

September 23, 2002

Dear Consumers, Advocates, Business Partners, and other Stakeholders,

Throughout the last year, I have regularly communicated with stakeholders about the state's financial situation as it affects SRS and the status of SRS programs and services. As we prepare for another budget cycle in tight financial times, elect a new Governor, and begin a new Legislative Session, I would like to summarize for you our activities over the last year to help set the context for what will happen between now and January. I am also inviting you to a public stakeholders meeting on October 8, 2002 to update you on these issues.

Review of state budget situation

Last fall, it became apparent that the state did not have enough revenue to keep doing business as usual. SRS made some administrative, program and service cuts and recommended additional cuts to the Governor in January. At that time and through the session, we provided lists of options to continue to provide services within limited state resources. After much debate and a long Legislative session, the Governor signed a budget bill in May for fiscal year 2003 (July 1, 2002 through June 30, 2003) that did not fully fund current state services.

In July, state revenues came in lower than expected, compounding the budget shortfall. In August, the Governor imposed \$41 million in allotment reductions on state agencies. The allotment was designed to reduce state spending in fiscal year 2003. New state revenue figures will be estimated later this fall, and will give us updated information about the size of the state's budget deficit. The Governor-elect will then use this information to prepare a revised budget for the current fiscal year which may include additional spending cuts and to prepare a budget proposal to present to the Legislature for state fiscal year 2004.

August allotment

The August allotment directed SRS to cut \$6 million during fiscal year 2003. Cuts were made in the following areas:

- **Family Preservation** — Reduction of \$1 million. Last year, the legislature added \$2.75 million to this program to allow for growth in the number of people served. This allotment reduction of \$1 million results in SRS serving 265 fewer families. However, it leaves intact \$1.75 million of the amount added for growth.
- **Child Support Enforcement** — Reduction of \$1.5 million. SRS and contractors negotiated reductions in the contracts due to efficiencies the contractors were able to implement over the last few years. These reductions will allow us to maintain child support enforcement services at last year's level.

- **Head Injury Waiver** — \$600,000 in savings. The legislature appropriated \$1 million last session to provide opportunities for additional persons to be served by this waiver. Despite efforts to notify people about increased resources available to receive services, persons have not come onto the waiver at the anticipated pace.
- **Medicaid Cost Avoidance** — \$2.3 million in savings. SRS is implementing measures to avoid incurring unnecessary costs in the Medicaid program such as (1) more aggressive review of data to detect provider fraud through intensified review of Medicaid claims; (2) shift additional staff resources to develop and implement methods to avoid unnecessary payments; (3) recovery of monies that have been inappropriately paid, and (4) adding controls to assure claims meet a minimum level of acceptability.
- **Administrative Reductions** — Reduction of \$570,000.
 - **Consolidation of Staff and Local Office Closures:** Over the last few years, SRS has focused efforts on improving customer service. One way to further improve customer service is through consolidation of staff throughout the state. Consolidation of staff will create efficiencies that will allow staff to work collaboratively with community partners on behalf of consumers, while utilizing technology to meet many routine customer needs. Consolidation of staff will naturally result in the ability to close various SRS offices. The area office directors are currently evaluating data to identify 12-20 offices for possible closure in FY 2003. Determination to close an office will be based on county caseload, client traffic, number of staff assigned full time to the office, ability to terminate leases through “out” clauses or lease expiration and our ability to continue to work with community partners to ensure that the needs of Kansans throughout the state are met.
 - **State Hospital Staff Reductions:** The approved FY 2003 budget underfunded the state hospitals by more than \$1 million needed to maintain current staffing and service levels. In addition, current high shrinkage percentages mean positions that would have been filled to provide direct patient care are being left unfilled. To address these budget realities, lay-offs and other service reductions would have been necessary, even if an allotment had not been imposed. The allotment has accelerated the need to lay-off hospital staff.

We anticipate needing to lay-off between 20 and 60 hospital staff which will result in the following: (1) consolidation of clients into fewer living spaces; (2) reduced off-campus activities; (3) reduced community outreach activities; and (4) reduced level and scope of active treatment. These lay-offs will impact service delivery at our hospitals but our intention is to conduct them in a way which

minimizes the impact on direct patient care. This will not result in a reduction of current bed capacity.

- **Other Administrative Reductions:** In addition to the many administrative reductions SRS has implemented over the last year to address revenue shortfalls, we will need to implement further reductions in the following areas: increased shrinkage, information technology and training contracts, software purchases, travel and many other operating expenditures.

Planning for an uncertain future

Last spring, SRS held a series of meetings statewide to share with stakeholders, consumers and community partners what happened during the Legislative Session, help us prioritize program and service cuts, and prepare for our next budget cycle. During these meetings, we gathered information to help us develop our budget for FY 2004 which was submitted to the Governor's budget office on September 23rd. I plan to continue to share information with stakeholders about the budget over the next few months.

Continue working together

Over the past three years, I have been pleased with the efforts of stakeholders and staff to address complex social service issues. We need to continue to work together to discuss policies and resolve issues affecting vulnerable Kansans. Specifically, we need to work together to:

- Prepare for anticipated additional budget cuts.
- Find new ways to increase accountability.
- Develop new ways of doing business and offering services.
- Continue to collaborate with community partners and allies.
- Explore alternative sources of funding to continue providing services.
- Keep the safety net of services in place for the most vulnerable Kansans.
- Continue to build upon the progress we have made the past three years.

October 8 stakeholder meeting

We want to keep you informed as we work through the details of the FY 2004 SRS budget. To do so, SRS is hosting a teleconference on Tuesday, October 8, 2002 from 1:30 to 3:30 pm, at the Topeka Area Office, 500 S.W. Van Buren, Topeka. At this meeting we will be sharing our FY 2004 budget submission and answering any questions you may have.

You are welcome to attend the meeting in Topeka. However, if you would like to participate in the meeting via teleconference call, please feel free to visit an SRS office or state hospital (see attached list of teleconference locations) closer to your home. To arrange special accommodations, please call Hope Burns at 785-296-3271 by Thursday, October 3, 2002.

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I very much appreciate your past and present support as we work together to deliver services, collaborate with each other, and manage through the next several months of budget challenges.

Sincerely,

Janet Schalansky
Secretary

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Enclosures