Agency Request

The **agency** requests operational expenditures of $31.7 million, including $25.0 million from the State General Fund, for FY 2018. This is an all funds decrease of $1.1 million, or 3.2 percent, and a State General Fund increase of $1.5 million, or 6.6 percent, from the FY 2017 revised estimate. The all funds decrease is primarily attributable to a $1.0 million decrease in salaries and wages expenditures due to salaries returning to a normal level absent the one-time 27th payroll period in FY 2017, partially offset by an increase in employer fringe benefit costs. The change in State General Fund expenditures is primarily attributable to the agency's enhancement request to add $11.6 million from the State General Fund for operational expenditures and decrease fee fund and Title XIX Fund expenditures by the same amount. The request includes 478.1 FTE positions, which is the same number as the FY 2017 revised estimate.

The agency requests capital improvement expenditures of $30,000, all from the State General Fund, for FY 2018. This funding is for anticipated small repairs and improvements to hospital buildings due to the age of certain structures. Other capital improvement expenditures...
for the agency are included in the capital improvements budget for the Kansas Department for Aging and Disability Services.

**Governor's Recommendation**

The **Governor** recommends operating expenditures of $20.1 million, including $13.4 million from the State General Fund, for FY 2018. This is an all funds decrease of $11.7 million, or 36.8 percent, and a State General Fund decrease of $11.6 million, or 46.5 percent, below the agency's FY 2018 request. The decrease is primarily attributable to the Governor not recommending the agency's enhancement request for additional funding totaling $11.6 million from the State General Fund to replace projected fee fund and federal fund shortfalls. The decrease also is attributable to the Governor's recommendation to hold KPERS employer contributions at the FY 2016 amount, which results in an all funds reduction of $60,478, including $36,749 from the State General Fund, and to provide a moratorium on employer contributions for death and disability for one quarter, which results in an all funds reduction of $13,364, including $8,121 from the State General Fund.

The Governor recommends capital improvement expenditures of $30,000, all from the State General Fund, for FY 2018. This is the same amount as the agency's FY 2018 request.

**House Budget Committee Recommendation**

The **Budget Committee** concurs with the Governor's recommendation for FY 2018 with the following notations:

1. The Budget Committee notes it is very concerned that Osawatomie State Hospital remains decertified by the federal Centers for Medicare and Medicaid Services (CMS) and is therefore ineligible for Medicaid and Medicare reimbursements for patient treatment. The Budget Committee notes it is aware of the need for mental health services for the citizens of Kansas; that this need is expected to continue to increase; and current difficulties have caused an adverse impact resulting in alternative facilities needing to hold patients, including emergency rooms, law enforcement facilities, and community mental health centers.

2. The Budget Committee notes the Kansas Department for Aging and Disability Services (KDADS) reports it has made structural improvements and staffing level changes at Osawatomie State Hospital to have 60 beds recertified by CMS while 86 beds would be used at the hospital as licensed beds. KDADS has been working with a consultant who specializes in recertification of state hospitals. KDADS notified CMS it was ready to be reviewed as of August 31, 2016 for the first of two visits by CMS necessary to be recertified. The Budget Committee notes that CMS has not visited Osawatomie State Hospital to review the facility for possible recertification, but KDADS reports that an unscheduled CMS visit could occur at any time.

3. The Budget Committee notes it has strong concern with the agency's current plan to have 60 beds recertified while using 86 beds as licensed beds for patients and holding 60 beds vacant due to the moratorium to keep the patient census at 146 beds. The Budget Committee encourages the agency to pursue options to return the hospital to 206 beds, as the budget committee recognizes the need to have an appropriate number of inpatient mental health beds available.
4. The Budget Committee prioritizes adding $4.7 million, all from the State General Fund, to allow the agency to reopen a minimum of 20 beds for patients at Osawatomie State Hospital for FY 2018. Reopening these beds would alleviate the burden on local communities providing facilities for patients and addresses the concern about the current waiting list for services at Osawatomie State Hospital. The Budget Committee acknowledges the current state budget constraints, but recommends potential additional funding for FY 2018 be prioritized during review at a later date.

5. The Budget Committee notes the agency’s request for enhancement funding of $11.6 million, all from the State General Fund, for FY 2018, to replace federal and other funding lost due to decertification. The Budget Committee is aware of the current state budget constraints, but recommends potential additional funding for FY 2018 be reviewed at a later date.

6. The Budget Committee notes its intent for continued review of historic documentation on other state hospitals and mental health hospitals, as it continues to evaluate options for assisting Osawatomie State Hospital. The Budget Committee notes its intent to review potential options which may include topics such as continuing remodeling of current buildings, building new structures, seeking additional resources in the community, and other relevant measures.

7. The Budget Committee is concerned with the Governor’s plan to hold KPERS employer contributions at the FY 2016 level and recommends that House Appropriations address the policy on a global basis for all state agencies.

House Committee Recommendation (House Sub. for SB 109)

The Committee concurs with the Budget Committee’s recommendation for FY 2018 with the following adjustments:

1. Add $4.7 million, all from the State General Fund, and add language to open at least 20 additional beds for patients at Osawatomie State Hospital. If the facility cannot open the beds at Osawatomie State Hospital, the funding is to be used to enter into a contract to provide patient beds through third-party facilities for FY 2018.

2. Add $60,478, including $36,749 from the State General Fund, to restore Kansas Public Employee Retirement System employer contributions to the approved level for FY 2018.

3. Adopt in part GBA No. 1, Item 7, to add $13.2 million, including $8.9 million from the State General Fund, for operational expenditures at Osawatomie State Hospital and add language that if any portion of Osawatomie State Hospital becomes recertified by the federal Centers for Medicare and Medicaid Services and receives additional federal funding, this funding will be reduced by a corresponding amount for FY 2018.

4. Adopt GBA No. 1, Item 13, to add $83,318, all from the State General Fund, to provide for cybersecurity enhancements for the State for FY 2018.

House Committee of the Whole Recommendation (House Sub. for SB 109)

The Committee of the Whole concurs with Committee’s recommendation for FY 2018.
Senate Subcommittee Report

Agency: Osawatomie State Hospital

Bill No. SB 189

Bill Sec. 80

Analyst: Fye

Analysis Pg. No. Vol. III, 2546

Budget Page No. 218

Expenditure Summary

<table>
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<tr>
<th>Expenditure Summary</th>
<th>Agency Request FY 2018</th>
<th>Governor Recommendation FY 2018*</th>
<th>Senate Subcommittee Adjustments</th>
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FTE positions 478.1 478.1 0.0

Non FTE Uncl. Perm. Pos. 0.0 0.0 0.0

TOTAL 478.1 478.1 0.0

Note: Includes GBA No. 1, Item 7, to add $13.2 million, including $8.9 million from the State General Fund, for operational expenditures at Osawatomie State Hospital (OSH) due to increased operating costs to meet new federal Centers for Medicare and Medicaid Services (CMS) requirements, increased costs associated with operating two separate entities (Adair Acute Care and OSH licensed beds), and lack of federal fund revenue due to decertification. Also includes GBA No. 1, Item 13, to add $83,318, all from the State General Fund, for cybersecurity for FY 2018. Changes are reflected in the table only.

Agency Request

The agency requests operational expenditures of $31.7 million, including $25.0 million from the State General Fund, for FY 2018. This is an all funds decrease of $1.1 million, or 3.2 percent, and a State General Fund increase of $1.5 million, or 6.6 percent, from the FY 2017 revised estimate. The all funds decrease is primarily attributable to a $1.0 million decrease in salaries and wages expenditures due to salaries returning to a normal level absent the one-time 27th payroll period in FY 2017, partially offset by an increase in employer fringe benefit costs. The change in State General Fund expenditures is primarily attributable to the agency's enhancement request to add $11.6 million from the State General Fund for operational expenditures and decrease fee fund and Title XIX Fund expenditures by the same amount. The
request includes 478.1 FTE positions, which is the same number as the FY 2017 revised estimate.

The agency requests capital improvement expenditures of $30,000, all from the State General Fund, for FY 2018. This funding is for anticipated small repairs and improvements to hospital buildings due to the age of certain structures. Other capital improvement expenditures for the agency are included in the capital improvements budget for the Kansas Department for Aging and Disability Services.

Governor's Recommendation

The Governor recommends operating expenditures of $20.1 million, including $13.4 million from the State General Fund, for FY 2018. This is an all funds decrease of $11.7 million, or 36.8 percent, and a State General Fund decrease of $11.6 million, or 46.5 percent, below the agency’s FY 2018 request. The decrease is primarily attributable to the Governor not recommending the agency’s enhancement request for additional funding totaling $11.6 million from the State General Fund to replace projected fee fund and federal fund shortfalls. The decrease also is attributable to the Governor’s recommendation to hold KPERS employer contributions at the FY 2016 amount, which results in an all funds reduction of $60,478, including $36,749 from the State General Fund, and to provide a moratorium on employer contributions for death and disability for one quarter, which results in an all funds reduction of $13,364, including $8,121 from the State General Fund.

The Governor recommends capital improvement expenditures of $30,000, all from the State General Fund, for FY 2018. This is the same amount as the agency’s FY 2018 request.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor’s recommendation for FY 2018 with the following notation:

1. The Subcommittee notes it is very concerned that Osawatomie State Hospital remains decertified by the federal Centers for Medicare and Medicaid Services (CMS) and is therefore ineligible for Medicaid and Medicare reimbursements for patient treatment. The Subcommittee notes the agency’s request for enhancement funding of $11.6 million, all from the State General Fund, for FY 2018, to replace federal and other funding lost due to decertification. The Subcommittee heard testimony from the Kansas Department for Aging and Disability Services that they are confident Osawatomie State Hospital will be recertified soon. The Subcommittee recommends reviewing the status of Osawatomie State Hospital’s recertification pursuits at Omnibus, to evaluate whether additional funding should be added for FY 2018.

2. The Social Services Subcommittee notes its concern with recent communications from the federal Centers for Medicare and Medicaid Services (CMS) including the series of audits which ultimately culminated in the decertification of Osawatomie State Hospital; the rejection of the request to extend KanCare, which noted that Kansas is substantially out of compliance with Federal statutes and regulations; the application backlog for determinations of Medicaid eligibility; and the notice that Kansas was failing to meet statutory requirements for waivers.
3. The Subcommittee is concerned with the Governor’s plan to hold KPERS employer contributions at the FY 2016 level and recommends that Senate Ways and Means address the policy on a global basis for all agencies.

Senate Committee Recommendation (Sub. for SB 189 and Senate Sub. for HB 2002)

The Committee concurs with the Subcommittee’s recommendation for FY 2018 with the following adjustment:

1. Add $60,478, including $36,749 from the State General Fund, to restore Kansas Public Employee Retirement System employer contributions to the approved level for FY 2018. (Sub. for SB 189)

2. Add $60,478, including $36,749 from the State General Fund, to restore Kansas Public Employee Retirement System employer contributions to the approved level for FY 2018. (Senate Sub. for HB 2002)

3. Adopt in part GBA No. 1, Item 7, to add funding for operational expenditures at Osawatomie State Hospital for FY 2018. GBA No. 1, Item 7 added $13.2 million, including $8.9 million from the State General Fund, for FY 2018. The Senate Committee recommended a different amount totaling $6.6 million, including $2.3 million from the State General Fund, which is a decrease of $6.6 million, all from the State General Fund, below the Governor’s budget amendment. The Committee also recommended the State Finance Council review the current status of funding at Osawatomie State Hospital during the FY 2017 legislative interim. (Senate Sub. for HB 2002)

4. Do not adopt GBA No. 1, Item 13, to add $83,318, all from the State General Fund, to provide for cybersecurity enhancements for the State for FY 2018. (Senate Sub. for HB 2002)

5. Add $4.7 million, all from the State General Fund, and add language to open at least 20 additional beds for patients at Osawatomie State Hospital. If the facility cannot open the beds at Osawatomie State Hospital, the funding is to be used to enter into a contract to provide patient beds through third party facilities for FY 2018. (Senate Sub. for HB 2002)

6. Add language requiring the agency to issue a request for proposal for the construction of a 100-bed psychiatric care facility at Osawatomie State Hospital and require the agency to report the results of the request to the Joint Committee on State Building Construction, Senate Ways and Means Committee, and House Appropriations Committee on or before January 8, 2018. (Senate Sub. for HB 2002)

7. Add language requiring the agency to conduct an engineering survey on all buildings on the grounds of Osawatomie State Hospital to determine whether buildings can be renovated and the cost of renovations; if buildings cannot be renovated, the cost of the demolition; and that such report will be presented to the Joint Committee on State Building Construction, Senate Ways and Means Committee, and House Appropriations Committee on or before January 8, 2018. (Senate Sub. for HB 2002)
Senate Committee of the Whole Recommendation (Sub. for SB 189 and Senate Sub. for HB 2002)

The Committee of the Whole concurs with the Committee’s recommendation for FY 2018 with the following adjustment:

1. Delete $60,478, including $36,749 from the State General Fund, to hold Kansas Public Employee Retirement System employer contributions at the FY 2016 level for FY 2018. (Sub. for SB 189)

Conference Committee Recommendation (Senate Sub. for HB 2002)

The Conference Committee concurs with the Governor’s recommendation for FY 2018 with the following adjustments:

1. Add $4.7 million, all from the State General Fund, and add language to open at least 20 additional beds for patients at Osawatomie State Hospital. If the facility cannot open the beds at Osawatomie State Hospital, the funding is to be used to enter into a contract to provide patient beds through third party facilities for FY 2018.

2. Add language requiring the agency to issue a request for proposal for the construction of a 100-bed psychiatric care facility at Osawatomie State Hospital and require the agency to report the results of the request to the Joint Committee on State Building Construction, Senate Ways and Means Committee, and House Appropriations Committee on or before January 8, 2018.

3. Add language requiring the agency to conduct an engineering survey on all buildings on the grounds of Osawatomie State Hospital to determine whether buildings can be renovated and the cost of renovations; if buildings cannot be renovated, the cost of the demolition; and that such report will be presented to the Joint Committee on State Building Construction, Senate Ways and Means Committee, and House Appropriations Committee on or before January 8, 2018.

4. Adopt in part GBA No. 1, Item 7, to add funding for operational expenditures at Osawatomie State Hospital for FY 2018. GBA No. 1, Item 7 added $13.2 million, including $8.9 million from the State General Fund, for FY 2018. The Senate Committee recommended a different amount totaling $6.6 million, including $2.3 million from the State General Fund, which is a decrease of $6.6 million, all from the State General Fund, below the Governor’s budget amendment. The Committee also recommended the State Finance Council review the current status of funding at Osawatomie State Hospital during the FY 2017 legislative interim.

5. Adopt in part GBA No. 1, item 13, which adds $48,521, all from the State General Fund, to provide for cybersecurity enhancements for the State for FY 2018.

6. Appropriate the Osawatomie State Hospital Title XIX Medicaid Reimbursement Fund as no limit fund for FY 2018.

7. Appropriate the Osawatomie State Hospital Certified Care Title XIX Medicaid Reimbursement Fund as a no limit fund for FY 2018.
8. Add $60,478, including $36,749 from the State General Fund, to restore Kansas Public Employee Retirement system employer contributions to the approved level for FY 2018.

9. Add $435,825, all from the State General Fund, for a 2.5 percent adjustment for all State employees with less than five years of service (except: Highway Patrol Law Enforcement Personnel, Legislators, teachers, and licensed personnel and employees at the Schools for the Deaf and Blind, employees at the 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.
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* Note: Includes GBA No. 1, Item 7, which added $13.2 million, including $8.9 million from the State General Fund, for operational expenditures at Osawatomie State Hospital (OSH) due to increased operating costs to meet new federal Centers for Medicare and Medicaid Services (CMS) requirements, increased costs associated with operating two separate entities (Adair Acute Care and OSH licensed beds), and lack of federal fund revenue due to decertification. Also includes GBA No. 1, Item 13, which added $83,318, all from the State General Fund, to provide for cybersecurity enhancements for the State for FY 2018.