for federal revenue.

In addition, the **2018 Legislature** added \$603,774, including \$513,710 SGF, for salary adjustments for FY 2019 equivalent to two steps on the Statewide Pay Matrix for employees who did not receive a salary adjustment as part of the 2017 Salary Initiatives and one step for employees who received approximately one step on the Statewide Pay Matrix in FY 2018.

The **2018 Legislature** added \$2.5 million SGF and 33.0 FTE positions in FY 2018 and \$4.2 million SGF and 55.0 FTE positions for FY 2019 for expansion of the SPTP Reintegration facilities. Also, the Legislature added \$580,000 SGF in FY 2018 and \$534,610 SGF for FY 2019 to provide a 4.0 percent salary increase for mental health technicians.

The **2018 Legislature** deleted \$3.7 million SGF and added \$3.7 million, all from the federal Title XIX Fund, in FY 2018, and deleted \$251,246 SGF and added \$251,246, all from the federal Title XIX Fund, for FY 2019 to more closely match the agency's projections for federal revenue.

In addition, the **2018 Legislature** added \$930,258, including \$899,782 SGF, for salary adjustments for FY 2019 equivalent to two steps on the Statewide Pay Matrix for employees who did not receive a salary adjustment as part of the 2017 Salary Initiatives and one step for employees who received approximately one step on the Statewide Pay Matrix in FY 2018.

The **2019 Legislature** added \$1.4 million SGF in FY 2019 and \$2.0 million SGF for FY 2020 to decrease agency salary shrinkage; added \$4.0 million SGF in FY 2019 and \$1.1 million SGF for FY 2020 and deleted the same amounts from the federal Title XIX (Medicaid) Fund for an adjustment in the estimate for federal Disproportionate Share Hospital revenue; and added \$668,099, including \$622,811 SGF, for a 2.5 percent salary adjustment for most state employees for FY 2020.

The **2019 Legislature** added \$253,867 SGF to decrease agency salary shrinkage in both FY 2019 and FY 2020; added \$617,164 SGF and deleted the same amount from the federal Title XIX (Medicaid) Fund for an adjustment in the estimate for federal Disproportionate Share Hospital revenue in both FY 2019 and FY 2020; added \$54,405, all from the State Institutions Building Fund, to replace the Uninterrupted Power Supply for the Isaac Ray Building in FY 2019; and added \$567,850 SGF to provide a Personal Protective Device System within the Psychiatric Services Program for FY 2020.

The **2019 Legislature** added \$186,931 SGF for salary adjustments to reduce turnover and the number of vacant positions for FY 2020 and added language requiring the agency to provide a report to the Legislative Budget Committee prior to the beginning of the 2020 Legislative Session on the impact of the funding on vacancy and turnover.

In addition, the **2019 Legislature** added \$899,010, including \$853,624 SGF, for a 2.5 percent salary adjustment for most state employees for FY 2020.

The **2020 Legislature** shifted 22.0 FTE positions with the commensurate shift in salaries and wages expenditure from LSH to OSH to relocate the SPTP reintegration unit from LSH to OSH. Prior to FY 2020, these positions were located in the LSH budget despite the unit being physically located on the OSH campus.

BUDGETED BED CAPACITY

The chart below shows the budgeted bed capacity at the Mental Health Institutions.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Projected	FY 2022 Projected
Osawatomie State Hospital	106	106	106	106	106
Adair Acute Care	52	60	60	60	60
Larned State Hospital	584	612	520	520	520
TOTAL	742	778	686	686	686

AVERAGE DAILY CENSUS

The chart below shows the patient average daily census at the Mental Health Institutions.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Projected	FY 2022 Projected
Osawatomie State Hospital	96	100	106	106	106
Adair Acute Care	42	43	38	38	42
Larned State Hospital	446	446	419	428	428
TOTAL	584	589	563	572	576

ADMISSIONS

The chart below shows admissions to the Mental Health Institutions.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Projected	FY 2022 Projected
Osawatomie State Hospital	244	250	165	228	228
Adair Acute Care	923	1,107	965	1,000	1,045
Larned State Hospital	1,487	1,420	1,308	1,248	1,220
TOTAL	2,654	2,777	2,438	2,476	2,493

AVERAGE LENGTH OF STAY

The following chart shows the average length of stay for patients at the Mental Health Institutions in days.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Projected	FY 2022 Projected
Osawatomie State Hospital	171	140	237	237	237
Adair Acute Care	15	14	14	15	14
Larned State Hospital - Psychiatric Services	26	22	50	35	35
Larned State Hospital - State Security Program	129	116	103	122	122

BUDGET SUMMARY AND KEY POINTS

FY 2021 – Current Year. The **agencies** request a revised operating budget of \$122.2 million, including \$103.7 million SGF, for expenditures at the Mental Health Institutions in FY 2021. This is an all funds increase of \$1.9 million, or 1.6 percent, above the FY 2021 approved amount. This includes an SGF increase of \$741,668, or 0.7 percent, and an all other funds increase of \$1.2 million, or 6.8 percent, above the FY 2021 approved amount. The revised request includes 1,423.0 FTE positions, which is a decrease of 11.0 FTE positions below the approved amount.

The SGF increase is primarily related to increasing expenditures for staffing at the Mental Health Institutions. Both OSH and LSH have had historical challenges with retention of staff, which the agencies indicate is related to competition with the private sector. In order to ensure adequate staffing at both hospitals, the agencies utilize both FTE positions as well as contractual staffing services. Due to the COVID-19 pandemic, the agencies have experienced issues covering shifts due to employees being quarantined, and as a result the Mental Health Institutions have experienced an increased reliance on contract staffing to ensure adequate staffing. The increase is also related to replacement of several agency vehicles at OSH, as well as LSH's supplemental request for safety and security upgrades that include a video surveillance system and ligature-resistant furniture. The increase is partially offset by decreased expenditures for pharmaceuticals and food due to the agency adjusting based on actual utilization in FY 2020.

The Mental Health Institutions request a revised capital improvements budget of \$2.5 million, including \$86,697 SGF, in FY 2021. This is an all funds increase of \$1.4 million, or 134.7 percent, and an SGF increase of \$86,697, or 100.0 percent, above the FY 2021 approved amount. The increase is due to OSH receiving a revised estimate for repair work on its patient therapy pool.

The **Governor** recommends \$122.9 million, including \$102.0 million SGF, for operating expenditures at the Mental Health Institutions in FY 2021. This is an all funds increase of \$708,194, or 0.6 percent, above the agencies' FY 2021 revised estimate. This includes an SGF decrease of \$1.7 million, or 1.6 percent, and an all other funds increase of \$2.4 million, or 13.1 percent, from the agency's FY 2021 revised estimate. The recommendation includes 1,423.0 FTE positions, which is the same number as agencies' FY 2021 revised estimate.

The increase is primarily related to the receipt of federal Coronavirus Relief Fund moneys awarded to the state hospitals from the SPARK Taskforce. The increase is partially offset by decreases related to the Governor not recommending LSH's supplemental requests. Additionally, the recommendation includes the lapse of several reappropriations from FY 2020 for the Mental Health Institutions, however, the Governor recommends utilization of agency fee funds rather than SGF moneys for those expenditures.

The recommendation includes \$1.3 million, all from special revenue funds, for capital improvements expenditures in FY 2021. This is an all funds decrease of \$1.2 million, or 47.2 percent, below the agency's FY 2021 revised estimate. The Governor recommends that OSH work with KDADS to include its therapy pool project in the five-year capital improvements plan; the recommendation also decreases the capital improvements funding back to the approved amount in FY 2021.

FY 2022 – Budget Year. The **agencies** request an operating budget of \$123.0 million, including \$105.5 million SGF, for expenditures at the Mental Health Institutions for FY 2022. This is an all funds increase of \$825,228, or 0.7 percent, above the FY 2021 revised estimate. This includes an SGF increase of \$1.7 million, or 1.7 percent, and an all other funds decrease of \$923,086, or 5.0 percent, from the FY 2021 revised estimate. The request includes 1,423.0 FTE positions, which is the same number as the FY 2021 revised estimate.

The SGF increase is primarily due to LSH's enhancement requests for FY 2022. The expansion of the SPTP comprises a majority of the agency's enhancement request. LSH indicates significant growth in the SPTP over the last several years, and as a result the agency proposes to create a new SPTP unit at LSH and expand the community-based SPTP supervision services. Partially offsetting the increase is a transfer from LSH to the Kansas Department of Corrections related to the ending of a memorandum of understanding between the agencies regarding the care of inmates with mental health needs at the Kansas Department of Corrections. OSH generally anticipates maintaining FY 2021 spending levels with increases related to yearly fluctuations across all expenditures categories.

The agencies request a capital improvements budget of \$150,000, all from special revenue funds, for FY 2022. This is an all funds decrease of \$2.3 million, or 93.9 percent, and an SGF decrease of \$86,697, or 100.0 percent, below the FY 2021 revised estimate. The decrease is due to the agency anticipating the therapy pool project to be concluded in FY 2021.

The **Governor** recommends \$113.9 million, including \$92.0 million SGF, for operating expenditures at the Mental Health Institutions for FY 2022. This is an all funds decrease of \$9.1 million, or 7.4 percent, below the agencies' FY 2022 request. This includes an SGF decrease of \$13.5 million, or 12.8 percent, and an all other funds increase of \$4.4 million, or 25.1 percent, from the agencies' FY 2022 request. The recommendation includes 1,429.0 FTE positions, which is an increase of 6.0 FTE positions above the agencies' FY 2022 request. The position increase is mainly attributable to staff for video surveillance monitoring at LSH.

The SGF decrease is primarily related to the Governor's adoption of the agency's reduced resources budget. However, the Governor recommends that the agency utilize agency fee funds to offset several of the agencies' proposed SGF reductions, which account for the all other funds increases. The decrease is also due to the Governor not recommending a majority of LSH's enhancement requests. The decrease is partially offset by the Governor recommending certain enhancement requests from LSH for new Omnicell medication dispensing machines and the purchase of a video monitoring system.

The recommendation includes \$25,000, all from special revenue funds, for capital improvements expenditures for FY 2022. This is an all funds decrease of \$125,000, or 83.3 percent, below the agency's FY 2022 request. The Governor reduced funding and recommended that OSH work with KDADS to include its rehabilitation and repair projects in the five-year capital improvements plan.

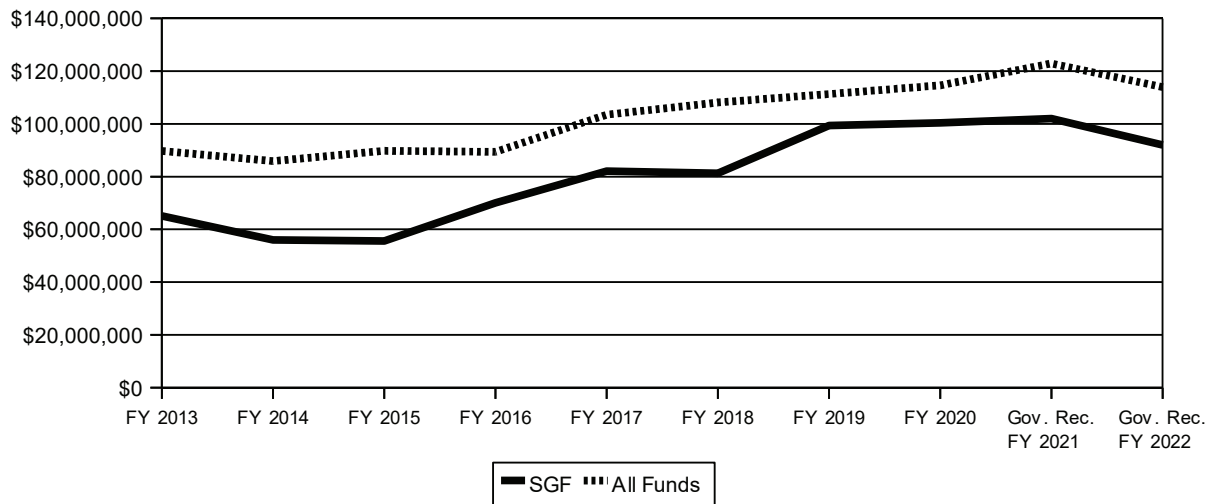
PERFORMANCE MEASURES

The 2016 Legislature passed HB 2739, which outlined a three-year process for state agencies to develop and implement a system of performance budgeting using outcome measures to evaluate program effectiveness. Measures to evaluate agency-wide performance are presented below. Additional measures to evaluate specific programs appear in the relevant program sections.

PERFORMANCE MEASURES						
Measure	Actual FY 2018	Actual FY 2019	Gov. Rec. FY 2020	Actual FY 2020	Gov. Rec. FY 2021	Gov. Rec. FY 2022
(OSH) Average Restraint Hours per 1,000 in patient hours at OSH	0.15	0.13	0.10	0.13	0.13	0.13
(OSH) Average Restraint Hours per 1,000 in patient hours at Adair Acute Care	0.42	0.11	0.30	0.11	0.11	0.11
(LSH) Average Restraint Hours per 1,000 in patient hours at LSH*	0.11	0.09	0.09	0.09	0.09	0.08
(OSH) Average seclusion Hours per 1,000 in patient hours at OSH	0.15	0.19	0.15	0.19	0.19	0.19
(OSH) Average seclusion Hours per 1,000 in patient hours at Adair Acute Care	0.32	0.17	0.30	0.17	0.17	0.17
(LSH) Average seclusion Hours per 1,000 in patient hours at LSH*	0.13	0.09	0.08	0.10	0.09	0.09
Agency Expenditures						
All Funds (Dollars in Million)	\$ 108.1	\$ 111.4	\$ 115.8	\$ 114.6	\$ 124.2	\$ 114.0
FTE Positions	1,317.6	1,473.5	1,434.0	1,423.0	1,423.0	1,429.0
*The Governor's office does not utilize this measure for evaluation purposes						

BUDGET TRENDS

OPERATING EXPENDITURES FY 2013 – FY 2022



OPERATING EXPENDITURES FY 2013 – FY 2022

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2013	\$ 65,085,116	12.2 %	\$ 89,706,643	4.2 %	1,351.6
2014	55,963,480	(14.0)	85,873,531	(4.3)	1,345.4
2015	55,620,344	(0.6)	89,759,172	4.5	1,440.6
2016	69,999,568	25.9	89,371,597	(0.4)	1,430.6
2017	82,060,222	17.2	103,463,395	15.8	1,161.1
2018	81,321,334	(0.9)	108,082,430	4.5	1,317.6
2019	99,350,266	22.2	111,299,387	3.0	1,381.4
2020	100,356,106	1.0	114,589,327	3.0	1,423.0
2021 Gov. Rec.	102,024,289	1.7	122,899,452	7.3	1,423.0
2022 Gov. Rec.	92,003,048	(9.8)	113,937,709	(7.3)	1,429.0
Ten-Year Change Dollars/Percent	\$ 26,917,932	41.4 %	\$ 24,231,066	27.0 %	77.4

Summary of Operating Budget FY 2020 - FY 2022

	Actual FY 2020	Agency Estimate			Governor's Recommendation				
		Estimate FY 2021	Request FY 2022	Dollar Change from FY 21	Percent Change from FY 21	Rec. FY 2021	Rec. FY 2022	Dollar Change from FY 21	Percent Change from FY 21
By Program:									
Osawatimie State Hospital	\$ 42,130,734	\$ 47,227,231	\$ 47,264,020	\$ 36,789	0.1 %	\$ 47,863,449	\$ 46,600,376	\$ (1,263,073)	(2.6)%
Larned State Hospital	72,458,593	74,964,027	75,752,466	788,439	1.1	75,036,003	67,337,333	(7,698,670)	(10.3)
TOTAL	\$ 114,589,327	\$ 122,191,258	\$ 123,016,486	\$ 825,228	0.7 %	\$ 122,899,452	\$ 113,937,709	\$ (8,961,743)	(7.3)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 79,972,004	\$ 82,433,251	\$ 85,205,213	\$ 2,771,962	3.4 %	\$ 82,183,090	\$ 80,480,689	\$ (1,702,401)	(2.1)%
Contractual Services	28,850,912	32,839,128	32,136,851	(702,277)	(2.1)	34,296,153	27,923,055	(6,373,098)	(18.6)
Commodities	5,142,147	5,761,970	5,406,477	(355,493)	(6.2)	5,761,970	4,962,002	(799,968)	(13.9)
Capital Outlay	609,831	1,140,384	251,420	(888,964)	(78.0)	641,714	555,498	(86,216)	(13.4)
Debt Service	0	0	0	0	--	0	0	0	--
<i>Subtotal - Operations</i>	<i>\$ 114,574,894</i>	<i>\$ 122,174,733</i>	<i>\$ 122,999,961</i>	<i>\$ 825,228</i>	<i>0.7 %</i>	<i>\$ 122,882,927</i>	<i>\$ 113,921,244</i>	<i>\$ (8,961,683)</i>	<i>(7.3)%</i>
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	14,433	16,525	16,525	0	0.0	16,525	16,465	(60)	(0.4)
TOTAL	\$ 114,589,327	\$ 122,191,258	\$ 123,016,486	\$ 825,228	0.7 %	\$ 122,899,452	\$ 113,937,709	\$ (8,961,743)	(7.3)%
Financing:									
State General Fund	\$ 100,356,106	\$ 103,728,544	\$ 105,476,858	\$ 1,748,314	1.7 %	\$ 102,024,289	\$ 92,003,048	\$ (10,021,241)	(9.8)%
Hospital Fee Funds	5,708,046	7,183,968	8,834,987	1,651,019	23.0	7,939,503	11,990,277	4,050,774	51.0
Title XIX Funds	7,777,205	9,378,892	8,534,521	(844,371)	(9.0)	9,378,892	9,344,264	(34,628)	(0.4)
All Other Funds	747,970	1,899,854	170,120	(1,729,734)	(91.0)	3,556,768	600,120	(2,956,648)	(83.1)
TOTAL	\$ 114,589,327	\$ 122,191,258	\$ 123,016,486	\$ 825,228	0.7 %	\$ 122,899,452	\$ 113,937,709	\$ (8,961,743)	(7.3)%

BUDGET OVERVIEW

A. FY 2021 – Current Year

Adjustments to Approved State General Fund Budget

The 2020 Legislature approved a State General Fund (SGF) budget of \$102.7 million for the Mental Health Institutions in FY 2021. Several adjustments have been made subsequently to that amount. These adjustments change the current year approved amount without any legislative action required. For this agency, the following adjustments have been made:

- An increase of \$962,587, based on the reappropriation of FY 2020 funding that was not spent in FY 2020 and has shifted to FY 2021;
- An increase of \$85,168, based on the reimbursement of SGF expenditures in FY 2020 for COVID-19-related expenditures and reimbursed from the Coronavirus Relief Fund as approved by the State Finance Council on June 16, 2020, resulting in reappropriation of funding that was not spent in FY 2020 and has shifted to FY 2021; and
- A decrease of \$633,926 as the result of the Governor's July 29, 2020, SGF allotment.

These adjustments change the FY 2021 approved SGF amount to \$103.0 million. That amount is reflected in the table below as the currently approved FY 2021 SGF amount.

CHANGE FROM APPROVED BUDGET					
	Legislative Approved FY 2021	Agency Estimate FY 2021	Agency Change from Approved	Governor Rec. FY 2021	Governor Change from Approved
State General Fund	\$ 103,072,044	\$ 103,815,241	\$ 743,197	\$ 102,024,289	\$ (1,047,755)
All Other Funds	18,328,078	20,826,714	2,498,636	22,169,163	3,841,085
TOTAL	\$ 121,400,122	\$ 124,641,955	\$ 3,241,833	\$ 124,193,452	\$ 2,793,330
FTE Positions	1,434.0	1,423.0	(11.0)	1,423.0	(11.0)

The **agencies** request a revised estimate of \$124.6 million, including \$103.8 million SGF, for expenditures at the Mental Health Institutions in FY 2021. This includes an operating budget of \$122.2 million, including \$103.7 million SGF, for expenditures at the Mental Health Institutions in FY 2021. This is an all funds increase of \$1.9 million, or 1.6 percent, above the FY 2021 approved amount. This includes an SGF increase of \$741,668, or 0.7 percent, and an all other funds increase of \$1.2 million, or 6.8 percent, above the FY 2021 approved amount. The revised request includes 1,423.0 FTE positions, which is a decrease of 11.0 FTE positions below the approved number.

The increase is primarily related to increasing expenditures for staffing at the Mental Health Institutions. Both OSH and LSH have had historical challenges with retaining staff, which the agencies indicate is related to competition with the private sector. In order to ensure adequate staffing at both hospitals, the hospitals utilize both FTE positions as well as contractual staffing services. Due to the COVID-19 pandemic, the agencies have experienced issues with covering shifts due to employees being quarantined for the protection of patients and other staff. The increase is also related to replacement of several agency vehicles at OSH, as well as LSH's supplemental request for safety and security upgrades that include a video surveillance system and ligature-resistant furniture. The increase is partially offset by decreased commodities expenditures. The revised estimate is detailed below by hospital:

- **Osawatomie State Hospital.** OSH requests a revised estimate of \$47.2 million, including \$38.3 million SGF, for operating expenditures in FY 2021. This is an all funds increase of \$216,569, or 0.5 percent above the FY 2021 approved amount. This includes an SGF decrease of \$93,860, or 0.2 percent, and an all other funds increase of \$310,429, or 3.6 percent, from the approved amount. The revised estimate includes 486.5 FTE positions, which is a decrease of 11.0 FTE positions below the approved FY 2021 approved number;

The increase is primarily related to growing staffing needs in preparation for the moratorium on voluntary admissions ending. The agency has historically experienced staffing issues, which it indicated is due to competition with the private sector. As a result, the agency traditionally relies on contractual staffing services to ensure they have adequate staff. With the moratorium planned to end in FY 2021, the agency anticipates needing more contractual staff for the increased number of patients;

- **Larned State Hospital.** LSH requests a revised estimate of \$75.0 million, including \$65.4 million SGF, for operating expenditures in FY 2021. This is an all funds increase of \$1.7 million, or 2.3 percent, above the FY 2021 approved amount. This includes an SGF increase of \$835,528, or 1.3 percent, and an all other funds increase of \$868,207, or 10.0 percent, above the approved amount. The revised estimate includes 936.5 FTE positions, which is the same as the approved FY 2021 approved number; and

The SGF increase is primarily due to expenditures for staffing at the hospital. Over the last several years, the agency has had several issues related to staffing. Given the current pandemic, the agency indicates an increased need to fill vacant positions, which would enable the coverage of shifts as employees are quarantined. Also related to the pandemic are increases related to overtime for employees who have been required to work multiple shifts to ensure coverage for the hospital.

The **Governor** recommends \$122.9 million, including \$102.0 million SGF, for operating expenditures at the Mental Health Institutions in FY 2021. This is an all funds increase of \$708,194, or 0.6 percent, above the agency's FY 2021 revised estimate. This includes an SGF decrease of \$1.7 million, or 1.6 percent, and an all other funds increase of \$2.4 million, or 13.1 percent, from the agency's FY 2021 revised estimate. The increase is primarily related to the receipt of federal Coronavirus Relief Fund moneys awarded to the state hospitals from the SPARK Taskforce. The increase is partially offset by decreases related to the Governor not recommending LSH's supplemental funding requests in FY 2021. The recommendation includes the lapse of several reappropriations from FY 2020 for the Mental Health Institutions, however,

the Governor recommends utilizing agency fee funds rather than SGF moneys for those expenditures. The recommendation includes 1,423.0 FTE positions, which is the same as agencies' FY 2021 revised estimate. The recommendation is detailed below by hospital:

- Osawatomie State Hospital.** The Governor recommends 47.9 million, including \$37.9 million SGF, for operating expenditures at OSH in FY 2021. This is an increase of \$636,218, or 1.3 percent, above the agency's FY 2021 revised estimate. This includes an SGF decrease of \$488,705, or 1.6 percent, and an all other funds increase of \$1.4 million, or 12.7 percent, from the agency's FY 2021 revised estimate. The SGF decrease is due to lapsing the agency's reappropriations from FY 2020. The decreases are offset by federal Coronavirus Relief Fund moneys awarded to the state hospitals by the SPARK Taskforce for public health protective measures and employee hazard pay for front-line workers; and
- Larned State Hospital.** The **Governor** recommends \$75.0 million, including \$65.2 million SGF, for operating expenditures at LSH in FY 2021. This is an all funds increase of \$71,976, or 0.1 percent, above the the agency's FY 2021 revised estimate. This includes an SGF decrease of \$1.2 million, or 1.9 percent, and an all other funds increase of \$1.3 million, or 13.4 percent, from the agency's FY 2021 revised estimate. The increase is primarily due to the receipt of federal Coronavirus Relief Fund moneys awarded to the state hospitals by the SPARK Taskforce for public health protective measures and employee hazard pay for front-line workers. The SGF decrease is due to the Governor not recommending LSH's supplemental funding requests. Additionally, the recommendation lapses agency's reappropriations from FY 2020, which are replaced with agency fee funds.

Supplemental Detail

Supplementals	FY 2021 SUPPLEMENTALS					
	Agency Estimate			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
(LSH) Ligature-Resistant Furniture	\$ 68,670	\$ 68,670	0.0	\$ 0	\$ 0	0.0
(LSH) Video Surveillance System and Officers	766,858	766,858	0.0	0	0	0.0
TOTAL	\$ 835,528	\$ 835,528	0.0	\$ 0	\$ 0	0.0

The **agency** requests \$835,528 SGF for safety and security upgrades at LSH in FY 2021. The requests include ligature-resistant furniture in the Issac Ray secure facility and a video surveillance system. This request includes:

- (LSH) Ligature-Resistant Furniture.** This request includes \$68,670 SGF for ligature-resistant furniture in the Issac Ray secure facility at LSH. After a study was conducted into suicide risks at the Issac Ray facility, it was recommended that furniture inside 40 patient rooms be replaced with ligature-resistant furniture. Ligature-resistant furniture is a type of furniture that has no corners or bars where

materials (such as cords, wire, or cloth) could be tied on. This furniture includes replacing beds and desks; and

- **(LSH) Video Surveillance System.** This request also includes \$766,858 SGF to install a video surveillance system for the Psychiatric Services Program at LSH and six positions to monitor the system. The agency indicates that there were 74 incidents of patient assault or battery on other patients or staff in 2018 and 159 incidents in 2019. The agency believes a video surveillance system would assist in decreasing these incidents. The agency would need six additional positions to monitor the system. (*Staff Note:* This would require an additional 6.0 FTE positions, which do not appear to have been requested.)

The **Governor** does not recommend either of the agencies' supplemental requests in FY 2021.

Governor's Allotments

On June 29, 2020, the Governor announced SGF allotments or reductions for FY 2021 of \$374.5 million. Included in the Governor's allotted budget were \$146.7 million in human services caseload adjustments, \$79.3 million to delay the FY 2021 State Foundation Aid payment for K-12 Education, \$46.7 million in reductions due to a suspension of Kansas Public Employees Retirement System (KPERs) Death and Disability contributions, and \$101.8 million in other adjustments.

Allotments included in this document reduce the FY 2021 approved budget without any required Legislative approval and are included in the approved amounts in the table above in the table on page 12. As it relates to this agency, the allotment adjustments totaled \$633,926. The allotments applied to this agency are detailed below:

GOVERNOR'S ALLOTMENTS			
<u>Allotment</u>	<u>SGF</u>	<u>All Funds</u>	<u>FTE</u>
July Allotment			
OSH - Death and Disability	\$ (185,996)	\$ (185,996)	0.0
LSH - Death and Disability	(271,652)	(271,652)	0.0
OSH - COVID Relief Swap	(17,735)	(17,735)	0.0
LSH - COVID Relief Swap	(158,543)	(158,543)	0.0
TOTAL	\$ (633,926)	\$ (633,926)	0.0

KPERs Death and Disability Contributions. The Governor's June 29 Allotment Plan included \$457,648, all SGF, related to the suspension of KPERs Death and Disability employer contributions. This includes \$185,996 for OSH and \$271,652 for LSH.

COVID-19 Relief Swap. The Governor's June 29 Allotment Plan included \$176,278, all SGF, related to COVID-19-related expenses that were reimbursed with COVID-19 federal relief funds.

B. FY 2022 – Budget Year

FY 2022 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 123,016,486	\$ 113,937,709	\$ (9,078,777)
FTE Positions	1,423.0	1,429.0	6.0
Change from FY 2021:			
<i>Dollar Change:</i>			
State General Fund	\$ 1,748,314	\$ (10,021,241)	
All Other Funds	(923,086)	1,059,498	
TOTAL	\$ 825,228	\$ (8,961,743)	
<i>Percent Change:</i>			
State General Fund	1.7 %	(9.8) %	
All Other Funds	(5.0)	5.1	
TOTAL	0.7 %	(7.3) %	
Change in FTE Positions	0.0	6.0	

The **agencies** request an operating budget of \$123.0 million, including \$105.5 million SGF, for expenditures at the Mental Health Institutions for FY 2022. This is an all funds increase of \$825,228, or 0.7 percent, above the FY 2021 revised estimate. This includes an SGF increase of \$1.7 million, or 1.7 percent, and an all other funds decrease of \$923,086, or 5.0 percent, from the FY 2021 approved amount. The request includes 1,423.0 FTE positions, which is the same number as the FY 2021 revised estimate.

The SGF increase is primarily due to LSH's enhancement requests for FY 2022. The expansion of the Sexual Predator Treatment Program (SPTP) comprises a majority of the agency's enhancement requests. LSH indicates significant growth in the SPTP over the last several years, and as a result the agency proposes to create a new SPTP unit at LSH and expand the community supervision services. Partially offsetting the increase is a transfer from LSH to the Kansas Department of Corrections related to the ending of a memorandum of understanding between the agencies regarding the care of inmates with mental health needs at the Kansas Department of Corrections. OSH generally anticipates maintaining FY 2021 spending levels with increases related to yearly fluctuations across all expenditures categories. The revised estimate is detailed below by hospital:

- **Osawatomie State Hospital.** OSH requests \$47.3 million, including \$38.2 million SGF, for operating expenditures for FY 2022. This is an all funds increase of \$36,789, or 0.1, percent above the FY 2021 revised estimate. This includes an SGF decrease of \$157,417, or 0.4 percent, and an all other funds increase of \$194,206, or 2.2 percent, from the FY 2021 revised estimate. The request includes 486.5 FTE positions, which is the same number as the approved FY 2021 revised estimate;

The agency anticipates maintaining similar funding levels as FY 2021, with a few exceptions for yearly fluctuations across all expenditures categories. Any

increase is mostly offset by the absence of several capital outlay expenditures to replace older agency vehicles in FY 2021; and

- **Larned State Hospital.** LSH requests \$75.8 million, including \$67.3 million SGF, for operating expenditures for FY 2022. This is an all funds increase of \$788,439, or 1.1 percent, above the FY 2021 revised estimate. This includes an SGF increase of \$1.9 million, or 2.9 percent, and an all other funds decrease of \$1.1 million, or 11.7 percent, from the FY 2021 revised estimate. The request includes 936.5 FTE positions, which is the same number as the FY 2021 revised estimate.

The changes in the FY 2022 budget are primarily related to the agency's enhancement requests. As detailed below, the agency requests five enhancement requests. The request to expand the SPTP by creating a new unit and expanding community supervision services account for the majority of the increase. Partially offsetting the increase is the transfer of funding from LSH to the Kansas Department of Corrections to account for ending of an agreement between the agencies with respect to the care of inmates with mental health needs.

The **Governor** recommends \$113.9 million, including \$92.0 million SGF, for operating expenditures at the Mental Health Institutions for FY 2022. This is an all funds decrease of \$9.1 million, or 7.4 percent, below the agencies' FY 2022 request. This includes an SGF decrease of \$13.5 million, or 12.8 percent, and an all other funds increase of \$4.4 million, or 25.1 percent, from the agencies' FY 2022 request. The SGF decrease is primarily related to the Governor's adoption of the agencies' reduced resources budget. However, the Governor recommends that the agency utilize agency fee funds to offset several of the agencies' proposed reductions, which accounts for the all other funds increase. The overall decrease is also due to the Governor not recommending a majority of LSH's enhancement requests. The decrease is partially offset by the Governor recommending certain enhancement requests from LSH for new Omnicell medication dispensing machines and the purchase of a video surveillance system. The recommendation includes 1,429.0 FTE positions, which is an increase of 6.0 FTE positions above the agencies' FY 2022 request. The position increase is mainly staff for video surveillance monitoring at LSH. The recommendation is detailed below by hospital:

- **Osawatomie State Hospital.** The Governor recommends \$46.6 million, including \$34.4 million SGF, for operating expenditures at OSH for FY 2022. This is a an all funds decrease of \$663,644, or 1.4 percent, below the agency's FY 2022 request. This includes an SGF decrease of \$3.8 million, or 10.0 percent, and an all other funds increase of \$3.2 million, or 34.8 percent, from the agency's FY 2022 request. The SGF decrease is due to the Governor's adoption of the agency's reduced resources budget. The all other funds increase is due to the Governor's recommendation that the agency utilize agency fee funds to partially offset the SGF decrease; and
- **Larned State Hospital.** The Governor recommends \$67.3 million, including \$57.6 million SGF, for operating expenditures at LSH for FY 2022. This is an all funds decrease of \$8.4 million, or 11.1 percent, below the agency's FY 2022 request. This includes an SGF decrease of \$9.7 million, or 14.3 percent, and an all other funds increase of \$1.2 million, or 14.6 percent, from the agency's FY 2022 request. The decrease is primarily due to the Governor's adoption of the agency's reduced resources budget. However, the Governor recommends the agency utilize fee funds to offset the SGF reduction in contractual services

expenditures. The decrease is also due to the Governor not recommending a majority of the agency's enhancement requests. However, the Governor does recommend replacement of the agency's Omnicell medication disbursement machines as well as the purchase of a video surveillance system.

Enhancement Detail

FY 2022 ENHANCEMENTS						
Enhancements	Agency Estimate			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
(LSH) Omnicell Machine Replacement	\$ 283,492	\$ 283,492	0.0	\$ 283,492	\$ 283,492	0.0
(LSH) SPTP Additional Unit	3,176,353	3,176,353	0.0	0	0	0.0
(LSH) SPTP Reintegration/ Conditional Request	143,824	143,824	0.0	0	0	0.0
(LSH) Safety & Security Upgrades	336,858	336,858	0.0	336,858	766,858	6.0
(LSH) Transfer SGF to KDOC	(1,314,000)	(1,314,000)	0.0	0	0	0.0
TOTAL	\$ 2,626,527	\$ 2,626,527	0.0	\$ 620,350	\$ 1,050,350	6.0

The **agencies** request \$2.6 million, all SGF, for enhancements for FY 2022. Only LSH requested enhancements for FY 2022, which are detailed below:

- LSH - Replacement of Omnicell Machines.** LSH requests \$283,492 SGF to replace 19 Omnicell medication dispensing machines. These dispensing machines enable staff to dispense medication at every unit. The agency indicates that these machines have reduced errors in medication dispensation and allowed proper inventory of medication. According to the agency, both Microsoft and Omnicell no longer provide software support for the current machines at LSH. The agency believes this might lead to compatibility issues between the machines and the agency's overall patient health information systems;
- LSH - Funding to Open an Additional SPTP Unit.** LSH requests \$3.2 million SGF to open an additional SPTP unit on the LSH campus. The agency reports that the SPTP currently has 286 participants, which includes 244 residents on the LSH campus, 24 residents in reintegration facilities, and 18 individuals on conditional release. The agency anticipates growth in the program, and proposes to open an additional 30-bed unit in the Issac Ray Building. The request is primarily for FTE positions to staff the additional unit. This would require an additional 48.0 FTE positions, for which the agency plans to use currently unfunded existing FTE positions;
- LSH - Funding to Increase Community Supervision of SPTP Residents.** LSH requests \$143,824 SGF to expand the community supervision of SPTP community-based residents. The agency currently reports that as the population grows, more participants will eventually shift from the LSH campus to reintegration units and eventually to conditional release. Currently, the agency

reports having one individual who monitors this population, which would include reintegration residents at LSH, OSH, and Parsons State Hospital and Training Center. Additionally, this position monitors 18 residents currently on conditional release across the state. The agency proposes to add two additional positions: one related to community outings and one to supervise the conditional release population. This would require an additional 2.0 FTE positions, for which the agency plans to use currently unfunded existing FTE positions;

- **LSH - Safety and Security Upgrades for Psychiatric Services Program.** LSH requests \$336,858 SGF to continue the safety and security officers salaries for FY 2022. The agency's supplemental request included additional funding for a video surveillance system for the Psychiatric Services Program, and six positions to monitor the surveillance system. This request is to continue those positions from FY 2021; and
- **LSH - Elimination of LSH transfer to KDOC.** LSH requests the elimination of an SGF interfund transfer to the Kansas Department of Corrections (KDOC). The transfer is currently \$1.3 million yearly from LSH to KDOC. In FY 2016, LSH and KDOC entered into a memorandum of understanding in which 90 mental health inmates housed at LSH were transferred to KDOC facilities. Due to capacity limitations within the correctional system at the time, 90 general population inmates were displaced to contract jails to allow for suitable space for these inmates with mental health needs at correctional facilities. As part of the memorandum, LSH agreed to provide \$1.3 million to cover the costs of housing displaced inmates at contract jails. These agencies have agreed to end the memorandum, eliminate the interfund transfer from LSH, and replace it with a direct SGF appropriation to KDOC, where the final expenditures are made.

The **Governor's** recommendation includes \$1.1 million, including \$620,350 SGF, for agency enhancements for FY 2022. This includes LSH's requests to replace its Omnicell machines and to fund the new video surveillance system and 6.0 FTE positions to monitor the system. With respect to the video surveillance system, the agency had originally requested funding to purchase the system in FY 2021 with SGF moneys. However, the Governor recommends using State Institutions Building Fund moneys to purchase the surveillance system for FY 2022.

FY 2022 Reduced Resources

The Governor has requested that specified agencies with SGF moneys provide a reduced resources budget submission of 10.0 percent for FY 2022. The information below provides details of the agencies' reduced resources budget submission for the SGF.

FY 2022 REDUCED RESOURCES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Osawatomie Reduced Resources						
Elimination of Physician Longevity Bonuses	\$ (125,000)	\$ (125,000)	0.0	\$ (125,000)	\$ 0	0.0
AAC Nurse Managers to Exempt Status	(135,000)	(135,000)	0.0	(135,000)	0	0.0
Increase OSH/AAC Shrinkage	(1,774,790)	(1,774,790)	0.0	(1,774,790)	0	0.0
Increase MiCo House Shrinkage	(288,644)	(288,644)	0.0	(288,644)	(288,644)	0.0
AAC Reduced SGF Appropriation	(1,000,000)	(1,000,000)	0.0	(1,000,000)	0	0.0
Reduced Commodities Expenditures	(250,000)	(250,000)	0.0	(250,000)	(250,000)	0.0
Reduced Capital Outlay Expenditures	(250,000)	(250,000)	0.0	(250,000)	(250,000)	0.0
Larned Reduced Resources						
Food Service For LCMHF	(3,100,950)	(3,100,950)	0.0	(3,100,950)	(3,100,950)	0.0
Closing One SSP Male Unit	(2,191,550)	(2,191,550)	0.0	(2,191,500)	(2,191,500)	0.0
Psychiatric Services Reduction to 72 Beds	(232,456)	(232,456)	0.0	(232,456)	(232,456)	0.0
Reduced Contractual Services Expenditures	(809,743)	(809,743)	0.0	(809,743)	0	0.0
TOTAL	<u>\$ (10,158,133)</u>	<u>\$ (10,158,133)</u>	<u>0.0</u>	<u>\$ (10,158,083)</u>	<u>\$ (6,313,550)</u>	<u>0.0</u>

The **agencies** submit a reduced resources budget of \$10.2 million SGF to meet its reduced resource target of 10.0 percent for FY 2022. The agencies' proposed reductions are detailed below:

- **OSH - Elimination of Longevity Bonuses for Physicians.** OSH submits a reduced resources budget including \$120,500 SGF to eliminate longevity bonuses for physicians. Currently, the superintendent has the discretion for an additional annual payment to physicians each year based off of the physician's years of service. OSH currently has 13 physicians who are eligible for these bonuses. OSH indicates it uses these bonuses as a means to attract and retain physicians and believes it may encounter issues retaining physicians should the reduction occur;
- **OSH - Shift of Adair Acute Care Nurse Managers to Exempt Status.** OSH submits a reduced resources budget including \$135,000 SGF to shift seven Adair Acute Care (ACC) nurse manager positions from non-exempt to exempt status. In FY 2018, nursing manager positions were moved from exempt to non-exempt status. This change allowed for increased overtime and shift differential pay for those positions at ACC. Due to a complaint lodged with the Department of Administration, OSH is shifting these positions back to exempt status. The agency anticipates that this will save approximately \$135,000 in salaries and wages expenditures for FY 2022;

- **OSH - Increase OSH Salary Shrinkage.** OSH submits a reduced resources budget including \$1.8 million SGF to increase the shrinkage rate to 22.5 percent. OSH has historically maintained a shrinkage rate between 20.0 to 25.0 percent. OSH indicates it currently anticipates a shrinkage rate of 18.2 percent for FY 2022. According to OSH, the increased shrinkage rate would represent holding approximately 16.25 FTE positions vacant during FY 2022. This item would require OSH to continue operating at its current staffing levels without filling vacant positions, which the agency indicates would present challenges as it prepares for the lifting of the moratorium on voluntary admissions;
- **OSH – Increase SPTP (MiCo House) Reintegration Salary Shrinkage.** OSH submits a reduced resources budget including \$288,644 SGF to increase the salary shrinkage for the SPTP reintegration program staff for FY 2022. Currently, the SPTP reintegration program has an occupancy limit of 18 individuals, which are supported by 19 mental health aide positions. The agency anticipates the program serving between 9 to 13 participants for FY 2022. Should the number of participants continue at the agency's estimates, it believes it can reduce the number of FTE positions for the program to approximately 14 mental health aide positions;
- **OSH - Reduction of the AAC SGF Appropriation.** OSH submits a reduced resources budget including \$1.0 million SGF to decrease the SGF appropriation for AAC. The agency reports that it received \$627,000 more in fee fund revenue in FY 2020 and anticipates receiving \$994,000 more in FY 2021. This revenue is primarily derived from Medicare reimbursement for patient care. The agency proposes to use this increased fee fund revenue to offset its SGF appropriation for FY 2022. This change would only affect the AAC unit of OSH and not the hospital as a whole. The agency indicates that this proposal is based on estimated revenue, and revenue is subject to fluctuation from year to year;
- **OSH - Reduction in Commodities Expenditures.** OSH submits a reduced resources budget including \$250,000 SGF to decrease commodities expenditures for FY 2022. This would be a decrease in commodities spending across the hospital and not target a specific area or type of commodity. The agency believes a reduction in commodities expenditures would adversely impact the procurement of items such as personal protective equipment (PPE) and sanitation supplies should the COVID-19 pandemic continue;
- **OSH - Reduction in Capital Outlay Expenditures.** OSH submits a reduced resources budget including \$250,000 SGF to decrease capital outlay expenditures for FY 2022. This would be a decrease in expenditures for capital outlay expenditures by deferring any non-emergency capital outlay and capital improvements projects. Such expenditures would include the replacement agency vehicles, computer systems, and ground maintenance equipment;
- **LSH - Elimination of Food Services Contract Between LSH and LCMHF.** LSH submits a reduced resources budget including \$3.1 million SGF to cease the provision of food services for the Larned Correctional Mental Health Facility (LCMHF). The hospital has maintained an agreement with the correctional facility to provide laundry and food services in exchange for inmate labor since 1996. In the past several years, the agency has moved away from utilizing inmate labor in kitchens. As a result, the agencies propose to terminate the agreement and shift food service costs for inmates from LSH to the Kansas Department of

Corrections, where expenditures would be integrated with an existing correctional system food service contract. LSH would continue to provide laundry services to the correctional facility;

- **LSH - Closure of One District Court SSP Unit.** LSH submits a reduced resources budget including \$2.2 million SGF to close one male unit in the State Security Program (SSP). LSH has temporarily closed a 30-bed male unit to allow for COVID-19 isolation space for SSP patients. This proposal would permanently close that unit. This would reduce the SSP bed space from 90 beds to 60 beds. The agency indicated it may create a waitlist for SSP patients directed from district court;
- **LSH - Reduction in PSP Capacity.** LSH submits a reduced resources budget including \$232,456 SGF to reduce the capacity of the Psychiatric Services Program (PSP) from 90 beds to 72 beds. LSH has temporarily reduced its PSP capacity from 90 beds to 72 beds, in an effort to create isolation spaces for PSP patients. This proposal permanently reduces the capacity to 72 beds. The agency indicates this would result in longer wait times for individuals to receive psychiatric services at LSH; and
- **LSH - Reduction in Contractual Services Expenditures.** The agency submits a reduced resources budget that includes shifting the funding source for \$809,743 in contractual services expenditures from the SGF to special revenue funds for FY 2022. The contractual services affected are staffing contracts for nurses, therapists, and doctors.

The **Governor** recommends a reduced resources budget of \$6.3 million, including \$10.2 million SGF. This reflects the Governor's adoption of all of the agencies' reduced resources budgets. While adopting the reduced resources budgets, the Governor additionally recommends that the agency fund several items with special revenue funds, which are detailed below:

- **LSH - Reduction in Contractual Services Expenditures.** The Governor recommends this item be funded with special revenue funds to offset the SGF decrease;
- **OSH - Elimination of Longevity Bonuses for Physicians.** The Governor recommends this item be funded with special revenue funds to offset the SGF decrease;
- **OSH - Shift of Adair Acute Care Nurse Managers to Exempt Status.** The Governor recommends this item be funded with special revenue funds to offset the SGF decrease;
- **OSH - Reduction of the AAC SGF Appropriation.** The Governor recommends this item be funded with special revenue funds to offset the SGF decrease, which was originally included in the agency's proposal; and
- **OSH - Increase OSH Salary Shrinkage.** The Governor recommends this item be funded with special revenue funds to offset the SGF decrease.

If the SGF decreases are replaced with special revenue funds, it would offset the decrease by \$3.8 million, which brings the all funds decrease to \$6.3 million.

Governor's Recommended Salary and Wage Adjustments

For FY 2022, the Governor recommends adding \$31.5 million, including \$11.3 million SGF, for a 2.5 percent state employee base pay adjustment. The plan would increase salaries for classified and unclassified employees in the Executive Branch, Legislative Branch, and Judicial Branch. Legislative and elected officials would be excluded from this salary adjustment. The funds would be appropriated to and certified for distribution by the State Finance Council if approved. Employees of state universities are also not included in the proposed pay plan; however, the Governor recommends adding \$10.4 million, all SGF, to the university operating grants. This amount is equivalent to what the pay plan would have provided for university employees, but the funds are included in the Kansas Board of Regents budget for use at their discretion.

Longevity Bonus Payments. In FY 2021 and for FY 2022, the Governor recommends funding longevity bonus payments for eligible state employees at the statutory rate of \$40 per year of service, with a 10-year minimum (\$400) and a 25-year maximum (\$1,000). Classified employees hired after June 15, 2008, are not eligible for longevity bonus payments. The estimated cost for the recommended FY 2021 payment is \$3.0 million, including \$1.1 million SGF. For FY 2022, the estimated cost is \$3.1 million, including \$1.1 million SGF. **For this agency, FY 2021 longevity payments total \$90,200, including \$81,546 SGF, and FY 2022 longevity payments total \$96,800, including \$84,983 SGF.**

Kansas Public Employees Retirement System (KPERs). The employer retirement contribution rate, including Death and Disability contributions, for the KPERs State and School Group is scheduled to be 14.23 percent in FY 2021 and 15.09 percent for FY 2022. The FY 2021 rate excludes the 1.0 percent KPERs Death and Disability contribution that is currently subject to a moratorium described below.

The Governor recommends the KPERs State and School Group be reamortized. The current amortization period was set by the Legislature in 1993 for 40 years. The Governor proposes the new amortization be set for 25 years beginning in FY 2022, an extension of 10 years to the current plan. Reamortization would reduce employer contributions for the KPERs State and School Group in the short term. It is estimated that resetting the amortization period to 25 years could produce budget savings of \$177.3 million, including \$158.7 million SGF, for FY 2022. The Governor's recommendation would also incorporate \$25.8 million in KPERs layering payments into the amortization schedules. **No savings from this policy are currently included in this agency's budget.**

KPERs Death and Disability Group Insurance Fund. During FY 2021, a moratorium on employer contributions to the KPERs Death and Disability Group Insurance Fund was in effect. The fund had a sufficient balance to suspend payments on a temporary basis without affecting employee benefits. The moratorium was implemented *via* the Governor's allotment authority; therefore, the Legislative and Judicial branches are currently excluded from the moratorium. The total savings for the moratorium are estimated at \$46.7 million in contributions from the SGF. Included in this amount were savings of approximately \$40.3 million from KPERs School Group contributions in the Kansas State Department of Education budget. No similar moratorium is proposed for FY 2022, requiring the addition of \$46.7 million to annualize the payments for the full fiscal year.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2022	Gov. Rec. Percent of Total FY 2022
State General Fund	85.7 %	80.7 %
Hospital Fee Funds	7.2	10.5
Title XIX Funds	6.9	8.2
All Other Funds	0.1	0.5
TOTAL	100.0 %	100.0 %

(Note: Totals may not add due to rounding.)

Osawatomie State Hospital Fee Fund Analysis

KSA 76-1201c provides that the superintendent of OSH shall remit all moneys received from charges made under KSA 59-2006 and deposit the moneys into the Osawatomie State Hospital Fee Fund. KSA 59-2006 relates to the duty of parents and spouses to pay for the maintenance, care, and treatment of a patient in a state institution. Revenue and expenditures in this section include both the Osawatomie State Hospital Fee Fund and the Osawatomie State Hospital Adair Fee Fund.

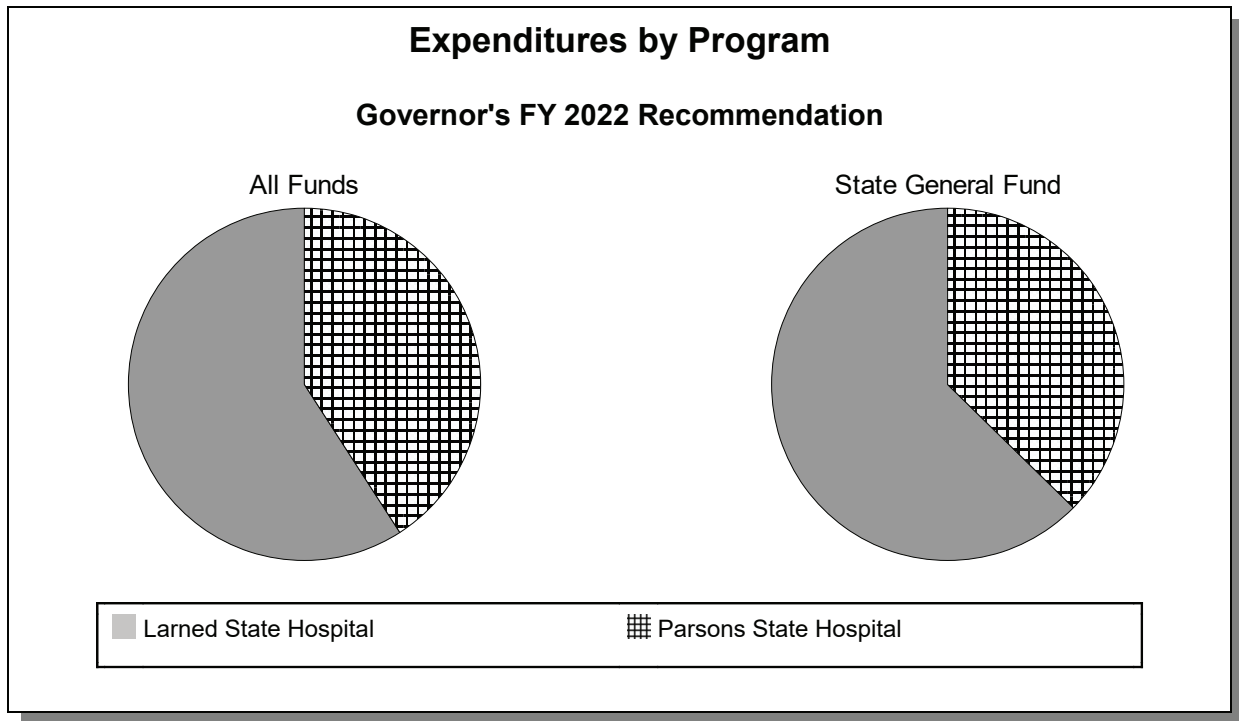
Resource Estimate	Actual FY 2020	Agency Estimate FY 2021	Gov. Rec. FY 2021	Agency Request FY 2022	Gov. Rec. FY 2022
Beginning Balance	\$ 2,678,517	\$ 5,190,292	\$ 5,190,292	\$ 5,482,252	\$ 5,976,850
Revenue	4,213,163	4,347,955	4,347,955	4,408,115	4,408,115
Transfers in	0	0	0	0	0
<i>Funds Available</i>	\$ 6,891,680	\$ 9,538,247	\$ 9,538,247	\$ 9,890,367	\$ 10,384,965
Less:					
Expenditures	\$ 1,701,388	\$ 4,055,995	\$ 3,561,397	\$ 4,243,014	\$ 7,273,304
Transfers Out	0	0	0	0	0
Off-Budget Expenditures	0	0	0	0	0
Ending Balance	\$ 5,190,292	\$ 5,482,252	\$ 5,976,850	\$ 5,647,353	\$ 3,111,661
Ending Balance as Percent of Expenditures	305.1%	135.2%	167.8%	133.1%	42.8%
Month Highest Ending Balance	June \$ 7,742,762	June \$ 8,178,301	June \$ 8,916,131	June \$ 8,424,595	June \$ 4,641,906
Month Lowest Ending Balance	August \$ 5,174,570	August \$ 5,465,646	August \$ 5,958,746	August \$ 5,630,247	August \$ 3,102,235

Larned State Hospital Fee Fund Analysis

KSA 76-1302a requires the superintendent of LSH to remit all moneys received from charges under KSA 59-2006 and deposit them into the Larned State Hospital Fee Fund. KSA 59-2006 relates to the duty of parents and spouses to pay for the maintenance, care, and treatment of a patient in a state institution. Major sources of revenue for this fund include collection of Medicare A and B reimbursements, insurance reimbursements for eligible patients, and private payments for hospital treatment.

Resource Estimate	Actual FY 2020	Agency Estimate FY 2021	Gov. Rec. FY 2021	Agency Request FY 2022	Gov. Rec. FY 2022
Beginning Balance	\$ 1,329,844	\$ 1,419,347	\$ 1,419,347	\$ 820,936	\$ 640,803
Revenue	4,100,751	4,148,152	4,148,152	4,216,140	4,216,140
Transfers in	0	0	0	0	0
<i>Funds Available</i>	<u>\$ 5,430,595</u>	<u>\$ 5,567,499</u>	<u>\$ 5,567,499</u>	<u>\$ 5,037,076</u>	<u>\$ 4,856,943</u>
Less:					
Expenditures	\$ 4,006,658	\$ 4,741,973	\$ 4,922,106	\$ 4,741,973	\$ 4,741,973
Transfers Out	0	0	0	0	0
Off-Budget Expenditures	4,590	4,590	4,590	4,590	4,590
Ending Balance	<u>\$ 1,419,347</u>	<u>\$ 820,936</u>	<u>\$ 640,803</u>	<u>\$ 290,513</u>	<u>\$ 110,380</u>
Ending Balance as Percent of Expenditures	35.4%	17.3%	13.0%	6.1%	2.3%
Month Highest Ending Balance	February <u>\$ 2,983,335</u>	February <u>\$ 1,725,531</u>	February <u>\$ 1,346,908</u>	February <u>\$ 610,631</u>	February <u>\$ 232,008</u>
Month Lowest Ending Balance	June \$ 295,493	June \$ 170,910	June \$ 133,409	June \$ 60,482	June \$ 22,980

PROGRAM DETAIL



Program	Gov. Rec. All Funds FY 2022	Percent of Total	Gov. Rec. SGF FY 2022	Percent of Total
Larned State Hospital	\$ 67,337,333	59.1 %	\$ 57,632,644	62.6 %
Osawatomie State Hospital	46,600,376	40.9	34,370,404	37.4
TOTAL	\$ 113,937,709	100.0 %	\$ 92,003,048	100.0 %

FTE POSITIONS BY PROGRAM FY 2020 – FY 2022

Program	Actual FY 2020	Agency Est. FY 2021	Gov. Rec. FY 2021	Agency Req. FY 2022	Gov. Rec. FY 2022
Osawatomie State Hospital	486.5	486.5	486.5	486.5	486.5
Larned State Hospital	936.5	936.5	936.5	936.5	942.5
TOTAL	1,423.0	1,423.0	1,423.0	1,423.0	1,429.0

(Note: For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.)

A. Osawatomie State Hospital

Osawatomie State Hospital (OSH) was founded in 1866, originally called the “Kansas Insane Asylum.” The name was changed to OSH in 1901. OSH is an acute mental health care bed facility that serves people 18 years of age and older from 46 eastern and central Kansas counties who require inpatient psychiatric treatment or non-medical detoxification for substance abuse. It is operated and managed by the Kansas Department for Aging and Disability Services (KDADS) and is licensed by the Kansas Department of Health and Environment. In 2014, operations at Rainbow Mental Health Facility, in Kansas City, Kansas, were merged with OSH. The hospital is licensed for 206 patient beds, but currently operates at 166 beds due to a self-imposed moratorium on admissions above 166 since April 2015.

In December 2015, OSH was decertified by the federal Centers for Medicare and Medicaid Services (CMS). Beginning in January 2016, the hospital was unable to obtain federal revenue through Medicare and Medicaid reimbursements and federal Disproportionate Share Hospital (DSH) payments. OSH responded by making structural changes to improve patient safety, increasing staffing levels, and instituting new operating practices. In August 2016, two living units were functionally separated from OSH to form Adair Acute Care (AAC). AAC is considered a functionally free-standing unit, though it is included in the overall total of licensed OSH beds. AAC passed its initial CMS certification survey in August 2017 and a second survey in November 2017. In December 2017, OSH was informed by CMS that the 60 beds of AAC were recertified for federal reimbursements and the hospital would begin to receive partial DSH payments.

A Sexual Predator Treatment Program reintegration unit is located on the grounds of OSH; however, this program is administered and funded by Larned State Hospital.

PERFORMANCE MEASURES						
Measure	Actual FY 2018	Actual FY 2019	Gov. Rec. FY 2020	Actual FY 2020	Gov. Rec. FY 2021	Gov. Rec. FY 2022
(OSH) Average Restraint Hours per 1,000 in patient hours at OSH	0.15	0.13	0.10	0.13	0.13	0.13
(OSH) Average Restraint Hours per 1,000 in patient hours at Adair Acute Care	0.42	0.11	0.30	0.11	0.11	0.11
(OSH) Average seclusion Hours per 1,000 in patient hours at OSH	0.15	0.19	0.15	0.19	0.19	0.19
(OSH) Average seclusion Hours per 1,000 in patient hours at Adair Acute Care	0.32	0.17	0.30	0.17	0.17	0.17
Agency Expenditures						
All Funds (Dollars in Millions)	\$ 41.5	\$ 441.1	\$ 44.4	\$ 42.1	\$ 47.9	\$ 46.6
FTE Positions	374.1	478.0	497.5	486.5	486.5	486.5

**OSAWATOMIE STATE HOSPITAL
SUMMARY OF EXPENDITURES FY 2020 – FY 2022**

Item	Actual FY 2020	Agency Est. FY 2021	Gov. Rec. FY 2021	Agency Req. FY 2022	Gov. Rec. FY 2022
Expenditures:					
Salaries and Wages	\$ 32,121,348	\$ 34,278,879	\$ 34,365,576	\$ 34,305,495	\$ 34,016,851
Contractual Services	7,898,850	10,058,653	10,608,174	10,456,634	10,456,634
Commodities	1,693,326	2,364,589	2,364,589	2,315,459	2,065,459
Capital Outlay	410,363	515,870	515,870	177,192	52,192
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 42,123,887</u>	<u>\$ 47,217,991</u>	<u>\$ 47,854,209</u>	<u>\$ 47,254,780</u>	<u>\$ 46,591,136</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	6,847	9,240	9,240	9,240	9,240
TOTAL	<u>\$ 42,130,734</u>	<u>\$ 47,227,231</u>	<u>\$ 47,863,449</u>	<u>\$ 47,264,020</u>	<u>\$ 46,600,376</u>
Financing:					
State General Fund	\$ 36,160,828	\$ 38,346,755	\$ 37,858,050	\$ 38,189,338	\$ 34,370,404
All Other Funds	5,969,906	8,880,476	10,005,399	9,074,682	12,229,972
TOTAL	<u>\$ 42,130,734</u>	<u>\$ 47,227,231</u>	<u>\$ 47,863,449</u>	<u>\$ 47,264,020</u>	<u>\$ 46,600,376</u>
FTE Positions	486.5	486.5	486.5	486.5	486.5

The **agency** requests a revised estimate of \$47.2 million, including \$38.3 million SGF, for operating expenditures at OSH in FY 2021. This is an all funds increase of \$216,569, or 0.5 percent, above the FY 2021 approved amount. This includes an SGF decrease of \$93,860, or 0.2 percent, and an all other funds increase of \$310,429, or 2.9 percent from the approved amount. The revised estimate includes 486.5 FTE positions, which is a decrease of 11.0 FTE positions below the FY 2021 approved number.

The increase is primarily related to the staffing fluctuations in preparation for the moratorium on voluntary admissions ending. The agency has historically experienced staffing issues, which it indicated is due to competition with the private sector. As a result, the agency traditionally relies on contractual staffing services to ensure they have adequate staff. With the moratorium planned to end in FY 2021, the agency has anticipates needing more contractual staff for the increased number of patients. The revised estimate is detailed below by major category of expenditure:

- **Salaries and Wages.** The revised estimate includes \$34.3 million, including \$30.3 million SGF, for salaries and wages expenditures in FY 2021. This is an all funds decrease of \$328,298, or 0.9 percent, below the FY 2021 approved amount. This includes an SGF increase of \$560,806, or 1.9 percent, and an all other funds decrease of \$889,104, or 18.4 percent, from the FY 2021 approved amount;

The SGF increase is due to multiple factors, including the agency's plan to lift the moratorium on voluntary admissions. In preparation for lifting the moratorium, the agency has seen a need to hire additional staff to ensure adequate staffing levels for increased admissions. Additionally, the agency has experienced an increase in the utilization of FTE positions rather than contract doctors in its Medical Services program. The agency decreased salaries and wages expenditures in its Clinical Services program related to a shift from FTE positions to contract

staffing. This shift was done in a need to ensure the hospital had adequate staff to care for patients;

Unrelated to the plan to lift the moratorium, the agency experienced some shifts in its Administration programs to better account for delineation of responsibility between OSH and AAC for human resources and information technology services. Additionally, the agency experienced an increase related to risk management positions being shifted from KDADS to the state hospital as FTE positions. Previously, these positions were paid as contractual services to represent those services being handled by KDADS;

- **Contractual Services.** The revised estimate includes \$10.1 million, including \$6.7 million SGF, for contractual services expenditures in FY 2021. This is an all funds increase of \$1.4 million, or 15.9 percent, above the FY 2021 approved amount. This includes an SGF increase of \$630,872, or 10.4 percent, and an all other funds increase of \$748,883, or 28.5 percent, above the FY 2021 approved amount;

The all funds increase is primarily related to the agency shifting certain staffing needs from FTE positions to contracted staffing services. The agency indicates it has historically experienced difficulty in retaining staff for its Clinical Services program, due to competition with the private sector. As a result, the agency utilizes contract staffing services to ensure adequate coverage for its nursing and direct care support staff;

The increase is partially offset by decreases in expenditures for risk management services that were originally handled by KDADS, but have been shifted to FTE positions within the Administration program. This shifted expenditures from the contractual services category to the salaries and wages category. The agency also anticipates decreased travel-related expenditures due to the COVID-19 pandemic. The agency generally sends staff to conferences and trainings throughout the year; however, given the COVID-19 pandemic, the agency opted to eliminate participation in those types of events;

- **Commodities.** The revised estimate includes \$2.4 million, including \$1.3 million SGF, for commodities expenditures in FY 2021. This is an all funds decrease of \$722,331, or 23.4 percent, below the FY 2021 approved amount. This includes an SGF decrease of \$1.1 million, or 45.5 percent, and an all other funds increase of \$339,947, or 45.3 percent, from the FY 2021 approved amount;

The decrease is primarily related to the hospital revising its estimate to reflect the spending patterns in FY 2020. The agency indicated the approved amount was based off of anticipated increases for several medications that did not occur. As a result, the agency decreased its estimate based on the actual FY 2020 amount. The agency also decreased its anticipated expenditures for food. According to the agency, it had a new contract in FY 2019 and had little data available when creating the original budget request. Since that time, it has readjusted its estimate based on FY 2020 actual expenditures. Partially offsetting the decrease are increases related to the supplies for the hospital's Health Information Management system. The agency maintains a majority of its records in paper copies, which require a large amount of supplies to maintain; and

- **Capital Outlay.** The revised estimate includes \$515,870, including \$38,000 SGF, for capital outlay expenditures in FY 2021. This is an all funds decrease of \$111,797, or 17.8 percent, below the FY 2021 approved amount. This includes an SGF decrease of \$222,500, or 85.4 percent, and an all other funds increase of \$110,703, or 30.2 percent, from the approved amount;

The decrease is primarily related to the agency deferring replacement of non-essential equipment, primarily furniture and fixtures. Rather, the agency focused on the replacement of passenger cars for staff travel. The agency indicates that several of its vehicles are older and the hospital has indicated concern over their reliability.

The **Governor** recommends \$47.9 million, including \$37.9 million SGF, for operating expenditures at OSH in FY 2021. This is an all funds increase of \$636,218, or 1.3 percent, above the agency's FY 2021 revised estimate. This includes an SGF decrease of \$488,705, or 1.3 percent, and an all other funds increase of \$1.1 million, or 12.7 percent, from the agency's FY 2021 revised estimate. The all funds increase is due to the federal Coronavirus Relief Fund moneys awarded to the state hospitals by the SPARK Taskforce for public health protective measures and employee hazard pay for front-line workers. The recommendation also includes a lapse of the agency's reappropriations of \$575,402 from FY 2020. The Governor recommends these expenditures be funded instead with agency fee funds.

The **agency** requests \$47.3 million, including \$38.2 million SGF, for operating expenditures at OSH for FY 2022. This is an all funds increase of \$36,789, or 0.1 percent, above the FY 2021 revised estimate. This includes an SGF decrease of \$157,417, or 0.4 percent, and an all other funds increase of \$194,206, or 2.2 percent, from the FY 2021 revised estimate. The agency's request includes 486.5 FTE positions for FY 2022, which is the same number as the approved FY 2021 revised estimate.

The agency anticipates maintaining similar funding levels as FY 2021, with a few exceptions for yearly fluctuations across all expenditure categories. Any increase is mainly offset by the absence of capital outlay expenditures to replace older agency vehicles in FY 2022. The revised estimate is detailed below by major category of expenditure:

- **Salaries and Wages.** The agency's request includes \$34.3 million, including \$30.1 million SGF, for salaries and wages expenditures for FY 2022. This is an all funds increase of \$26,616, or 0.1 percent, above the FY 2021 revised estimate. This includes an SGF decrease of \$226,641, or 0.7 percent, and an all other funds increase of \$253,257, or 6.4 percent, from the FY 2021 revised estimate. The agency anticipates retaining expenditure levels at the same level as FY 2021 with increases in salaries and wages fringe benefits;
- **Contractual Services.** The agency's request includes \$10.5 million, including \$6.7 million SGF, for contractual services expenditures for FY 2022. This is an all funds increase of \$397,981, or 4.0 percent, above the FY 2021 revised estimate. This includes an SGF decrease of \$12,181, or 0.2 percent, and an all other funds increase of \$410,162, or 12.2 percent, above the revised estimate. The agency generally anticipates maintaining the FY 2021 expenditure levels, with some increases related to anticipated increases for fluctuations in rents and staffing services;

- **Commodities.** The agency's request includes \$2.3 million, including \$1.4 million SGF, for commodities expenditures for FY 2022. This is an all funds decrease of \$49,130, or 2.1 percent, below for FY 2021 revised estimate. This includes an SGF increase of \$92,213, or 7.2 percent, and an all other funds decrease of \$141,343, or 13.0 percent, from the revised estimate. The agency generally anticipates maintaining the FY 2021 expenditure levels, with some decreases anticipated for personal protective equipment (PPE) and sanitation supplies; and
- **Capital Outlay.** The agency's request includes \$177,192, including \$27,192 SGF, for capital outlay expenditures for FY 2022. This is an all funds decrease of \$338,678, or 65.7 percent, below the FY 2021 revised estimate. This includes an SGF decrease of \$10,808, or 28.4 percent, and an all other funds decrease of \$327,870, or 68.6 percent, below the FY 2021 revised estimate. The decrease is related to the agency budgeting for the replacement of several vehicles in FY 2021, which do not reoccur in FY 2022.

The **Governor** recommends \$46.6 million, including \$34.4 million SGF, for operating expenditures at OSH for FY 2022. This is a an all funds decrease of \$663,644, or 1.4 percent, below the agency's FY 2022 request. This includes an SGF decrease of \$3.8 million, or 10.0 percent, and an all other funds increase of \$3.2 million, or \$34.8 percent, from the agency's FY 2022 request. The SGF decrease is due to the Governor's adoption of the agency's reduced resources budget. The all other funds increase is due to the Governor's recommendation that the agency utilize agency fee funds to partially offset the SGF decrease.

B. Larned State Hospital

Larned State Hospital (LSH) provides psychiatric treatment and limited detox facilities to adults from the 61 western counties of the state through collaborative efforts with consumers, community-based mental health providers, the judicial system, and the Kansas Department of Corrections. Larned State Hospital was established in 1911. The State Security Hospital (SSP), which opened in 1937, serves the entire state as a secure setting for criminal forensic patients during evaluation and treatment and non-forensic patients with severe behavioral problems who may be transferred from other hospitals. Since 1994, the Sexual Predator Treatment Program (SPTP) has provided treatment for convicted sex offenders who have completed their prison sentences and have been civilly committed under the Kansas Sexual Predator Law because of ongoing danger to the community. Used in the last phase of treatment, the SPTP Reintegration units are located at LSH, Osawatomie State Hospital, and Parsons State Hospital and Training Center. These units are used to treat patients who have been deemed ready for transition and reintegration from the treatment program.

PERFORMANCE MEASURES						
Measure	Actual FY 2018	Actual FY 2019	Gov. Rec. FY 2020	Actual FY 2020	Gov. Rec. FY 2021	Gov. Rec. FY 2022
(LSH) Average Restraint Hours per 1,000 in patient hours at LSH*	0.11	0.09	0.09	0.09	0.09	0.08
(LSH) Average seclusion Hours per 1,000 in patient hours at LSH*	0.13	0.09	0.08	0.10	0.09	0.09
Agency Expenditures						
All Funds (Dollars in Million)	\$ 66.6	\$ 70.3	\$ 71.4	\$ 72.5	\$ 75.0	\$ 67.3
FTE Positions	943.5	995.5	936.5	936.5	936.5	942.5
*The Governor's office does not utilize this measure for evaluation purposes						

LARNED STATE HOSPITAL SUMMARY OF EXPENDITURES FY 2020 – FY 2022					
Item	Actual FY 2020	Agency Est. FY 2021	Gov. Rec. FY 2021	Agency Req. FY 2022	Gov. Rec. FY 2022
Expenditures:					
Salaries and Wages	\$ 47,850,656	\$ 48,154,372	\$ 47,817,514	\$ 50,899,718	\$ 46,463,838
Contractual Services	20,952,062	22,780,475	23,687,979	21,680,217	17,466,421
Commodities	3,448,821	3,397,381	3,397,381	3,091,018	2,896,543
Capital Outlay	199,468	624,514	125,844	74,228	503,306
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<i>\$ 72,451,007</i>	<i>\$ 74,956,742</i>	<i>\$ 75,028,718</i>	<i>\$ 75,745,181</i>	<i>\$ 67,330,108</i>
Aid to Local Units	0	0	0	0	0
Other Assistance	7,586	7,285	7,285	7,285	7,225
TOTAL	\$ 72,458,593	\$ 74,964,027	\$ 75,036,003	\$ 75,752,466	\$ 67,337,333
Financing:					
State General Fund	\$ 64,195,278	\$ 65,381,789	\$ 64,166,239	\$ 67,287,520	\$ 57,632,644
All Other Funds	8,263,315	9,582,238	10,869,764	8,464,946	9,704,689
TOTAL	\$ 72,458,593	\$ 74,964,027	\$ 75,036,003	\$ 75,752,466	\$ 67,337,333
FTE Positions	936.5	936.5	936.5	936.5	942.5

The **agency** requests a revised estimate of \$75.0 million, including \$65.4 million SGF, for operating expenditures at LSH in FY 2021. This is an all funds increase of \$1.7 million, or 2.3 percent, above the FY 2021 approved amount. This includes an SGF increase of \$835,528, or 1.3 percent, and an all other funds increase of \$868,207, or 10.0 percent, above the FY 2021 approved amount. The revised estimate includes 936.5 FTE positions, which is the same as the FY 2021 approved number.

The increase is primarily due to expenditures for staffing at the hospital. Over the last several years, the agency has had several issues related to staffing. The hospital utilizes contractual staffing services in an attempt to ensure adequate coverage. Given the current pandemic, the agency indicates increased expenditures to cover shifts of employees who are quarantined. Also related to the pandemic are increases for overtime for employees who have been required to work multiple shifts to ensure coverage for the hospital. The revised estimate is detailed below by major category of expenditure:

- **Salaries and Wages.** The revised estimate includes \$48.2 million, including \$45.2 million SGF, for salaries and wages expenditures in FY 2021. This is an all funds increase of \$2.6 million, or 5.7 percent, above the FY 2021 approved amount. This includes an SGF increase of \$2.1 million, or 4.9 percent, and an all other funds increase of \$476,431, or 19.0 percent, above the FY 2021 approved amount;

The increase is primarily related to increased overtime pay. The agency has historically faced staffing issues at the hospital. Given the current COVID-19 pandemic, the agency has experienced increased need for current staff to cover multiple shifts to ensure adequate staffing coverage for the hospital. Additionally, as part of the agency's supplemental request, it is funding 3.0 previously unfunded FTE positions to establish positions to monitor a new video surveillance system;

- **Contractual Services.** The revised estimate includes \$22.8 million, including \$17.6 million SGF, for contractual services expenditures in FY 2021. This is an all funds increase of \$515,099, or 2.3 percent, above the FY 2021 approved amount. This includes an SGF decrease of \$1.2 million, or 6.6 percent, and an all other funds increase of \$1.8 million, or 50.5 percent, from the FY 2021 approved amount;

The increase is primarily related to increased contractual staffing services for the agency to ensure adequate staffing levels for the hospital. As stated above, the agency has historically experienced issues with staffing through FTE positions, and as a result, the agency has utilized contractual staffing services. With the ongoing COVID-19 pandemic, the agency has experienced increased difficulties to ensure adequate staffing to cover isolation units for patients as well as covering regular staff who have tested positive for COVID-19;

In addition to staffing-related services, there was an amendment to the food service contract that raised food services costs. Partially offsetting the increases in contractual services is a decrease related to a consulting contract ending. KDADS reviewed a contract with the University of Kansas to provide process improvement consulting and decided not to renew the contract for all of the state hospitals;

- **Commodities.** The revised estimate includes \$3.4 million, including \$2.1 million SGF, for commodities expenditures in FY 2021. This is an all funds decrease of \$1.7 million, or 33.8 percent, below the FY 2021 approved amount. This includes an SGF decrease of \$334,957, or 13.9 percent, and an all other funds decrease of \$1.4 million, or 51.6 percent, below the FY 2021 approved amount;

The decreases are due to the agency reviewing its commodities expenditures and readjusting based off of the average daily census. The agency additionally experienced some savings due to processing pharmaceutical invoices timely; and

- **Capital Outlay.** The revised estimate includes \$624,514, including \$569,004 SGF, for capital outlay expenditures in FY 2021. This is an all funds increase of \$334,850, or 115.6 percent, above the FY 2021 approved amount. This includes

an SGF increase of \$292,770, or 106.0 percent, and an all other funds increase of \$42,080, or 313.3 percent, above the FY 2021 approved amount;

The increase is primarily related to the agency's supplemental request for safety and security upgrades. The request included the purchase of ligature-resistant furniture, primarily for the SSP and SPTP. The request also includes the purchase of a video surveillance system for the Psychiatric Services Program. The increase is partially offset by a decrease due to the agency deferring the replacement of agency vehicles to a future time.

The **Governor** recommends \$75.0 million, including \$64.2 million SGF, for operating expenditures at LSH in FY 2021. This is an all funds increase of \$71,976, or 0.1 percent, above the agency's FY 2021 revised estimate. This includes an SGF decrease of \$1.2 million, or 1.9 percent, and an all other funds increase of \$1.3 million, or 13.4 percent, from the agency's FY 2021 revised estimate. The increase is primarily due to the receipt of federal Coronavirus Relief Fund moneys awarded to the state hospitals by the SPARK Taskforce for public health protective measures and employee hazard pay for front-line workers. The SGF decrease is due to the Governor not recommending LSH's supplemental funding requests. Additionally, the recommendation lapses the agency's reappropriations from FY 2020, which are replaced with agency fee funds. The recommendation includes 936.5 FTE positions, which is the same number as the agency's FY 2021 revised estimate.

The **agency** requests \$75.8 million, including \$67.3 million SGF, for operating expenditures at LSH for FY 2022. This is an all funds increase of \$788,439, or 1.1 percent, above the FY 2021 revised estimate. This includes an SGF increase of \$1.9 million, or 2.9 percent, and an all other funds decrease of \$1.1 million, or 11.7 percent, from the FY 2021 revised estimate. The FY 2022 request includes 936.5 FTE positions, which is the same number as the FY 2021 revised estimate.

The changes in the FY 2022 budget are primarily related to the agency's enhancement requests. As detailed above, the agency requested five enhancements. The request to expand the SPTP by creating a new unit and expanding community supervision services accounts for the majority of the increase. Partially offsetting the increase is the transfer of funding from LSH to the Kansas Department of Corrections to account for the ending of an agreement between the agencies with respect to the care of inmates with mental health needs. The request is detailed below by major category of expenditure:

- **Salaries and Wages.** The agency's request includes \$50.9 million, including \$48.3 million SGF, for salaries and wages expenditures for FY 2022. This is an all funds increase of \$2.7 million, or 5.7 percent, above the FY 2021 revised estimate. This includes an SGF increase of \$3.1 million, or 6.9 percent, and an all other funds decrease of \$388,632, or 13.0 percent, from the FY 2021 revised estimate;

The increase is primarily related to the agency's enhancement request to expand the SPTP by adding an additional unit. As detailed above, the agency anticipates a growing population for the SPTP. In an effort to prepare for this anticipated growth, the agency proposes to open a new unit. Additionally, the increase relates to the expansion of community supervision efforts for the SPTP, requiring two additional FTE positions;

- **Contractual Services.** The agency's request includes \$21.7 million, including \$16.8 million SGF, for contractual services expenditures for FY 2022. This is an all funds decrease of \$1.1 million, or 4.8 percent, below the FY 2021 revised estimate. This includes an SGF decrease of \$751,328, or 4.3 percent, and an all other funds decrease of \$348,930, or 6.7 percent, below the FY 2021 revised estimate;

The decrease is related to the agency's enhancement request to eliminate an annual interfund transfer of \$1.3 million to the Kansas Department of Corrections for costs associated with housing inmates with mental health needs at correctional facilities. As detailed above, the agencies have agreed to terminate an existing memorandum of understanding, and propose to eliminate the transfer and replace it with a direct SGF appropriation to the Kansas Department of Corrections. Partially offsetting the decrease is an increase for the rental of its Omnicell medication dispensing machines detailed in its FY 2022 enhancement request. Other than its enhancement requests, the agency anticipates increases for fluctuations based on historical spending;

- **Commodities.** The agency's request includes \$3.1 million, including \$2.1 million SGF, for commodities expenditures for FY 2022. This is an all funds decrease of \$306,363, or 9.0 percent, below the FY 2021 revised estimate. This includes an SGF increase of \$22,257, or 1.1 percent, and an all other funds decrease of \$328,620, or 25.0 percent, from the FY 2021 revised estimate. The agency generally anticipates maintaining the FY 2021 expenditure levels, with some decreases related to anticipated decreases for PPE and sanitation supplies; and
- **Capital Outlay.** The agency's request includes \$74,228, including \$69,828 SGF, for capital outlay expenditures for FY 2022. This is an all funds decrease of \$550,286, or 88.1 percent, below the FY 2021 revised estimate. This includes an SGF decrease of \$499,176, or 87.7 percent, and an all other funds decrease of \$51,110, or 92.1 percent, below the FY 2021 revised estimate. The decrease is related to the one-time expenditures for the agency's FY 2021 supplemental request for safety and security upgrades not reoccurring in FY 2022.

The **Governor** recommends \$67.3 million, including \$57.6 million SGF, for operating expenditures at LSH for FY 2022. This is a decrease of \$8.4 million, or 11.1 percent, below the agency's FY 2022 request. This includes an SGF decrease of \$9.7 million, or 14.3 percent, and an all other funds increase of \$1.2 million, or 14.6 percent, from the agency's FY 2022 request. The decrease is primarily due to the Governor's adoption of the agency's reduced resources budget. The recommendation utilizes agency fee funds to offset the SGF reduction in staffing-related contractual services expenditures. The decrease is also due to the Governor not recommending a majority of the agency's enhancement requests. However, the Governor did recommend enhancements to replace the agency's Omnicell medication disbursement machines and purchase a video surveillance system. The recommendation includes 942.6 FTE positions, which is an increase of 6.0 FTE positions above the agency's FY 2022 request. The increase is due to additional FTE positions to monitor the video surveillance system.

CAPITAL IMPROVEMENTS

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Project	Agency Est. FY 2021	Gov. Rec. FY 2021	Agency Req. FY 2022	Gov. Rec. FY 2022
(OSH) Rehab and Repair Projects	\$ 1,700,697	\$ 544,000	\$ 150,000	\$ 25,000
(OSH) 14-Bed Biddle Remodel	500,000	500,000	0	0
(LSH) Issac Ray Security Doors	250,000	250,000	0	0
TOTAL	\$ 2,450,697	\$ 1,294,000	\$ 150,000	\$ 25,000
Financing:				
State General Fund	\$ 86,697	\$ 0	\$ 0	\$ 0
State Institutions Building Fund	750,000	750,000	0	0
All Other Funds	1,614,000	544,000	150,000	25,000
TOTAL	\$ 2,450,697	\$ 1,294,000	\$ 150,000	\$ 25,000

FY 2021 – Current Year. The **agencies** request a revised estimate of \$2.5 million, including \$86,697 SGF, for capital improvement expenditures in FY 2021. This is an all funds increase of \$1.4 million, or 134.7 percent, above the FY 2021 approved amount. This includes an SGF increase of \$86,697, or less than 0.1 percent, and an all other funds increase of \$1.3 million, or 126.4 percent, above the FY 2021 approved amount. The increase is due to OSH receiving a revised estimate to replace its on-campus therapy swimming pool. This was a project originally approved in FY 2021, however, the agency sought additional information for the cost estimate. The request also includes expenditures for new security cameras at LSH.

The **Governor** recommends \$1.3 million for capital improvements expenditures for FY 2021. This is a decrease of \$1.2 million, or 47.2 percent, below the agency's FY 2021 revised estimate. The recommendation brings the agency's expenditures to the approved amount, with the recommendation that the agency work with KDADS to include the pool project in the five-year capital improvements plan.

FY 2022 – Budget Year. The **agencies** request \$150,000, all from special revenue funds, for capital improvement expenditures for FY 2022. This is an all funds decrease of \$2.3 million, or 93.9 percent, below the FY 2021 revised estimate. This includes an SGF decrease of \$86,697, or 100.0 percent, and an all other funds decrease of \$2.2 million, or 93.7 percent, below the FY 2021 revised estimate.

The **Governor** recommends \$25,000 for capital improvements expenditures for FY 2022. This is a decrease of \$125,000, or 83.3 percent, below the agency's FY 2022 request. Traditionally, the capital improvements expenditures for the state hospitals are included in the KDADS budget, however, OSH occasionally budgets for smaller rehabilitation and repair projects. The Governor recommends that the agency work with KDADS to start including some of these projects in the five-year capital improvements plan.