

January 27, 2014

The Honorable Jeff King, Chairperson  
Senate Committee on Judiciary  
Statehouse, Room 341-E  
Topeka, Kansas 66612

Dear Senator King:

**SUBJECT:** Fiscal Note for SB 271 by Senate Committee on Judiciary

In accordance with KSA 75-3715a, the following fiscal note concerning SB 271 is respectfully submitted to your committee.

SB 271 would make three sizable changes to the Kansas Medicaid Fraud Control Act. The bill would make clarifying amendments to the language that defines Medicaid fraud to make it easier to charge perpetrators of some of the more complex schemes to defraud. SB 271 would also create different levels of penalties to be imposed for Medicaid fraud that would depend upon the amount of the illegal claims. Finally, the bill would allow the Attorney General to seek imposition of a fine against a provider convicted of Medicaid fraud.

The Office of the Attorney General states that fine proceeds would provide additional funding for investigation and litigation of future Medicaid fraud. However it is not possible to estimate those proceeds. The Kansas Sentencing Commission estimates that passage of SB 271 would result in an increase of two adult prison beds needed in FY 2015 and an increase of seven adult prison beds needed by FY 2024. As of January 13, 2014, the available bed capacity is 9,636. Based upon the commission's most recent ten-year projection contained in its *FY 2014 Adult Inmate Prison Population Projections* report, by the end of FY 2014 and FY 2015 it is estimated that the number of inmates will be below available capacity by 103 beds and 196 beds, respectively. However, starting in FY 2017 it is expected that the adult correctional facilities will again be over capacity.

While the bed space estimates will present challenges to capacity in the near future, overall, the projections from the commission indicate that there will be fewer offenders in the adult correctional system compared to last year's projections. This can be directly attributed to the passage of 2013 HB 2170, which is often referred to as the Justice Reinvestment Initiative (JRI) Act. That bill made significant changes to probation and post-release supervision statutes in an effort to reduce the number of probationers and offenders on post-release supervision that are committed to prison.

The Honorable Jeff King, Chairperson

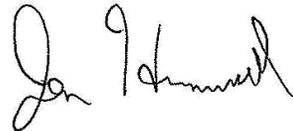
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Continued population increases eventually will require construction of new cell houses at the El Dorado Correctional Facility. This project would include building two new medium security housing units, which would provide a total of 512 beds. It is estimated that the new units would have a construction cost of approximately \$24.4 million and operating costs of approximately \$8.4 million (or about \$45.00 per inmate per day). If bonds are used to finance the construction of the units, bonding authority would be required in FY 2016 so that operations at the new cell houses could begin in FY 2017. By increasing the number of beds needed, passage of SB 271 could require that construction begin sooner or additional funds be appropriated for contract beds until the new cell houses are available, particularly if other bills are enacted as well that increase bedspace demands.

Should passage of the bill require capacity needed beyond the El Dorado project, additional costs for contract beds or facility expansion would be incurred. The actual construction costs would depend upon the security level of the beds to be constructed and when construction is actually undertaken, while the actual operating costs would depend upon the base salary amounts, fringe benefit rates, per meal costs, per capita health care costs, staffing requirements, and other cost factors applicable at the time the additional capacity is occupied. Likewise, any further prison commitments that result in additional parolees could require additional staff and resources so that the parolees could be effectively supervised. Any fiscal effect associated with SB 271 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is fluid and cursive, with the first name "Jon" being more prominent than the last name "Hummell".

Jon Hummell,  
Interim Director of the Budget

cc: Aaron Dunkel, Health & Environment  
Willie Prescott, Attorney General's Office  
Scott Schultz, Sentencing Commission