

M I N U T E S

SPECIAL COMMITTEE ON LOCAL GOVERNMENT

July 12 and 13, 1976

Members Present

Senator Elwaine Pomeroy, Chairman
Representative Vic Kearns, Vice-Chairman
Senator Bill Mulich
Senator Jim Parrish
Representative Harold Beninga
Representative Larry Erne
Representative Francis Gordon
Representative Max Mize
Representative John Sutter
Representative Joe Wicinski

Staff Present

Mike Heim, Legislative Research Department
Roy Johnson, Legislative Research Department
Richard Ryan, Legislative Research Department
Robert Taylor, Legislative Research Department
Alan Alderson, Revisor of Statutes Office

Others Present

William Douglas, League of Kansas Municipalities
Jacqueline Kannan, State Planning and Research
Wm. Gough, Jr., Kansas Association of Commerce and Industry
Ruth Groves, League of Women Voters, Topeka
James O. Foster, Wichita Chamber of Commerce
Mark Watson, City of Overland Park
Dr. Jack D. Walker, Mayor, Overland Park
Gary Hunt, Adm. Assistant, Overland Park
David V. Chartrand, Journal-World, Lawrence
Walt Plosila, State Planning and Research
Jack Carpenter, Mayor, Roeland Park
Max Engle, Jefferson County Commissioner
August Noll, Jefferson County Commissioner
Charles K. Hauck, Oskaloosa
Carl D. Eisenhower, Oskaloosa
Jim LePage, Department of Revenue, Income Tax
Janice Marcum, Department of Revenue, Research and Management
Jim Bock, Department of Revenue
Robert J. Leanna, Planning Director, Kansas City, Kansas
Arthur B. Preston, City Manager, Wellington
George W. Pyle, City Manager, Hutchinson
Mary Ellen Long, Mayor, Virgil
E. D. Mosher, League of Kansas Municipalities
Bill Eddy, Mayor of Leawood
Jim Gross, Sheriff, Geary County
Deb Krajnak, Division of State Planning and Research
Thomas Downs, City Manager, Leavenworth
Charles Lusk, KDEED, Topeka
Bickley Foster, Planning Consultant, Wichita
Mike Hrynewich, Kansas Savings and Loan League
Glen Shanahan, Commissioner, Wichita
Keith Rawlings, Planning Director, Salina

July 12, 1976

Morning Session

Proposal No. 37 - Local Revenue

Chairman Pomeroy called the meeting to order shortly after 9:00 a.m. The first item on the Committee's agenda was a report from Professors John Sjo and Arlo Biere, agricultural economist and associate agricultural economist from the Kansas Agricultural Experiment Station, Department of Economics, at Kansas State University. A copy of their statement is attached (Attachment I). Professor Biere noted that there is a price system in private industry to force business toward more efficient operations. He suggested that restrictions on the revenue generation ability of local governments such as the tax lid may have a similar effect in the public sector of forcing efficiency since local governments can have only two reactions - either cut services or improve operational efficiency. After a question and answer period the Committee adjourned for lunch.

Afternoon Session

Chairman Pomeroy called the meeting to order shortly after 1:30 p.m. The Chairman introduced Dr. Jack Walker, Mayor of Overland Park, who reviewed the financial status and difficulties of Overland Park. A copy of his statement is attached (Attachment II). In addition, Mr. Gary Hunt, administrative assistant at Overland Park and Mayor Walker presented the Committee with copies of a "Survey of the Financial Condition of Cities in the State of Kansas", prepared by the staff of the Overland Park city manager. Copies of this study are on file in the Legislative Research Department.

Mr. Bill Eddy, Mayor of Leawood, noted his city was faced with revenue losses and that by 1979 it may have to reduce the size of its police and fire departments by 5 to 10 men a piece. Mayor Eddy said he would like to see legislation passed that would allow several smaller cities to be able to call the question on a sales tax increase rather than just cities with 25% of the county population.

Mayor Walker of Overland Park noted that one of the biggest cost items for Overland Park was streets and highways. He said that prior to the vote on the sales tax question in Johnson County, his city sent out a survey asking citizens which services they would like to see cut if additional revenues for the city were not found. He said that he thought the tax lid was a good thing and has served a useful purpose for spending restraint. He also noted there was pressure in his city to phase out the intangibles tax from older groups of citizens which it is doing.

Mr. John Reardon, Mayor of Kansas City, presented a statement to the Committee (Attachment III). He noted the city sold the voters on the 1/2 cent sales tax increase by saying it would be used to reduce property taxes. He said that Kansas City recently did away with the intangibles tax and hoped to compensate for this revenue loss by increases in the sales tax revenues over what had been estimated.

Mr. Jack Carpenter, Mayor of Roeland Park, said his city of 10,000 people was land locked by other cities in Johnson County and had no room for growth. He suggested that cities be given the option with the tax lid like they have with the intangibles tax. He noted only one employee has been added by the City in the past 10 years.

County Commissioners August Noll and Max Engle, and Sheriff Carl Eisenhower, all from Jefferson County, reviewed the additional costs and the added law enforcement problems of the county because of the number of visitors each year at Perry Lake.

Sheriff Jim Gross then reviewed the similar problem Geary County and his sheriff's department faced because of Milford Lake and Fort Riley. It was noted that U.S. Representative Martha Keys had introduced legislation to provide financial help to areas that incur increased costs due to federal reservoirs.

Mr. Kent Kalb, Secretary of Revenue, then presented a report to the Committee concerning the intangibles tax reporting, certification and collection process; the local sales tax and administrative problems associated with the recently enacted law; and, the cost of administration of the motor fuel tax compared with the amount of money that is deposited in the State general fund from this source. Copies of this memorandum are in the Committee notebooks.

The Committee then adjourned at 4:30 p.m.

July 13, 1976

Morning Session

Chairman Pomeroy called the meeting to order shortly after 9:00 a.m. The first item on the Committee's agenda was testimony from representatives from various cities in Kansas concerning the financial difficulties they are encountering.

The Chairman introduced Mr. Arthur B. Preston, City Manager, Wellington. Mr. Preston provided copies of a chart showing figures of various expenditures for the City of Wellington (Attachment IV). He stated that the use of utility fund transfers has decreased from approximately 33% of the general fund in 1970, to approximately 20% in 1975. He noted rising utility costs has been more of a detriment to his city than the tax lid. He stated that ambulance services has also hurt them. There are six ambulance services in Sumner County and they have two hospitals and two nursing homes. He stated they are taking a loss on the city provided service of approximately \$18,000 annually.

Some of the things Wellington has had to do in order to cut costs has been to put a lid on health insurance benefits to city employees, and not hire any extra policemen. He noted Wellington has the same number of policemen as in 1960, but the workload has more than doubled since that time. Also, the fire department is cutting three employees effective September 1. As a result, the city will have to cut back on their inspection services. He noted Wellington is attempting to pass the local sales tax. Last year it did pass in Wellington, but failed countywide. He noted that another source of revenue is needed. Mr. Preston stated the city will have to cut back on other services due to lack of funds. In response to a question, Mr. Preston indicated he wasn't sure if laying off three firemen would affect their insurance rating. He stated if they would ever lose their revenue sharing funds, the fire department would probably have to go volunteer. In response to another question, Mr. Preston indicated that Wellington has taken no action to reduce or abolish the intangibles tax.

Mr. Jack Shanahan, City Commissioner of Wichita, testified his city was struggling with the tax lid - they are within \$3,000 of the tax lid. He noted that the city's budget is approximately \$30 million, so that does not give them much breathing room. All of their \$3.5 million of general revenue sharing funds are used for operational expenses. Thus far, he said the city has been able to maintain the same services, but maintaining the same services will cost \$1.3 million more this next year. Without federal aid, he said, there would be no way the city bus system would be able to be maintained. Mr. Shanahan stated that if general revenue sharing is extended they will be able to make it through this year. But next year, in order to make it, additional forms of revenue will have to be found or they will have to decrease services. He noted that last year, Wichita and Sedgwick County attempted to pass a local sales tax, but it failed. He stated that Wichita has been able to survive for the past five years under the tax lid because of new construction and general revenue sharing. In response to a question, Mr. Shanahan indicated that Wichita started using their revenue sharing funds for operating expenses in 1974, in order to maintain the same services. Mr. Shanahan stated that he has nothing against the tax lid, provided there are some other sources of revenue available. He believed an income tax is the most fair tax, noting the argument against sales tax was its effect on persons with a fixed income. In response to a question, Mr. Shanahan stated that he doesn't see parimutual betting or liquor-by-the-drink as significant sources of additional revenue. In response to another question, he indicated there has been no move to reduce the intangibles tax in his city.

The Chairman introduced Mayor Mary Long of Virgil, Kansas. Mayor Long stated that she is testifying on behalf of the small cities -- those with a population of 500 or less. Virgil has a population of 170. Virgil's total budget for the year is \$18,000. They are faced with the costs of all materials and services rising. Their electric bill increased by more than \$62 after KPL compelled them to change the city street lights from incandescent to mercury vapor bulbs. They have to use their revenue sharing funds to pay the utility bill. Publication costs and the costs for street repair have also increased substantially. She stated that it has gotten so costly, that they cannot even afford to patch the holes in the city streets. They are in desperate need of a new city hall. The present one does not even have any restroom facilities. City officials are paid only for actual gasoline used for official city business. Virgil does without police protection. They tried to contract with the county for countywide law enforcement, but they were turned down. She stated there is definitely a need for more law enforcement in rural communities. Mayor Long noted she was in favor of the local sales tax for Greenwood County, but that the Commissioners are opposed to it, as well as the Eureka City Commission. She noted they would accept it on a statewide basis, but are against it on a countywide basis because the surrounding counties were not introducing it. In response to a question, Mayor Long stated that Virgil has been an incorporated city since 1922, noting there were more advantages to being an incorporated city than being unincorporated. She also informed the Committee that there are 357 cities in Kansas with a population of less than 500 and most of these do not have a city marshall.

Chairman Pomeroy introduced Mr. Thomas Downs, City Manager, Leavenworth, Kansas. Mr. Downs testified regarding the fiscal problems which Leavenworth is encountering. All of the major employers in Leavenworth (penitentiary, army base, etc.) are tax exempt. This places the burden of support on the residential property owners. They can't get industry in Leavenworth because the property tax rate is too high. At present there is pressure to repeal the intangibles tax, which amounts to 3 mills of property tax for them and there is no other source of revenue in sight. The local sales tax question passed in the city by 300 votes, but it failed in the county by about 5 to 1. Mr. Downs stated he is sure it would fail again in the county. By the time it would be brought up a third time in Leavenworth he thought they would probably have lost enough support that it would fail in the city then. Mr. Downs suggested giving cities home rule powers as far as revenue and taxation are concerned. He stated he felt that Leavenworth would vote for a sales tax and income tax increase to be free of the high property taxes.

Mr. George Pyle, City Manager, Hutchinson, Kansas, was introduced to the Committee by the Chairman. A copy of Mr. Pyle's testimony is attached (Attachment V). In response to a question, Mr. Pyle indicated that they started campaigning on the local sales tax issue six to eight weeks prior to the election last year. The county commission did not take any stand on it, but the city commission vigorously supported it. The editor of the local newspaper opposed the local sales tax, stating it was a statewide problem and that the state should solve it. The question failed by 500 votes within the City of Hutchinson and approximately 2,000 votes in the county. He noted that about a year prior to this, the city tried and failed to remove the tax lid. Mr. Pyle informed the Committee that they receive \$435,000 in federal revenue sharing funds, of which \$322,000 is used for general operations. As yet there has been no effort to do away with the intangibles tax in their community, he said. Mr. Pyle felt that the revenue problems of local government was a statewide problem and, as such, the state should set up some guidelines to provide cities with an additional revenue source or free the cities enough so that they are able to do something themselves.

Discussion followed Mr. Pyle's testimony. Mr. Downs felt that at present local governments have no flexibility. He feels the citizens should be able to decide whether they want increased taxes or decreased services. Mr. Downs suggested reassessing real property more often noting that property in Leavenworth has not been reassessed since 1957. A member suggested that it may be the time for the Legislature to pass a statewide sales tax increase. Another member stated that there is a limit as to how much the state can distribute for state revenue sharing, since the state has fiscal problems also.

The meeting recessed at 12:00 noon for lunch.

Afternoon Session

Proposal 38 - Planning and Zoning

Chairman Pomeroy called the meeting to order shortly after 1:30 p.m. and introduced Mr. Bickley Foster a Planning Consultant from Wichita, who noted that a lot of the problems with planning stem from the fact that the law is not explicit enough. Problems are also caused because cities do not have access to good advice regarding planning and zoning. He suggested that more clarifications be made in the law, rather than making major changes. Mr. Foster proceeded by reviewing some of the present Kansas planning and zoning statutes. A copy of his suggested changes is on file in the Legislative Research Department.

He suggested that it might be desirable to have a sliding scale for the number of members on the city planning commission which must reside outside but within three miles of the city limits, since the size of the different city planning commissions varies. He also suggested clarifying 12-702 to state that members of the commission can be reimbursed for travel expenses. In 12-704 Mr. Foster stated that it would be advantageous to be allowed to plan across county lines. He couldn't see any problem with this provided the planning commission would get permission from another county's planning commission if they wanted to do something. He cited that all through the law it says "20 days". If the word "elapsed" would be inserted, he noted this would clarify this point immensely. He also suggested that the words "urban conservation" might be more appropriate than "urban redevelopment". Under Section 12-704 it states that a copy of the plan shall be sent to all legislative and administrative agencies that are affected by the plan. He said it is unclear as to whom copies of the plan would be sent to.

He felt that the timeframe to effect a zoning change could be cut down from 90 days to 30 days. Mr. Foster stated that Senate Bill Nos. 58 and 59, which were introduced during the 1975 Legislative Session contained a lot of good material. Under Section 12-705 it states that the governing body had 60 days. This terminology is used in several places, so it should be specified that it is a total of 60 days. Mr. Foster stated that this was explained clearly in Senate Bill No. 58. He noted there is a reference made to issuing building permits under Section 12-705b. This is confusing, because there are a lot of cities that do not have a building code or zoning ordinance, so they do not issue building permits.

A Committee member asked what is achieved by requiring a plat after a piece of land has been divided into two or more tracts. Mr. Foster stated that this was put into the law to take care of a specific problem and felt that it was a good provision since it provided an easy way to divide these lots into smaller tracts of land. Representative Kearns stated that county assessors have problems in how to assess these areas that have been divided into small tracts.

Mr. Foster noted 12-705c deals with major street plans but there is no official map required which he thought should be required. He said 12-707 refers to all zones being equal and uniform, a provision which would have been taken out by Senate Bill Nos. 58 and 59. Mr. Foster felt that something should be included regarding conditional use permits. A lot of cities and counties are using this. He noted there is nothing in the law which says that you can't engage in contract zoning. Attorneys say that it is illegal, but a lot of cities are using this. He noted there is nothing in the present law which spells out how an area is to be zoned when land has been annexed. He also pointed out that he feels the Board of Zoning Appeals should notify the public of a change in zoning, just like any other change is handled. Mr. Foster pointed out that Section 12-715b (d) is the only place where it indicates the approval of the governing body is needed. After the county commission has been notified, he questioned what exactly they are expected to do.

Mr. Foster then briefly reviewed some of the county zoning laws with the Committee. He stated that in his opinion the section concerning "County Zoning Within Three Miles" is not necessary and could be eliminated. He also stated that county engineers would rather not be ex-officio members on the planning boards. Mr. Foster closed his testimony by stating that there are a lot of cities with a population of under 5,000 which need and would appreciate a clarification in the law. Approximately 90% of the cities in Kansas have a population of less than 5,000. In response to a question, Mr. Foster indicated that it would have to be through the League of Kansas Municipalities to get cities' cooperation on any legislation that might be introduced concerning planning and zoning.

Mr. Keith Rawlings, Planning Director, Salina, Kansas, was introduced by the Chairman. Mr. Rawlings said that Salina has spent 2 1/2 years trying to get a zoning ordinance adopted. During this process they have had quite a few comments from citizens in Salina. One portion in the statutes that has drawn the most interest involves the notification procedure (12-708). He felt there should be some special consideration given in cases where one property owner requests complete rezoning of the property around him. He stated in general that there is a lot of concern regarding the clarity of the law concerning zoning and planning. He noted Salina has been trying to establish a regional planning commission with the County. He said he felt that the process for establishing joint planning commissions could be made easier by some changes to the statutes. Mr. Rawlings also voiced his support for the remarks made by Mr. Foster.

Mr. Leanna, Planning Director, Kansas City, Kansas, testified before the Committee. A copy of his testimony is attached (Attachment VI). Mr. Leanna also commented on some of the remarks made by Mr. Foster. He stated that he would like to see the requirement that two members of planning boards live outside the city limits be deleted entirely. He said that it is only fair that board members be reimbursed for their travel expenses.

Mr. James Schlegel, Planning Director, Topeka, Kansas, sent a letter to the Committee concerning Proposal No. 38, which Chairman Pomeroy read. Mr. Bob Lakins, Planning Director, Wichita, Kansas, also sent a letter concerning Proposal No. 38, which Mr. Heim read to the Committee. Copies of both letters are attached (Attachment VII and VIII).

Mr. Heim distributed a report provided the Committee by KDED which showed the number of counties and cities that have planning commissions. Copies are in the Committee notebooks. Mr. Heim pointed out that KDED indicated there are 59 counties that have a planning commission and the League of Kansas Municipalities Directory of Kansas Public Officials indicates there are 69 counties with planning commissions. He noted that approximately two-thirds of Kansas counties have planning commissions and are involved in planning in some fashion. All but four counties are involved in regional planning set-ups.

Mr. Johnson prepared and presented a memorandum concerning "Retail Sales/Use Taxes". A copy will be placed in the Committee notebooks. Mr. Johnson stated that since the memorandum was prepared, three more Missouri cities have enacted local sales taxes, which brings the total up to 152. He also stated that by the latest count, sales taxes are imposed by 363 cities in Oklahoma -- 2% in 116 cities and 1% in the others.

Committee discussion followed Mr. Johnson's presentation. The Chairman stated that the Committee needed to determine if it should start looking at possible solutions to the problem and determine if the Committee is convinced there is a sufficient problem. Mr. Heim suggested that the Committee might want to hear from more of a variety of counties, since

they heard testimony from very few counties to date. Chairman Pomeroy noted that there is now a move to partially remedy the problem in Jefferson and Geary counties by federal legislation. Senator Parrish suggested that more time be reserved at the next meeting for Committee discussion. He also suggested studying the process which cities and counties have to follow to place the local sales tax question on the ballot and possibly to make the procedure less complex. In response to a question, a member of the staff stated that nine cities had an election to exceed the tax lid, no counties. Of these nine, two passed and seven failed. Mr. Ryan suggested that the staff could prepare a memorandum concerning local earnings and income taxes. He stated there are a number of forms of these taxes used throughout the country. The Committee agreed that this would be very helpful. Chairman Pomeroy suggested that the staff advise the Committee of some of the alternative suggestions considered when the original tax lid law was adopted. Senator Parrish suggested looking into possible ways of opening up the tax lid, but still have some kind of limit. In response to a question, it was brought out that Kansas City's local sales tax is producing more revenue than anticipated because they used old figures and did not anticipate the growth when they were projecting what amount of revenue would be brought in by the local sales tax.

Meeting adjourned at 4:30 p.m.

Prepared by Mike Heim

Approved by Committee on:

Date

Attachment 1

LOCAL GOVERNMENT MANAGEMENT

by

John Sjo

Arlo W. Biere^{1/}

Many local governments in Kansas are being squeezed between increasing demands for public services and declining populations. Rising government costs and citizen resistance to higher taxes have intensified public interest in local government finances in Kansas. To furnish information to concerned Kansans, we began in 1972 to study costs of providing public services. That study resulted in a number of publications and a state-wide public affairs program conducted by the Kansas Cooperative Extension Service. Dr. Donald B. Erickson was co-author of those publications and Drs. Barry Flinchbaugh and Norman Whitehair were in charge of the public affairs program.

Of the three ways to solve local government financial problems, finding new sources of revenue, reducing government services, and increasing efficiency, we concentrated our efforts on the last one--increasing the efficiency of local government.^{2/} Our statement today similarly will emphasize resource use and not sources of revenue.

^{1/}Agricultural Economist and Associate Agricultural Economist, Department of Economics, Kansas Agricultural Experiment Station, Kansas State University. Prepared for the Kansas Legislative Special Committee on Local Government and presented July 12, 1976.

^{2/}The Research and Policy Committee of the Committee for Economic Development in its 1976 report Improving Productivity in State and Local Government stated:

"In states and communities across the nation, elected officials are telling their constituents that soaring costs confront government with two alternatives: either increase taxes or cut back services. Many governments today are doing both. Only a few farsighted leaders have broken away from this conventional response to pose a third option: that more intelligent use be made of existing resources to achieve desired goals; that is, increase government productivity."

In this presentation we will cover the following points:

1. The financial crunch on local governments,
2. The increasing number of small local government units,
3. The economies of scale concept applied to the production of public services,
4. City and county public service expenditures 1960 to 1970,
5. Relationship between population served and per capita expenditures,
6. The policy alternatives to reduce local governments per capita expenditures,
7. A study of one policy alternative--restructuring financial management systems for greater efficiency with Ellis county as the case government unit,
8. Measuring public service output.

THE FINANCIAL CRUNCH ON LOCAL GOVERNMENT

In recent years the rate of increase in local government expenditures has far exceeded the rate of population growth in Kansas. Total funds available for local governmental units in Kansas rose 59.9 percent, from \$548 million in 1963-64 to \$876 million in 1969-70 (Table 1). From 1960 to 1970, the period we studied, per capita governmental expenditures increased 83.6 percent; inflation, 31.1 percent.

In 1964, 75.2 percent of all revenues available to local jurisdictions were from local sources, 23 percent from state sources, and 1.8 percent from federal sources. By 1970, 69.3 percent came from local sources, 28.5 percent, from state sources, and 2.3 percent from federal sources (Table 1).

Table 1. Local governmental revenues by source, Kansas, 1964-1972

Revenue by source, million dollars and percent of total							
Years	Federal	State	Local	Total			
	%	%	%				
1964	\$10 1.8	\$126 23.0	\$412 75.2	\$ 548			
1966	11 1.9	151 25.9	420 72.2	582			
1968	17 2.4	190 27.2	492 70.4	699			
1970	20 2.3	249 28.5	607 69.3	876			
1972	47 4.6	288 28.3	684 67.1	1,019			

Source: *Governmental Finances*, Bureau of the Census, U.S. Department of Commerce, various issues

During the 1960s, 74 of the 105 Kansas counties lost population. Urban areas accounted for most of the population growth in the state; small towns and rural areas lost population. The 182 Kansas cities that had 70 percent of the state's population in 1970 had only 54 percent in 1960. Population shifts have created two distinct problems: 1) Cities with increasing populations are under pressure to expand existing services and to offer new services. 2) In areas declining in population, public services must be provided despite declining resource bases.

Historically local government was limited almost entirely to cities, counties, townships, and school districts. Counties and townships were subdivisions of state government and served primarily as local administrative units with little responsibility for providing other services.

Until recently, health protection, old age assistance, recreation, environmental quality, conservation, and solid-waste disposal were services provided privately or not at all. The current proliferation of special jurisdictions--hospital districts, conservation districts, rural water districts--indicate the demand for new public services. Cities, meantime, have continued to grow and to create demands for new services.

The demand for new services often is accompanied by desire to expand and improve the quality of existing services. Police departments today are expected to prevent crime in addition to their traditional role of apprehending criminals. The demand for increased quality and quantity of public services--often coupled with declining populations, particularly in rural areas--have caused per capita expenditures for services to rise.

Each year inflation saps the strength of the public-service dollar. The consumer price index, a measure of inflation, rose 31.1 percent between 1960 and 1970. ^{1/}

But the price of goods and services purchased by the government increased at an even faster pace, 50.5% during the same period.^{2/} From 1970 to 1975 the price of government purchases of goods and services has increased 41.5%. That is a 41.5% increase in the last 5 years compared to 50.5% increase in the 10 years preceeding that. Unless the efficiency of producing public services improves, government expenditures

^{1/} Sjo, John, Donald R. Erickson and Arlo W. Biere, "An Introduction to Public Services", Can Number of People Served Make a Difference in Cost of Local Government?, December, 1974.

^{2/} As measured by the GNP implicit price deflator for government purchases. See Survey of Current Business, U.S. Dept. of Commerce.

uld have, on average, had to increase 41.5% between 1970 and 1975 to maintain the same level of services. That increase was greater than the increase that was possible under the tax lid.

During the period from 1960 to 1970 per capita expenditures increased faster than the increase in the price of inputs (Table 2). Either more services were being provided per citizen of efficiency of providing those services actually declined.

Discontent among Kansans with continually increasing taxes led to the 1970 and 1973 "tax lid" legislation, which limits the taxing power of local governments. That leaves local officials in a dilemma of trying to satisfy citizens who want improved services but unable to increase taxes.

Adding to the complexity of administering public services is the large number of local jurisdictions. In 1976 Kansas had 105 counties, 1,455 townships, 625 incorporated cities and towns, 308 school districts, and 1,777 special districts. Those 4,270 local governmental units often overlapped boundaries, jurisdictions, and responsibilities, which made providing public services extremely complex, costly, and little understood. Table 3 shows that total local units were decreased substantially by school consolidation. However, creation of new special districts, managed largely by elected nonsalaried boards, has continued.

Management-cost problems can result from so many small, independent, local jurisdictions. The units often are too small to occupy a full-time officer, so managers generally are underemployed and poorly paid, a situation that does not attract quality applicants.^{1/}

^{1/}Sjo, John, Donald B. Erickson, and Arlo W. Biere, "An Introduction to Public Services", Can Number of People Served Make a Difference in Cost of Local Government?, December, 1974.

Table 2. Changes in population and in city and county total and per capita expenditures, Kansas, 1960 and 1970

	1960	1970	Percent increase
First-class cities			
Total expenditures	\$ 60,881,474	\$140,787,684	131.2
Per capita expenditure	\$73.27	\$138.57	89.1
Population	830,974	1,015,986	22.3
Second-class cities			
Total expenditures	\$ 40,177,949	\$ 75,335,073	87.5
Per capita expenditure	\$94.31	\$171.75	82.1
Population	426,012	438,630	3.0
Third-class cities			
Total expenditures	\$ 11,910,147	\$ 21,278,230	78.7
Per capita expenditure	\$75.33	\$126.28	67.6
Population	158,108	168,495	6.6
Counties			
Total expenditures	\$159,660,955	\$291,003,745	82.3
Per capita expenditure	\$74.94	\$129.39	72.7
Population	2,130,579	2,249,069	5.6

Source: Donald B. Erickson, Arlo W. Biere, and John B. Sjo, *City and County Public-service Expenditures, Kansas, 1960 to 1970*, Agricultural Experiment Station, Kansas State University, Bulletin 578, February 1974

Table 3. Number of Local Governmental Units, Kansas, 1957-1976

Year	School districts ^b	Units other than school districts ^a				Subtotal	Total
		Counties	Cities	Townships	Special		
1957	3,004	105	610	1,550	808	3,073	6,077
1962	2,124	105	618	1,546	880	3,149	5,273
1967	336	105	623	1,543	1,037	3,308	3,644
1972	311	105	626	1,517	1,136	3,384	3,695
1973	310	105	624	1,482	1,114	3,325	3,635
1976 ^c	308	105	625	1,455	1,777	3,962	4,270

Source: ^aStatistical Abstract of the United States, indicated issues

^bKansas State Department of Education

^cKansas League of Municipalities

Kansas Association of School Districts

Concurrent with the changing demand for public services have been changing roles of existing jurisdictions. Townships have largely been by-passed as governmental units. Counties are no longer only subdivisions of state government responsible for collecting taxes, assessing property, providing a sheriff, recording vital statistics, and maintaining county roads. Today they also operate hospitals, rest homes, solid-waste disposal plants, and many other services. As federal revenue sharing continues to shift responsibilities from state and federal levels to local governments, counties will find their duties increasing because many revenue-sharing programs will be concentrated in county governments rather than city governments. 1/

THE ECONOMIES OF SCALE CONCEPT APPLIED TO PRODUCING PUBLIC SERVICES

The financial crunch on local government units and the large number of small units have caused some citizens to ask if the cost of local government could be reduced with fewer large local units. They ask why not consolidate units of local government to achieve larger sized units if that will reduce costs. That interest in consolidation is based on the

belief that increasing the size of operations will reduce unit costs of public services. When a private firm expands its output and the total costs of operation increase less than output increases, the average cost per unit of output decreases. That phenomenon is called *economies of scale*. Suppose a grain farmer producing 8,000 bushels of grain for a total cost of \$8,000 has a unit cost of \$1 a bushel. Then if expanding his output to 16,000 bushels increased total cost to

1/ Sjo, John, Donald B. Erickson and Arlo W. Biere, "An Introduction to Public Services", Can Number of People Served Make a Difference in Cost of Local Government?, December, 1974.

\$12,000, the unit cost would be \$0.75 a bushel. The \$0.25 reduction per unit results from economies of scale.

Economies of scale are associated with larger businesses that can benefit from greater specialization of labor and more efficient use of equipment and management systems. The economies are most likely where production activities are routine, easily specialized, or done by machines; where it is possible to adopt new technology; and where management mostly supervises production and assures quality control. Economies of scale are least likely where production involves creativity, problem solving, or individual treatment, or where management is largely interpersonal relations.

Economists and persons who make public decisions and who are aware of economies of scale wonder about using economies of scale on public services. If expanded operations allow for increased specialization and substituting less expensive resources (e.g., machinery for labor) in public service operations, unit cost of the service could be reduced by increasing the number of people served. The increase might be from functional or jurisdictional consolidation or population increase.

Besides lowering the unit cost of production, economies of scale in large businesses permit diversification of output in complementary activities at lower costs than small businesses would require. If the economies-of-scale concept were applicable to public services, larger governmental agencies should be able to add new services the public wants at lower unit costs than smaller governmental agencies could.

Special problems arise in applying economies of scale to government operations. Some public services, like water supply, sewage disposal, and electrical service, have routine production activities that can be specialized. However, the effectiveness of services that are problem-solving (education, mental health) depends on creativity and close interpersonal relations. Such services are not suitable for specialization and mechanization.

Difficulty in analysis occurs in three areas: (a) measuring output, (b) comparability of services, and (c) incentives of management.

In an economies-of-scale analysis, the unit cost of production must be determined. Industry evaluates output in barrels of oil, bushels of wheat, tons of fertilizer, and other units. But there is no measurement unit of service, the product of governmental programs. For example, police protection cannot be measured by number of arrests per year. Neither can the quality of health and fire protection be measured accurately.

Economies-of-scale analysis requires that costs and outputs must be comparable among counties or other units. Consider the problem of comparing water service expenditures of two cities with plants of different capacities when one draws water from a nearby, pure, soft water spring and the other from a distant, badly polluted stream. Quality differences in resources affect costs of production and complicate comparisons of expenditures.

Prices and wages, usually higher in metropolitan areas than in rural areas, can distort the influence of size on cost. Quantity of services provided by rural and urban public agencies also differ. Small towns probably have lower quality and quantity library services than metropolitan areas because a large city can maintain a larger collection of books.

Although all cities and counties are required to prepare an annual itemized budget and financial statement, accounting procedures vary among units of local government. In public accounting systems little distinction is made between current and capital expenditures but that is vital for cost analysis. Accounting systems of public enterprises, designed to report to the public how government offices use their revenues (rather than to assist public officials in planning and decision making) are often less than satisfactory bases of comparison.

Each city and county has a unique set of needs, problems, and resources. Expenditure differences for cities or counties similar in population size or for cities or counties with varying population sizes can be examined, but the uniqueness of each makes accurate comparisons difficult. Even when expenditures for an individual city or county are examined over time as its population grows, changes caused by the time lapse hinder comparisons.

The relationships between size and expenditure for different populations are not necessarily applicable to expenditures in consolidation situations. The cost of providing a service to 50,000 people in one city, for example, is not comparable to the cost of providing the same service to 50,000 people in a consolidated area of two cities of 15,000 each, three towns of 5,000 each, and a rural area of 5,000 people.

Profit is the incentive for a business manager in private enterprise to find the optimum size to manufacture a quality product at the lowest unit cost. Votes, not profit, are the test of a successful public official. So public officials are more alert to citizen reactions than to costs. Even when strongly motivated to reduce expenditures, local decision makers may be unable to reduce services of their governmental units. Economies-of-scale analysis is relevant to decision making only if the jurisdiction has some choice about size of facilities. A town of 1,000 people, for example, gains little comfort from knowing its unit cost for water would be 50 percent less if it had a population of 10,000, or that its school costs per pupil might be similarly reduced.

CITY AND COUNTY PUBLIC SERVICE EXPENDITURES

Because of unavoidable problems in studying public service costs in Kansas, it was necessary to approximate an economies-of-scale analysis. The expenditure for a particular service was chosen as an approximation of the cost; the number of people served was used as an approximation of the scale of operation. The per capita expenditure, rather than unit cost of output, was the best estimate available of how the number of people served affected costs in most cases. Such an analysis is termed *economies of size*. So economies-of-size analyses are what we used to ascertain if size (number of people served) can make a difference in per capita expenditures for public services.

Annual budget and financial statements of all Kansas cities and counties, filed with the state auditor, furnished expenditure information. Population data were used to compute the per capita expenditures, for total services and by type of service, for each jurisdiction for each year, 1960 through

1970. Twenty first-class cities, 89 second-class cities, 129 third-class cities, and the 105 Kansas counties were analyzed statistically to determine if per capita expenditures declined as number of persons involved increased. Other local jurisdictions were not included because no central source of their expenditure data was available.

Cities are classified by population. Those with more than 15,000 people are first class; 2,000 to 15,000 second class; fewer than 2,000, third class. However, a city may choose to keep its previous class after becoming eligible for another class. All first and second class cities were included in the study. Third class cities with fewer than 700 inhabitants were excluded. Expenditure data were taken from Kansas State University Experiment Station Bulletin 578.^{1/}

Total Expenditures

Total expenditures for public services in Kansas cities more than doubled between 1960 and 1970, jumping from \$113 million to \$237 million. County expenditures went from \$160 million to \$291 million, up 82 percent. City populations in Kansas rose 15 percent, from 1.4 million to 1.6 million. The state's population in 1960 was 2.1 million; in 1970, 2.2 million, up about 6 percent. The larger the jurisdiction, the more rapidly both expenditures and populations increased. Expenditure increases almost always exceeded population growth, so per capita expenditures increased. Inflation and more extensive public services accounted for some of the rising costs.

^{1/}Sjo, John, Donald B. Erickson and Arlo W. Biere, "An Introduction to Public Services", Can Number of People Served Make a Difference in Cost of Local Government?, December, 1974.

Population size makes a difference in the total expenditures of city and county governments, but not always as expected. Statistical analysis showed little evidence that large cities in Kansas operate at lower per capita expenditures than small cities. However, Kansas's three largest cities--Wichita, Kansas City, and Topeka--had lower per capita total expenditures for public services than many smaller cities (Figure 1). First-class cities had the lowest average expenditures with third-class cities next and second-class city expenditures highest.

Total and per capita expenditures for public services in third-class cities are low because many of them provide few services. Second-class cities are adding services in response to demands of their populations, often at a more rapid rate than population increases, so total per capita expenditures increase. We hypothesize that there are economies of size up to around 50,000 population, but not with larger populations. Kansas has too few large cities for meaningful comparisons either to accept or reject the hypothesis.

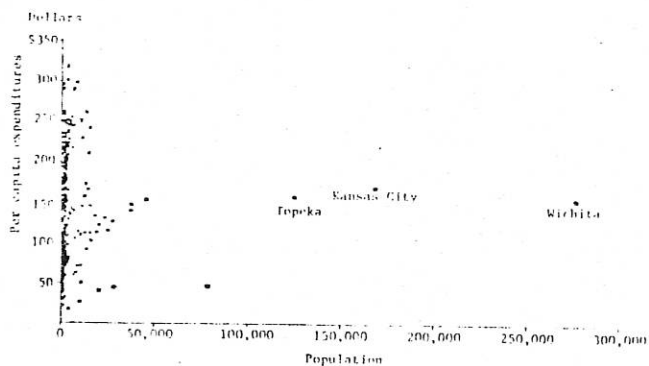


Figure 1. City per capita total expenditures, 1970 (Two small cities, with per capita expenditures between \$500 and \$600, were omitted from the figure.)

Size (population) seems to make a somewhat greater difference in per capita expenditures of public services in Kansas *counties* than in *cities*: the larger counties tended to have lower per capita expenditures (Figure 2). A possible reason for differences in results between the analyses of city and county expenditures could be that counties do not offer services that are greatly affected by rapid population growth. In the metropolitan areas city governments absorb

most of the cost-increasing activities, such as police and fire protection, while county governments deal with the remaining nonmetropolitan areas of the county. Another reason for the difference is that cities have greater flexibility in choosing a form of government most suitable to their needs.

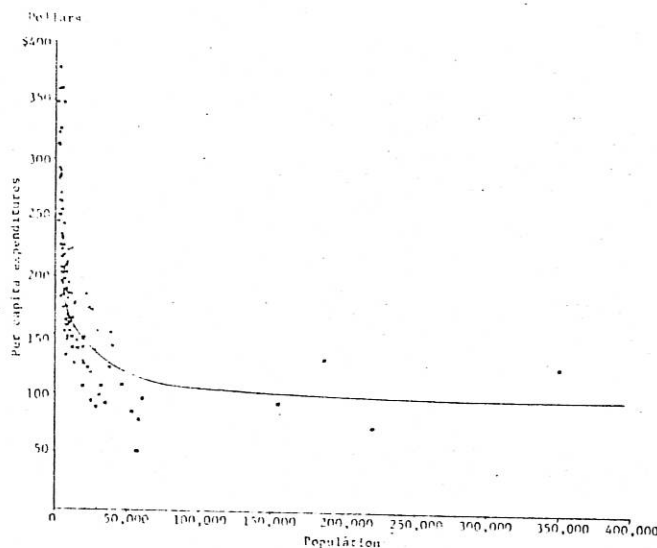


Figure 2. County per capita total expenditures, 1970

For any one year both total and per capita expenditures varied within individual size groups. Because per capita expenditure seemed to be a better comparative measure than total expenditures of the jurisdictions' cost of government, we determined the annual range of per capita expenditures for each city and county size group (Table 4). Expenditures of all three city classes varied; second-class cities had the widest range. For example, in 1968 average per capita expenditure of all second-class cities was \$143, but the expenditures of individual second-class cities ranged from \$22 to \$584 per person. ^{1/}

^{1/} Sjo, John, Donald B. Erickson, and Arlo W. Biere, "City and County Total Expenditures", Can Number of People Served Make a Difference in Cost of Local Government, December, 1974.

Table 4. Total expenditures for Kansas cities and counties per person, 1960-70

Year	Per capita total expenditures ^a											
	First-class cities			Second-class cities			Third-class cities			Counties		
	Low	Hi.	Avg.	Low	Hi.	Avg.	Low	Hi.	Avg.	Low	Hi.	Avg.
1960	\$10	\$148	\$73	\$16	\$248	\$94	\$8	\$288	\$75	\$33	\$199	\$75
1961	13	153	74	16	351	103	9	235	77	35	192	76
1962	14	166	79	16	887	125	10	454	84	36	179	78
1963	14	166	85	14	303	114	11	356	90	40	227	81
1964	16	171	86	16	326	119	9	367	97	40	245	83
1965	17	200	89	18	362	124	9	353	98	41	189	83
1966	19	168	90	20	574	141	10	762	100	49	291	85
1967	19	182	101	22	456	132	13	425	105	47	302	96
1968	26	187	110	22	584	143	15	260	104	53	305	103
1969	25	191	112	21	555	144	7	351	110	58	340	113
1970	40	242	139	26	571	172	17	516	126	50	378	129

^aTotal expenditures divided by total population

General Government Expenditures

General government includes central decision making and long range planning, formulating ordinances, collecting revenue, making assessments, paying bills, preserving official records, and maintaining the city hall or the county courthouse. All those functions are the direct responsibility of elected officials. The purpose of general government is to help provide public services, not perform the public services.

General government's cost is like overhead in business.

General government expenditures varied most among third-class Kansas cities, from \$2.68 to \$56.38 per capita in 1970. For second-class cities the range was from \$2.41 to \$53.70; for first-class cities, from \$4.22 to \$18.33. The wider range for third-class cities results from small-town financial statements often including other expenditures under general government expenses. General government expenditures averaged from 6 to 8 percent of total expenditures for first-class cities during the eleven years; 4 to 5 percent for second-class cities; 9 to 10 percent for third-class cities; and 15 to 17 percent for counties. In no case did general government's percentage of total expenditures increase during the eleven years.

Per capita general government expenditures for cities by class and for counties are shown in Table 5. Expenditures for first-class cities doubled from 1960 to 1970, went up 58 percent for second-class cities, and 79 percent for third-class cities.

Table 5. Total general government per capita expenditures by indicated governmental units, lowest, highest, and average, 1960-70

	Per capita expenditures ^a											
	1st class cities			2nd class cities			3rd class cities			Counties		
	Low	Hi.	Avg.	Low	Hi.	Avg.	Low	Hi.	Avg.	Low	Hi.	Avg.
1960	\$1.69	\$ 8.38	\$ 5.22	\$1.68	\$30.40	\$5.08	\$1.53	\$23.59	\$ 6.99	\$4.22	\$24.58	\$11.16
1961	1.50	7.49	4.96	1.65	30.39	4.62	1.25	46.13	7.75	4.28	28.45	11.78
1962	2.03	7.74	5.49	1.85	32.88	5.37	1.07	57.12	8.28	4.61	26.52	12.31
1963	2.36	8.17	5.63	1.70	32.05	5.18	1.35	55.56	8.86	4.74	28.07	12.92
1964	2.60	8.68	6.01	1.83	34.10	5.37	0.78	43.54	8.77	4.92	33.21	13.80
1965	2.63	14.78	6.56	1.59	36.59	5.58	1.27	47.25	9.04	5.57	34.84	14.37
1966	2.75	13.12	6.97	1.57	37.02	6.01	1.13	50.05	9.10	6.40	33.83	15.00
1967	2.95	15.37	8.10	1.56	37.12	6.32	2.16	50.10	9.83	7.16	35.70	15.36
1968	3.33	13.85	8.52	1.76	41.04	6.46	2.24	52.81	10.33	8.01	36.86	16.61
1969	3.75	14.57	9.34	1.81	39.36	7.20	2.26	52.77	11.47	8.31	39.35	17.52
1970	4.22	18.33	10.62	2.41	53.70	8.05	2.68	56.38	12.51	6.84	50.62	19.70

^aTotal expenditures divided by total population.

Data on 1970 general government expenditures and 1970 population for the 105 counties and the 238 largest cities in Kansas were used to determine the impact of population on per capita expenditures.

We compared each county's per capita general government expenditure with its population (Figure 3). Per capita expenditures

declined as population increased. For example, general government expenditures were \$24 per person in a county of 5,000 people compared with \$10 per person in counties with 250,000 people or more. Almost 90 percent of the variation in *county* per capita expenditures is thus explained by differences in number of people.

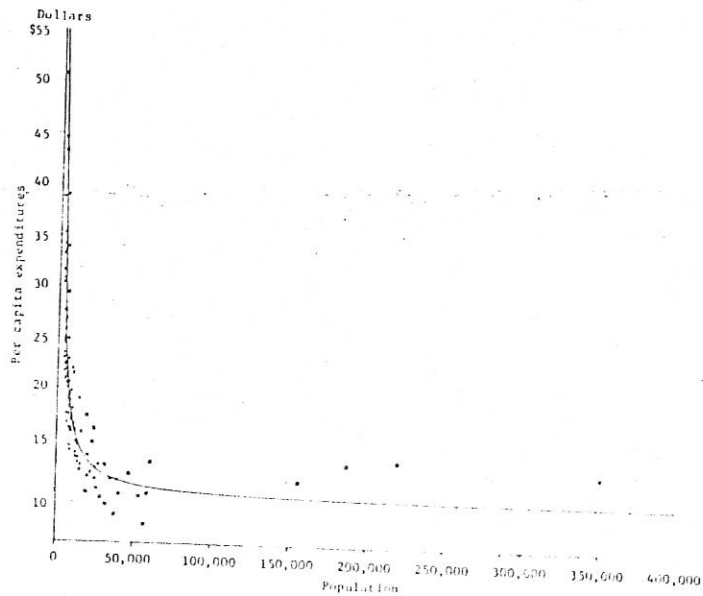


Figure 3. Relationship between per capita general government expenditures and population of Kansas counties, 1970

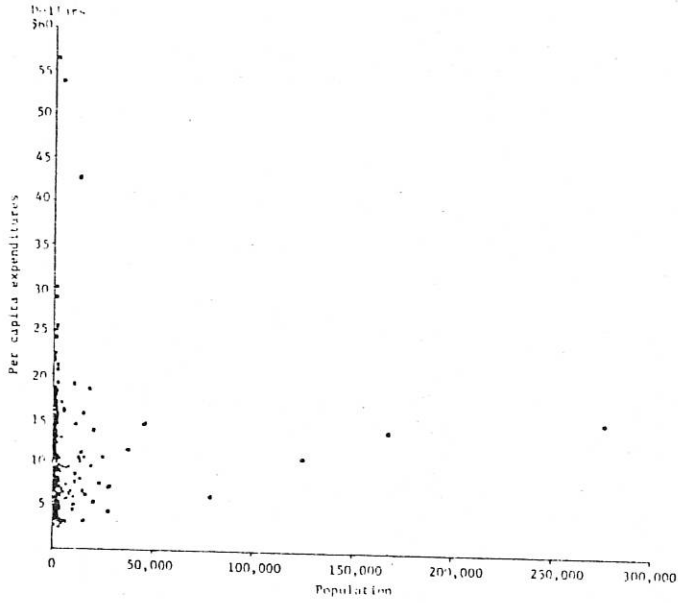


Figure 4. Per capita general government expenditures and population of Kansas cities, 1970

Likewise, each city's per capita general government expenditure was compared to that city's population. No relationship between expenditures and population explained more than 2 percent of the variation in per capita expenditures of cities. The lack of relationship is shown in Figure 4. Apparently neither economies nor diseconomies of size measured by population exist for *city* general government expenditures.

One explanation for results differing so widely between cities and counties is difference in organizational flexibility legally permitted. Cities can choose from among four administrative forms. Counties have only one legal organizational form. Increased organizational flexibility in county government should increase the efficiency of general government regardless of county population, but its greatest impact could well be in the less populous counties. They likely could operate with many fewer offices than presently specified by law.

Elected county commissioners are the decision-making body in county government. Yet other officials are elected--among them, several who can be classified as part of general government: treasurer, clerk, and registrar of deeds. Tasks they perform support the county government as directed by the commissioners, but they operate independently of the commissioners because, as elected officials, they are responsible to the voters. The result is diffusion of power in county government.

Table 6. Forms of city government in Kansas, 1971

	1st class	2nd class	3rd class	Total
Mayor-council	1	46	512	559
Commission	3	16	2	21
Commission-manager	14	18	4	36
Mayor-council-manager	1	10	0	11
Total	19	90	518	627

Source: *Kansas Government*, The League of Kansas Municipalities, 1974-75 ed.

Unlike county government as it now exists, city government can take several forms (Table 6). Under the mayor-council form an elected mayor presides over the council with power of veto and supervises the affairs of the city.

Cities use different forms of government, as Table 6 illustrates. Smaller cities and towns prefer the mayor-council form, perhaps because the operation of government in small cities is not complex enough to require a professional manager and because the cost of a professional manager may be prohibitive. Larger cities tend to choose the professional manager form of government. Their operations are much more complex and require greater administrative expertise. They consider a professional manager a wise

stment. Thus, flexibility in administrative organization allows both large and small cities to select forms of government that satisfy their needs within their financial capabilities. ^{1/}

Law Enforcement Expenditures

Protecting life and property is a function of local government. Even in the early history of the state, Kansans supported public law enforcement agencies. Today, the need for adequate police protection remains. Even on this essential service, taxpayers are increasingly concerned that law enforcement dollars be spent efficiently.

A movement to consolidate local law enforcement agencies into county-wide units is developing in Kansas as part of a broader drive to improve government efficiency. The questions associated with the movement are: will consolidation reduce cost or improve law enforcement; will citizens have effective control of a consolidated agency; will costs and benefits be shared fairly by all; and will consolidation upgrade the police force?

Law-enforcement expenditures varied among Kansas counties and cities during 1960-70 (Table 7). First-class cities, with consistently highest average per capita expenditures, had highest percentage increases. Average per capita expenditures for first-class cities soared from \$6.34 to \$15.41 during the 11 years; second-class cities, from \$5.66 to \$12.45; third-class cities, from \$2.89 to \$5.22. Not all third-class cities reported law enforcement expenditures. During the 11 years, from 48 to 77 of the 129 studied reported no law enforcement expenditures. They had no municipal law enforcement agency. Cases of no expenditures were more numerous early than late in the 1960-70 period.

We obtained county law enforcement expenditures by combining sheriffs' expenses and costs of operating and maintaining jails. However, we could not distinguish

^{1/} Sjo, John, Donald B. Erickson and Arlo W. Biere, "General Government Operations", Can Number of People Served Make a Difference in Cost of Local Government?, December, 1974.

sheriff and deputy sheriffs' salaries from the "Salaries of Officers" account. According to the reported figures, counties had per capita law enforcement expenditures of \$0.60 in 1960 and \$1.16 in 1970.

Table 7 shows that first-class Kansas cities averaged the highest per capita law enforcement expenditures followed by second-class, then third-class cities. That seems to contradict the idea that increasing size reduces unit costs. However, units of police service cannot be quantitatively measured. The basic mission of the police force is to deter or prevent crimes, to apprehend offenders, to regulate traffic, and to encourage legal conduct by citizens. Number of arrests, amount of traffic handled, number of accidents investigated, or the number of pets found and returned to their owners are some measurable aspects of law enforcement services, but they are not the total output of a police department.

Because of measurement problems, number of citizens protected frequently is used as the measure in *economics-of-size* analyses. That may be inaccurate because it assumes that each citizen is provided equal police services. But the quality of police protection varies among agencies. Some communities require more police work to provide the same protection. Although a single cause of criminal behavior has not been determined, certain social conditions contribute to high crime rates. Large cities with congested living situations tend to have high crime rates. The larger the city, the greater an individual's chance of attaining anonymity and release from social pressures for lawful behavior. Crowded living areas enhance the opportunity for offenders to congregate and reinforce each other. The economic, cultural, and social compositions of a city population also influence crime rate. Crime tends to be higher among certain segments of population, depending on age, sex, income, and culture or traditions of the inhabitants.

A study of the 33 largest Kansas cities showed that 68 percent of the variation in crime rates could be explained by four factors: population, population density, average income, and a compound factor of age, sex, and racial composition.¹ Police do not control any of those factors.

¹ Robert Clayton Munson, *An Economic Analysis of Police and Fire Protection in Kansas Cities*, unpublished master's thesis, Kansas State University, 1971.

We concluded that crime rate, which is a measure of the size of the task police face, should be included as a variable that influences police expenditures per capita. Police expenditures per capita were compared to population, crime rate, and miles traveled by the police force in each city. Only one-third of the variation in police expenditures was explained by those comparisons but crime rate accounted for most of the explained variation. The surprisingly low explanation for police expenditures per capita indicates either other unknown important factors influence expenditures or police expenditures and police operations vary so much that they are not comparable. The tendency for larger cities to spend more per capita for police services seems to result from increased police work as size of city increases. The data neither confirmed nor denied that larger agencies are more efficient than small ones.^{1/}

The results were inconclusive and provide no basis for a general statement about the effect of size on per capita expenditure for law enforcement. A county considering consolidation should make a careful comparison between its present organization and the consolidated organization before making a decision.

^{1/} Sjo, John, Donald B. Erickson and Arlo W. Biere, "Law Enforcement", Can Number of People Served Make a Difference in Cost of Local Government, December, 1974.

Table 7. Law enforcement expenditures for Kansas cities and counties per person, 1960-70

	Per capita total expenditures ^a											
	1st class cities			2nd class cities			3rd class cities			Counties		
	Low	Hi.	Avg.	Low	Hi.	Avg.	Low	Hi.	Avg.	Low	Hi.	Avg.
1960	\$3.50	\$9.89	\$6.34	\$0.004	\$9.70	\$5.66	\$0.01	\$21.63	\$2.89	\$0.07	\$2.32	\$0.60
1961	3.60	10.28	6.55	0.01	16.38	5.92	0.07	22.19	3.10	0.11	1.92	0.65
1962	3.58	10.73	6.90	0.03	12.49	5.98	0.005	24.91	3.14	0.096	2.29	0.67
1963	4.60	11.97	7.43	0.75	12.68	6.42	0.02	26.47	3.08	0.01	2.79	0.73
1964	5.59	12.89	8.08	0.91	13.56	6.91	0.003	25.21	3.23	0.03	2.15	0.72
1965	5.26	14.93	8.58	0.02	13.37	7.11	0.03	24.59	3.57	0.04	2.78	0.81
1966	5.81	11.70	9.08	0.97	13.96	7.62	0.03	28.62	3.75	0.05	2.88	0.78
1967	6.51	15.17	10.28	1.14	15.46	8.41	0.02	29.45	4.26	0.06	8.85	0.85
1968	7.13	17.92	11.55	3.81	14.15	9.38	0.01	31.59	5.01	0.03	4.09	0.83
1969	7.40	20.66	12.99	3.79	17.13	10.27	0.01	30.67	4.77	0.03	4.05	0.96
1970	12.01	23.99	15.41	1.69	23.24	12.45	0.01	29.02	5.22	0.06	4.36	1.16

^aTotal expenditures divided by population

Road Expenditures

Kansas cities and counties spent \$78 million on roads, highways, streets, and bridges in 1970. That was 14.7 percent of all city-county expenditures. Counties spent \$55 million, 19.1 percent of their total; cities spent \$22 million, 9.3 percent of their total. The state spent \$125 million on roads or 26.5 percent of its total expenditures.

Funding of road facilities has shifted from local to state and federal levels (Table 8). In 1960 cities and counties funded 75.1 percent of local road facilities; in 1970, 67.7 percent. State funding of local road facilities increased from 24.9 percent in 1960 to 31.7 percent in 1970; federal funding, from nothing in 1960 to 0.6 percent in 1970.

Per capita expenditures for road facilities increased over the 11-year period (Table 9). From 1960 to 1970 city expenditures for streets went from \$4.93 to \$13.28 per citizen for first-class cities, \$6.95 to \$14.42 for second-class cities, and \$8.20 to \$13.78 for third-class cities. Per capita county expenditures increased less rapidly: from \$17.62 in 1960 to \$24.67 in 1970.

Table 8. Source of funding total city and county road expenditures, 1960 and 1970

	Road expenditures, thousand dollars		Percent of total	
	1960	1970	1960	1970
Local ^a	\$34,482	\$52,578	75.1%	67.7%
State ^b	11,424	24,609	24.9	31.7
Federal ^b	-	433	-	0.6
Total ^c	45,907	77,620	100.0	100.0

Sources: ^a Computed by subtracting state and federal expenditures from total
^b Governor's Budget Report, State of Kansas, 1963, and 1973, reported as state and federal aid to local units
^c Computed from Table 1, sum of city and county road expenditures

Rising prices, expanded quantity and quality of road services, or a loss of efficiency could have caused the increases. Rural-to-urban migration reduced the need for expanded county road systems while increasing the need for city streets and roads. Thus county expenditure increases were less than city increases. In some instances annexing newly developed residential areas shifted road expenditures from counties to cities.

Table 9. Road facilities expenditures for Kansas cities and counties per person, 1960-70

	1st class cities			2nd class cities			3rd class cities			Counties		
	Low	Hi.	Avg.	Low	Hi.	Avg.	Low	Hi.	Avg.	Low	Hi.	Avg.
1960	\$2.68	\$8.88	\$5.54	\$2.27	\$20.56	\$7.76	\$0.89	\$25.17	\$7.83	\$4.30	\$78.53	\$31.66
1961	2.99	8.30	5.51	2.48	76.64	8.87	0.61	37.51	7.35	3.89	80.22	33.11
1962	2.55	10.20	5.81	2.56	19.76	7.66	0.40	20.67	7.08	3.94	78.21	33.16
1963	2.94	8.58	5.70	1.32	20.37	8.10	0.38	50.78	7.68	4.67	83.38	35.33
1964	3.65	8.59	5.72	1.84	25.41	8.41	0.38	28.20	7.66	3.68	87.41	36.30
1965	3.84	8.24	6.00	2.55	20.96	8.93	0.36	33.36	7.36	3.63	80.58	35.46
1966	4.04	8.25	6.19	2.75	53.09	9.23	0.40	27.00	7.66	3.37	118.39	38.75
1967	4.05	8.72	6.70	2.60	132.14	10.98	0.12	29.37	7.54	2.46	98.98	38.07
1968	4.79	10.12	7.13	2.92	30.41	9.66	0.25	133.29	9.41	3.12	106.18	39.55
1969	4.88	12.42	8.24	1.57	32.85	10.05	0.05	94.24	9.77	3.28	127.77	41.39
1970	8.07	19.32	12.62	5.64	53.67	15.67	1.41	80.81	13.65	6.16	124.60	49.76

Average per capita road expenditure = $\frac{\text{sum of per capita expenditures}}{\text{number of cities or counties}}$

We found wide differences in average per capita expenditures within size groups for a given year. In 1970 for first-class cities the range was \$8.07 to \$19.32; second-class cities, \$5.64 to \$53.67; and third-class cities, \$1.41 to \$80.81 (Table 9). That range increases as size decreases probably is because capital improvements are more sporadic in small cities than in large cities. Street resurfacing, done once in 10 years in a small town but budgeted in a single year, could cause that town's road expenditures in the resurfacing year to equal a large city's normal annual road expenditures.

We found no evidence supporting the argument that size, as measured by population, affects city expenditures for streets. Statistical analysis showed no significant relationship.

We found strong evidence that size, as measured by population, affects county expenditures for roads. The 11-year average per capita expenditure for each county was compared to average population. Statistical analysis showed a significant relationship between population and per capita expenditures. As population increases, per capita expenditures for roads decrease. That is most apparent in counties with fewer than 65,000 population. ^{1/}

THE POLICY ALTERNATIVES TO REDUCE LOCAL GOVERNMENT PER CAPITA EXPENDITURES

Kansans seeking to maintain or improve public services while keeping costs acceptable have several avenues of action.

1. Consolidate local units of government.

The most obvious example of consolidation is with school districts, which already has been accomplished. Some townships also have consolidated, and unincorporated areas

^{1/} Sjo, John, Donald B. Erickson and Arlo W. Biere, "Road Facilities", Can Number of People Served Make a Difference in Cost of Local Government, December, 1974.

have been annexed by cities. State constitutional and statutory revisions are necessary before counties or counties and cities may consolidate jurisdictions.

Under jurisdictional consolidation, larger governmental units may result in private losses to people. Even though public expenditures may be reduced by consolidation, private expenditures may be increased. For example, driving farther to the seat of government may require added private transportation that offsets public savings. Besides the inconvenience and expense of driving farther for services, a citizen may encounter more delays from a consolidated agency serving more people than from a small local agency.

Larger units generally are less personal, even though more professional, in providing public services. Close relationships between officials and the people may be lost. As the size of a jurisdiction increases, problems to be dealt with increase, then public officials may know less about a particular community's or an individual's problems than officials in smaller governmental units do. Consolidation centralizes the organization created and previous seats of responsibility become obsolete. For example, if two counties consolidate, they have only one county seat. Loss of responsibility could cause previous centers of government to suffer economic loss and severely shock community pride. Many Kansans experienced the trauma of consolidation when their schools consolidated.

2. Consolidate functions of neighboring jurisdictions.

Functional consolidation allows two or more local jurisdictions to benefit from economies of size without giving up local-unit identities and benefits:

Joint city-county efforts in "pool buying" as to purchase a piece of equipment collectively, are an example of functional consolidation. Some jurisdictions contract fire protection, solid-waste disposal, water, or other services from neighboring jurisdictions.

Often consolidating functions leads people to expect more and/or better public services. If that occurs, meeting the new demand may cost more than was saved by functional consolidation. However, the added cost is difficult to measure because new de-

mands may have occurred without consolidation and who can measure added satisfaction from more or better services?

Local businesses may suffer in the area that relinquishes controls of a service while businesses in the area retaining controls may benefit.

Nonpublic costs of small jurisdictions may become public costs with consolidation (e.g., a consolidated fire department may hire firemen where there previously were volunteers).

3. *Encourage community growth.*

The American tradition is extraordinarily imbued with desires for economic growth. Public officials seek ways to attract new businesses to combat declining population and to provide jobs in most Kansas communities. With that in mind, voters authorize local governments to use tax revenues and issue bonds to encourage economic growth.

Although population growth can result in savings, such cost-increasing factors as increased crime, new schools, and new streets may accompany community growth.

Attempts to stimulate growth may be disappointing. A new economic activity underwritten by local bonds is not likely to succeed without a sound economic base.

4. *Restructure management systems of local governmental units.*

Most local governments were established to provide only a few services. With many services now offered by many jurisdictions, the Kansas Advisory Council on Intergovernmental Relations (1972 report, *Modernizing Kansas Government*) found the absence of central executive authority to be a crucial inadequacy of county government. The county board of commissioners, the elected policy-making body, shares executive functions with the clerk, the treasurer, the sheriff, and other elected officials. Some county commissions have relied on hired officers, such as a county engineer or an extension agent, to assist with executive functions. The county manager form of county government, authorized in other states, is now being considered by Kansas counties.

Kansas cities have experimented with various governmental forms. Mayor-council, commission, mayor-council-manager, and commission-manager systems are currently being used. The council-manager form, though not now being used, is another option for cities attempting to improve government through administrative reorganization.

5. *Continue to execute present policies.*

If the citizens of a governmental unit like services they receive and the policies of its leaders, continuing present policies is a viable course of action. Only when satisfaction diminishes will there be reason to seek alternatives.^{1/}

^{1/} Sjo, John, Donald B. Erickson and Arlo W. Biere, "An Introduction to Public Services", Can Number of People Served Make a Difference in Cost of Local Government, December, 1974.

RESTRUCTURING MANAGEMENT SYSTEMS

Among the five policy alternatives listed we found the strongest interest at public meetings in restructuring financial management systems for more efficient local government. Information on the economic efficiency of alternative local government organizations is fundamental to developing restructured management systems.

One of the major problems we found in economic analysis of producing public services by local governments was the inadequacy of financial data generated by a government accounting system. That accounting system, designed to assure accountability of public officials, did not provide adequate information for cost analysis. Additional to the accounting process financial management requires information from the budgeting and taxing process.

The need for better accounting, budgeting, and taxing information led us to another phase of research. We concluded the beginning point for more useful information was improving local government accounting systems. In the public affairs program that point was made and at one presentation the Ellis County Board of County Commissioners asked if we would meet with it to discuss that county's financial management problems. After the discussion the Board asked the Kansas Agricultural Experiment Station to undertake a study of Ellis County. The invitation was accepted and it was agreed to conduct a research project in Ellis County with the following objectives:

1. To develop a conceptually complete accounting system.
 - a) Determine the present legal status of county accounting systems
 - b) Summarize present accounting procedures
 - c) Design an accounting system that meets the statutory requirements and provides the desired cost data.

2. To implement the accounting system
 - a) Develop necessary original entry instruments and forms
 - b) Develop data processing procedures
 - c) Develop financial reports needed by management.

On completion of that we plan to test the system in other small counties, under 50,000 population, and to make adjustments that would increase the system's adaptability to other small local governments such as cities and school districts.

We have just completed the first year's work in which we prepared a report on the existing structure of Ellis County's financial management system, surveyed the Kansas Statutes to identify the statutory requirements for county financial management, and developed an accounting model for county government that meets the statutory requirements and provides better financial management information.

Summary of Findings

The Great Depression so affected the financial condition of local governments that the Kansas legislature passed three laws in 1933 that remain the basis for local government financial management. The three were the cash basis law, the tax limitation law, and the budget law. All restricted the financial management autonomy of local governments. From time to time the legislature has provided further specific instructions to local governments on recording and reporting financial information. In 1961 by constitutional amendment the restraining trend was broken when cities were granted powers of "home rule". From 1970 to 1974 the legislature further restricted the authority of local government to make financial decisions by enacting the "tax lid" legislation. In 1974 the legislature made a break with tradition and granted wide management authority to the counties.

For the first time counties may seek the financial management structure suiting their needs. That authority remains largely untried because of the lack of information and experience in designing county management structures. Counties are in serious need of assistance to determine the extent of their authority and to find the structure that improve their efficiency and effectiveness.

Our research was designed to provide information to counties wanting to restructure their organization and operation. In the Ellis county study we have identified several problems that counties must deal with to achieve greater efficiency.

1. By statute the financial records must be kept on a fund basis. Fund accounts provide an excellent check for accountability. A fund is a separate accounting entity to which public resources are allocated by legislative action. Fund accounts do not provide management information except on the cash flow in and out of a fund. Management requires financial information on a functional or activity basis. No test of efficiency can be made unless per unit costs of production are known. To provide that requires adding another dimension, expenditure by objective, to the county accounting system. We plan to do that by using two sets of ledger accounts, one to record by fund, the other to record by function all receipts and expenditures.
2. Counties need to improve their information processing procedures. Some keep their accounts manually, others are partially computerized, and some are almost fully computerized. While some functions may be computerized we know of no comprehensive computer system for small Kansas counties. We are developing a computerized system for Ellis county that will handle the accounting process, the taxing process, and the voter registering process. We expect

that system to meet the needs of the counties of under 50,000 population.

3. While statute handbooks are available for several county officers, there is not a complete handbook that covers all aspects of county operations. We have reviewed, have classified, and are summarizing the statutes by office and by type of activity.
4. The county financial information system has peak work load bottlenecks. That requires either excess capacity at most times to be able to handle the peak period or to employ extra, often untrained part-time help at the peak periods. An example is the preparation of the tax roll, mailing tax statements, receiving tax receipts, and preparing voter rolls. Spreading those tasks throughout the year would alleviate that problem.
5. Counties produce many nonmarket services that are difficult to identify and to measure. Without a quantity measure of output there can be no test of efficiency. Most of the production of a county requires creative, face-to-face, nonrepetitive activities. Examples are mental health programs, law enforcement, county fairs, and educational programs. What is the output of those activities? We have identified three types of goods and services produced, classified by ease of measuring outputs.
 - a) Physical goods, such as miles of roads, tons of solid waste processed, are easily measured. If accurate financial records are kept cost analysis is no more difficult than in private business.
 - b) Standardized services, such as issuance of car plates, hunting licenses, and registering deeds, provide a

standardized output. The production of the service is amenable to standardization if the procedures are repetitive and repeated sufficiently often to become routine activities of the employees. The output of those services can be measured in terms of the standardized output of classifiable quality, such as the number of licenses issued. Methods of making cost analysis of that type of production can be developed.

- c) Creative, nonroutine, face-to-face services, such as law enforcement and crime prevention, extension education programs, and mental health clinics, produce an output of unique, intangible services each time the service is produced. In those cases there is no known way to measure the output and to test how efficiently it was produced. We believe that research such as we are doing in Ellis county will provide insight into ways to standardize both the output and production of some of those activities thus enabling some measurement of the efficiency of their production.
6. In local government there is not the incentive for managers to seek efficiency as there is in private business. Profits are a powerful motive for managers to be efficient. In public production there is no profit motive. Public officials are motivated by the desire to satisfy public objectives to assure reelection. Public objectives do not always include efficiency.

We have observed pseudo market forces that affect resource allocation similarly to the market price system. For example the "tax lid" can cause public officials to be more efficiency conscious because it has the same effect on resource use as a market

price increase in private business.

Citizen demands for improved services and the tax lid puts a squeeze on public officials that causes them to seek more efficient production practices. Both conditions are necessary to produce that effect. Similarly establishing and changing performance standards affect resource use, for example, state jail standards, solid waste disposal standards. To meet the standards without increasing costs or reducing quantitative output will require public officials to seek efficiency.

On the other hand, state and federal standards reduce local government's flexibility, and vague, volatile, and conflicting regulations increase uncertainty and contributes to inefficiency of the regulated unit. Thus establishing regulations require extreme care and selectivity.

Because there is no inherent system built in to assure efficiency in the public sector, establishing pseudo market conditions could have an effect similar to the pricing system and profit motive in private business.

Our report today has been limited to improving local governmental efficiency. It is one of three ways to meet the financial problems of local governments raising new revenues, reducing services, and improving efficiency. We are convinced that restructuring management systems provides the key to improving efficiency and that restructuring management systems must start with new approaches to local government accounting.

Attachment 11

STATEMENT BY JACK D. WALKER, M.D.
MAYOR OF OVERLAND PARK, KANSAS
BEFORE THE
INTERIM COMMITTEE ON LOCAL GOVERNMENT

July 12, 1976 .

THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE THIS IMPORTANT INTERIM STUDY COMMITTEE ON LOCAL GOVERNMENT. AS MOST OF YOU KNOW, OVERLAND PARK WORKED HARD TO HAVE THIS INTERIM STUDY TAKE PLACE BECAUSE WE FELT THE PROBLEM OF LOCAL GOVERNMENT FINANCING WAS OF SUCH CRITICAL IMPORTANCE TO MOST CITIES IN KANSAS, AND TO KANSAS AS A STATE, THAT WE SHOULD MAKE A SERIOUS EFFORT TO OBTAIN FACTUAL INFORMATION ABOUT THE MAGNITUDE AND SERIOUSNESS OF THE PROBLEM AND, HOPEFULLY, SET ABOUT TO FIND SOME RESOLUTIONS WITH A COOPERATIVE EFFORT BETWEEN KANSAS LOCAL GOVERNMENT AND THE 1977 KANSAS LEGISLATURE.

IT IS MY UNDERSTANDING THAT TODAY THIS COMMITTEE IS PRIMARILY INTERESTED IN A REVIEW OF THE PROBLEM AND THE CAUSES OF THE PROBLEM, AND THAT PROPOSED SOLUTIONS WOULD COME BEFORE THE COMMITTEE LATER THIS SUMMER. I HOPE THAT IS CORRECT---FOR IT IS RELATIVELY EASY TO RECITE AND UNDERSTAND THE PROBLEM AND THE CAUSE OF THE PROBLEM; BUT THE IMPASSE HAS BEEN IN FINDING ANY WORKABLE SOLUTIONS TO THE PROBLEM.

TODAY, THEREFORE, I WILL SUMMARIZE THE PROBLEM---NOT ONLY FOR OVERLAND PARK, WHERE I SERVE AS MAYOR, BUT SOME GENERAL REMARKS AS THEY RELATE TO THE GENERAL PROBLEM FACING MOST KANSAS COMMUNITIES.

MY PREPARED REMARKS WILL BE BRIEF. WE HAVE PREPARED A DOCUMENT FOR YOUR CONSIDERATION, WHICH WE BELIEVE DETAILS THE PROBLEM AND IS BASED UPON CONSIDERABLE RESEARCH AND ATTENTION TO THIS AREA OF FINANCING LOCAL GOVERNMENT IN KANSAS---BY THE GOVERNING BODY, MAYOR, CITY MANAGER AND STAFF OF OVERLAND PARK---AND MY KNOWLEDGE OF THE PROBLEM AS VICE PRESIDENT OF THE LEAGE OF KANSAS MUNICIPALITIES.

THE PROBLEM

IN GENERAL---NOT JUST IN KANSAS, BUT EVERYWHERE---UNITS OF LOCAL GOVERNMENT OVER THE PAST SIX TO TEN YEARS HAVE FACED INCREASING FINANCIAL DIFFICULTIES. THIS VARIES FROM COMMUNITY TO COMMUNITY IN KANSAS BECAUSE OF SIZE, GROWTH, EXPECTATIONS; BUT, IN GENERAL, MOST UNITS OF LOCAL GOVERNMENT IN KANSAS ARE IN DIFFICULTY. THE REASONS ARE LISTED AS FOLLOWS:

1. AN ARCHAIC TAX STRUCTURE WHICH CAUSES LOCAL GOVERNMENT TO RELY ON THE UNPOPULAR, RIGID AD VALOREM TAX AS A CHIEF SOURCE OF REVENUE, WHILE THE FEDERAL AND STATE GOVERNMENTS HAVE PREEMPTED THE FLEIXBLE SALES TAX AND INCOME TAX AS A PRIME SOURCE OF TAX REVENUE.
2. THE PROPERTY TAX LID---WHICH LIMITS THE ABILITY OF LOCAL GOVERNMENT IN KANSAS IN THEIR USE OF THIS SOURCE.

3. INFLATION---A WELL-KNOWN AND NOTORIOUS PROBLEM IN THIS COUNTY FOR THE PAST DECADE--WITH A RATE OF 12-15% IN 1974-1975, AND, IN 1976 AS MUCH AS 7% TO 9%.
4. AGING OF SOME CITIES---CREATING A NEED FOR REPLACEMENT OF MORE EXPENSIVE UPKEEP OF SOME FACILITIES.
5. NEWNESS OR GROWTH OF SOME CITIES CAUSING THE NEED FOR NEW BASIC FACILITIES.
6. DEMANDS FOR SERVICES BY A SOCIETY THAT EXPECTS MORE FROM LOCAL GOVERNMENT IN THE AREAS OF CRIME PREVENTION, PUBLIC WORKS ADMINISTRATION, AND PARKS & RECREATION FACILITIES.
7. RESPONSIBILITIES IMPOSED ON LOCAL GOVERNMENT BY THE FEDERAL, STATE AND REGIONAL UNITS OF GOVERNMENT FOR WHICH NO FUNDS ARE PROVIDED.
8. INEQUITABLE DISTRIBUTION FORMULAE OF TAX FUNDS WHICH ARE COLLECTED IN THE MORE URBAN AREAS OF OUR STATE AND REDISTRIBUTED THROUGH THE STATE BACK TO LOCAL GOVERNMENT ON AN INEQUITABLE BASIS.
9. DAMAGE BY STATE GOVERNMENT THROUGH ELIMINATION OF EXISTING AVENUES OF LOCAL GOVERNMENT REVENUES---INTANGIBLES TAX---ELIMINATION OF LOCAL GOVERNMENT FROM THE MULTIMILLION DOLLAR KANSAS HIGHWAY PROGRAM---AND NOW THE QUESTIONABLE

MOVE TO CHANGE THE TRADITIONAL METHOD OF VALUE
ASSESSMENT OF RURAL FARM LAND.

THIS COMBINATION OF FACTS, PLUS OTHERS IN SAME SITUATIONS, ARE
CREATING A SERIOUS INSIDIOUS DECLINE IN THE ABILITY OF MANY KANSAS
COMMUNITIES TO FUNCTION AT A REASONABLE LEVEL OF QUALITY.

OVERLAND PARK HAS JUST COMPLETED A SURVEY OF A NUMBER OF
KANSAS COMMUNITIES TO DETERMINE THEIR FINANCIAL SITUATION. A
DETAILED REPORT IS IN THE MATERIAL WE WILL LEAVE WITH YOU; BUT,
IN GENERAL:

1. WITH FEW EXCEPTIONS, MOST OF OUR CITIES ARE AT OR NEAR THE
PROPERTY TAX LID WITH LITTLE GROWTH ROOM FOR THE FUTURE.
2. MORE AND MORE CITIES HAVE FOUND IT NECESSARY TO RELY ON
UNCERTAIN FEDERAL REVENUE SHARING FUNDS FOR PART OR ALL
OF THEIR GENERAL OPERATING EXPENSES.
3. IN MANY CASES, CRITICAL SERVICES HAVE BEEN REDUCED OR
ELIMINATED SIMPLY TO KEEP GOING, AND THE FUTURE COSTS FOR
REPAIRING THE DAMAGE FOR THIS INATTENTION TO CAPITAL AND
MAINTENANCE NEEDS IS BECOMING ALARMING.

IN OVERLAND PARK, WE WERE FACING THE SAME PROBLEM FOR THE
SAME REASONS IN 1976. WE WERE FORTUNATE TO SUCCESSFULLY ENACT A
ONE-HALF CENT SALES TAX IN JULY 1975---AND THAT SOURCE OF REVENUE HAS

-5-

AVED US FOR THE YEARS 1976-1977---AND MAYBE 1978---ALLOWING US TO OPERATE AND SUSTAIN THE SERVICES THE PUBLIC SEEMS TO DEMAND---AND TO DO SO WITHOUT A PROPERTY TAX INCREASE. IN 1979 WE WILL FACE ANOTHER FINANCIAL CRISIS---ASSUMING THE FACTORS ALL CONTINUE TO OPERATE---AND FACING THE ELIMINATION OF THE INTANGIBLES TAX---WHICH REDUCED BY NEARLY 40% THE IMPROVEMENT WE ENJOYED FROM THE HALF-CENT SALES TAX. FOR THE MOMENT, OVERLAND PARK CAN BREATHE A LITTLE EASIER---BUT, UNLESS SOMETHING IS DONE TO ALTER THE BASIC PROBLEM OF HOW ALL KANSAS LOCAL GOVERNMENT IS FINANCED, OVERLAND PARK ONCE AGAIN WILL BE FACING A SERIOUS FINANCIAL CRUNCH IN 1979-1980.

I SUGGEST TO YOU THAT THE QUALITY OF LIFE IN OUR KANSAS COMMUNITIES IS VITAL TO THE OVERALL QUALITY OF LIFE FOR THE STATE OF KANSAS. THIS MAKES IT A STATE-LEVEL PROBLEM AND NOT JUST A LOCAL PROBLEM TO SOLVE. I WILL BE TESTIFYING BEFORE ANOTHER INTERIM STUDY COMMITTEE ON WEDNESDAY WHICH IS CONCERNED WITH THE VERY CRITICAL HEALTH MANPOWER PROBLEM FOR THE RURAL AREAS OF KANSAS. AS CHAIRMAN OF THE DEPARTMENT OF FAMILY PRACTICE AT THE K. U. MEDICAL CENTER, I'M ACUTELY AWARE OF THIS STATEWIDE PROBLEM; AND I WILL TELL THE INTERIM COMMITTEE ON WEDNESDAY THAT ONE OF THE CRITICAL AREAS OF CONCERN IS THAT YOUNG PHYSICIANS, AND THEIR WIVES, LIKE THOUSANDS OF OTHER YOUNG PEOPLE WHO LEAVE OUR STATE EACH YEAR, ARE REJECTING THE COMMUNITIES OF KANSAS AS PLACES TO LIVE AND WORK BECAUSE THEY CAN'T PROVIDE THE SERVICES, THE ENVIRNMENT, OR THE QUALITY OF LIFE

DESIRED TO RAISE THEIR FAMILIES AND SPEND THEIR LIVES. THE TWO PROBLEMS ARE RELATED---AND BOTH AFFECT THE FUTURE OF KANSAS AS A VIABLE STATE.

I HAVE LISTED THE PROBLEM AND SOME OF THE CAUSES AS I SEE IT.

I HOPE, SHORTLY, WE CAN ADDRESS OURSELVES TO ALTERNATIVE SOLUTIONS. THIS SHOULD NOT BE AN ADVERSARY MATTER OF THE CITIES VERSUS STATE GOVERNMENT. THE STAKES FOR EVERYONE---PARTICULARLY THE 80% OF OUR POPULATION WHO RESIDE WITHIN OUR CORPORATE LOCAL UNITS OF GOVERNMENT---ARE TOO HIGH AND TOO IMPORTANT TO REMAIN UNRESOLVED. THE PROBLEM CANNOT BE RESOLVED ENTIRELY AT THE LOCAL LEVEL---NEITHER CAN WE RUN TO THE STATE FOR A TOTAL SOLUTION---BUT, BY ADDRESSING OURSELVES TO THE PROBLEM AS MUTUAL PARTNERS---FOR THE FUTURE WELL-BEING OF OUR STATE AND OUR LOCAL COMMUNITIES, WE CAN FIND WORKABLE ACCEPTABLE SOLUTIONS TO OUR COMMON PROBLEM.

* * * * *



CITY OF KANSAS CITY, KANSAS

JOHN E. REARDON, MAYOR



EXECUTIVE CHAMBER
ONE CIVIC CENTER PLAZA

July 12, 1976

KANSAS CITY, KANSAS 66101
(913) 371-2000

SPECIAL COMMITTEE ON LOCAL GOVERNMENT

1. The biggest problem faced by Kansas City, Kansas, and by most other cities, is the financing of local government. People are tired of ever-increasing taxes. Yet inflation, an eroding tax base, and an expanded demand (by other government agencies and by citizens) for municipal services combine to put a severe squeeze on local government.
2. Some concrete examples of this:
 - A. The Area Transportation Authority: a City subsidy is required to provide minimal bus transportation.
 - B. Public Housing: Kansas City, Kansas, has provided approximately 2,000 units. These were paid for by federal funds, but the residents require the usual city services, such as police and fire protection, recreation, and, possibly, job training. Of the tax revenue needed to pay for these services, only 5.7% is paid to the city by the Housing Authority.
 - C. Police and Fire personnel have, through the Fraternal Order of Police and the International Association of Firefighters, bargained for a competitive wage and benefit package.
 - D. The Environmental Protection Agency now requires local government to treat all raw sewage before it is allowed to pass into the environment. The cost of constructing a plant, operating it and treating the sewage must be born principally by the City and the individual taxpayer.
 - E. The Police and Fire Departments must have their equipment expanded, maintained and replaced; this is necessary for them to do their jobs well and also, to maintain high insurance ratings. Inflation has greatly increased the cost of such equipment.
 - F. The building, improvement and maintenance of city streets requires many supplies and many trucks. The cost of such materials, and of fuel, has gone up.
 - G. Most state and federal programs mean additional paperwork and administrative manpower. This too, hikes the cost of supplies and salaries.



EXECUTIVE CHAMBER
ONE CIVIC CENTER PLAZA

CITY OF KANSAS CITY, KANSAS

JOHN E. REARDON, MAYOR



KANSAS CITY, KANSAS 66101
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SPECIAL COMMITTEE ON LOCAL GOVERNMENT

2. Some concrete examples, continued.
 - H. Annexation has increased the amount of land and people who need street lights, sewers, etc. The City must bear a large part of the cost of providing and installing these basic services.
 - I. Social Security (FICA) continues to go up, as does state unemployment insurance; the City, as an employer, must pay an increasing share of these taxes.

WELLINGTON

Electric Transfer

Year	Amount	% of General Fund Revenues
1970	\$171,840.00	33.27 %
1971	\$124,086.00	20.58 %
1972	\$101,007.79	18.90 %
1974	\$104,011.73	17.98 %
1975	\$127,820.82	20.82 %

Handwritten notes: No. 100 in road 100

ASSESSED VALUATIONS

1958	\$ 9,597,576.00
1965	9,233,706.00
1968	8,963,389.00
1969	10,591,433.00
1970	10,034,004.00
1971	9,495,146.00
1972	9,571,806.00
1973	11,333,030.00
1974	11,774,638.00
1975	11,988,188.00

General Fund Personal Services

Sample Years	Wages Without Fringe Benefits	General Fund Department Salaries Paid from Other Funds
1970	\$368,224.40	\$ 9,987.95
1973	\$395,844.80	\$64,799.26
1975	\$453,440.89	\$60,107.50

Year

Capital Outlay Expenditures From General Fund

1970	\$47,141.28
1972	\$31,659.18
1974	\$15,704.04 of which \$12,331.78 was Federal assistance,
1975	\$11,971.19 of which \$3,604.02 insurance for damages and \$2,530.00 was Federal assistance.

Year	General Fund Street Expenditures	Special Highway	Federal Revenue Sharing
1970	\$100,789.61	\$60,087.75	-0-
1975	\$ 53,190.26	\$63,834.82	\$27,236.29

Total expenditures for street improvements were cut \$16,615.99 from 1970 to 1975 while all prices have increased.

Year

Actual General Fund

General Fund Revenues From Property & LATRF Taxes Revenue %

Year	Revenue	Expenditures	Revenue	%
1970	\$676,033.51	\$526,009.31	\$126,865.79	18.77%
1971	\$602,798.29	\$505,572.98	\$100,385.15	21.63%
1972	\$534,476.91	\$504,126.14	\$137,677.35	25.76%
1974	\$561,815.63	\$525,205.15	\$152,620.95	27.17%
1975	\$613,989.89	\$586,218.89	\$162,325.99	26.43%

Attachment V

REMARKS BEFORE THE SPECIAL COMMITTEE ON LOCAL GOVERNMENT

JULY 13, 1976

I thank you for this opportunity to appear before this special committee and present a statement upon behalf of the Governing Body of the City of Hutchinson; while I represent only the City of Hutchinson, I believe that most of what I will say is representative of the problems faced and views held by most municipal representatives throughout the State of Kansas.

When the tax lid was imposed upon municipalities of the state, it was tacitly acknowledged by the Legislature that such an imposition without access to alternative revenues would work exceptional hardship upon the cities.

While it was apparently the consensus of the Legislature that property taxes were too high, it was apparent, also, that the Legislature at that time did not have the political fortitude to restructure the tax system so as to reduce the burden of property taxes and provide sufficient resources to perform the functions of local government. It was left to the local governing bodies to govern by crises. A few cities faced a crisis earlier than others and took advantage of a local, municipal, sales tax option. Others made a judgment that the crisis was not yet at hand and chose not to seek approval of the municipal sales tax option then available. That option was subsequently withdrawn by the Legislature.

We have heard the Governor repeatedly reiterate his position that local governmental units should solve their own problems. The Governor has also repeatedly refused to offer the means with which to solve our own problems.

We have tried to remove the tax lid and failed. We tried the unrealistic and unacceptable county-wide option and failed; in this we had no help from our County Commission nor from the smaller communities which would have benefited substantially from the County sales tax.

The cities of Kansas do face serious financial problems. We do not have the means of coping with the effects of inflation; while costs rise, income does not rise in proportion. I would ask you to consider that while state income tax revenues have increased by over 470% and sales tax revenues by nearly 200% in the last 10 years, the City of Hutchinson ad valorem tax revenues have increased 100% but the tax on a given \$1,000 value has increased by only 22% in the same 10 years.

You have asked for comparative costs over the past few years. I offer the following figures which I believe are representative of the effects of inflation upon most of our expenses.

The heat and lighting bill for our Sports Arena was \$8,071 in 1970 and \$13,524 in 1975; an increase of 67.5%.

In 1970 gasoline cost was 19.7¢ per gallon; it now cost 47¢ for regular and 49¢ for no lead - an increase of up to 150%.

Concrete which sold for \$19.15 in 1970 now costs \$23.05.

Our power bill for the Sewage Disposal Plant went from \$13,780 in 1970 to \$27,930 in 1976 - up 103%.

Our premium costs for fire and extended coverage have risen from \$12,360 in 1970 to \$18,500 in 1975 - up 50%.

Workmen's Compensation premium costs have risen from \$10,169 to \$32,896 in those same years - up 223%.

Our street lighting bill rose for \$106,000 in 1970 to \$131,500 in 1975.

In January, 1968 we established theoretically equitable salary rates; between that date and January 1976 the Consumer Price index rose by 63%. Most of our employees' salaries have not kept pace. Our largest numbers of employees are in the following categories -

While the C.P.I. has risen 63% since 1968 patrolmen salaries have risen 51%, firefighters by 47%, fire drivers and captains by 46%, police sergeants by 59%, equipment operators by 58%, utility servicement by 57%, clerk-stenographers by 60%. These are representative figures for all of our employees.

I have attached hereto a table of comparative salaries in Kansas cities having populations between 10,000 and 50,000 and Hutchinson pay scales. While Hutchinson is one of the largest cities in such range our salaries are relatively low.

If you will permit more numbers I would submit the following:

	<u>1970</u>	<u>Expenditures</u> <u>1976</u>	<u>%+</u>
Police Department	\$527,316	\$ 979,090	86%
Fire Department	\$595,444	\$1,070,720	80%
Animal Control	\$ 25,253	\$ 40,500	60%
Flood Control	\$ 52,019	\$ 98,055	88%
Central Shop Commodities	\$ 64,000	\$ 150,000	134%
Street:			
Signs and Markings	\$ 26,700	\$ 48,110	80%
Cleaning	\$ 42,907	\$ 63,576	48%
Resurfacing and Sealing	\$193,969	\$ 25,000	
Insurance Costs	\$ 74,636	\$ 216,348	190%

We have reduced our contribution to social service programs such as Day Care and Meals on Wheels; we have discontinued our efforts to add playground equipment; we have increased our engineering fees, our building inspection fees, our refuse collection, water and sewer rates, we have discontinued our street resurfacing program and cut back on our street sealing efforts; we have cut back on fogging of mosquitoes and on mowing of weeds. We have tried to tighten our belts and to cut out so-called non-essentials and we face serious problems; if Revenue Sharing is not continued we draw back in 1977 and start

laying off policemen and firemen in 1978; certainly no salary and wage improvements will be made in either 1977 or 1978.

I would ask you to take note that our activities funded by restricted revenues are among our most essential services; in the area of public safety and health. If we have to retrench, such will occur in the area of the police and fire departments.

Local units are responsible for providing those services which are closest to the people - police and fire protection, building and sanitation code enforcement, park and recreational facilities - sewer, water, refuse collection, maintenance of streets, street lighting - Citizens do demand services - Citizen committees in Hutchinson call for improved police and fire salaries, improved park maintenance, more recreational facilities, continuation of tree maintenance programs. Funds are not available to meet these demands.

I should like to emphasize that when I point out our fiscal problems I am talking about relatively few very important programs of the City. Our fiscal problems do not lie in the areas of water, sewer, refuse collections, airport, golf which are self supporting. Our street maintenance activities are funded primarily by gasoline taxes - Our debt service and pension obligations are funded by property taxes outside the tax lid.

Most of our expenditures from tax lid restricted funds are for police and fire protection - when we "tighten our belts" we lay off policemen and firemen. We are short-handed in these areas already.

There is no doubt in my mind that the cities of Kansas face grave fiscal problems. The cities have only those powers granted by the State Legislature; the legislature has imposed the restrictions upon local authorities which create the problems. It is the legislature's responsibility to grant the necessary authority or remove the restrictions.

The problem is state wide; the responsibility for addressing state wide problems lies with you; you have the authority to address the problem. Yours is the only agency having the resources to do the research, to correlate the information, to assess the effects of exercising various taxing options upon the State's economy. Abdicating your responsibilities and leaving the solutions to local units can only create inequities.

In order to avoid the inequities inherent in applying local solutions to state wide concerns we believe the legislature should develop the solution. We believe the solution must involve a form of state revenue sharing; that is, a sharing of the resources to which the state has ready access; a sharing in the resources which reflect the state of the economy; a sharing in the state income or sales tax revenues.

Whether the revenue shared comes from the state's general fund without an adjustment of tax rates; from an increase in the state's income or sales tax rates; from a sharing of inflationary impact upon state revenues or from passing on the state's federal revenue sharing funds is for you to determine.

We urge your careful and favorable consideration of the problems of your constituents who reside in our municipalities and who depend upon those municipalities for most of the every day services which most take for granted.

George W. Fyfe
City Manager

KANSAS CITIES 10,000 to 50,000

May, 1976 - Average Starting - Maximum Wages

Position	No Reprtg.	Starting		Maximum		Hutchinson Range
		Avg.	Med.	Avg.	Med.	
<u>Clerical</u>						
Sec'y-Steno	30	\$ 531	\$ 550	\$ 729	\$ 720	497 - 605
Clk-Typist II	26	482	485	629	621	473 - 598
Clk-Typist I	22	463	462	592	587	428 - 521
Clk-Cashier	26	479	477	624	599	450 - 548
Accountant	18	696	665	915	873	809 - 1081
Acc't Clk/Bkpr.	20	587	579	751	761	497 - 605
Machine Opr.	18	566	580	749	761	497 - 629
City Clerk	32	1,048	1,029	1,400	1,364	1380 - 1849
<u>Police</u>						
Chief	32	1,228	1,218	1,547	1,453	1081 - 1849
Captain	26	985	951	1,184	1,197	935 - 1192
Lieutenant	27	971	979	1,181	1,165	849 - 1081
Sergeant	29	853	807	1,052	1,021	807 - 1029
Patrolman	31	698	695	913	914	696 - 847
Dispatcher	28	608	585	789	775	573 - 725
Pkg. Mtr. Off.	19	509	481	629	610	450 - 548
<u>Fire</u>						
Chief	28	1,111	1,054	1,408	1,344	1081 - 1449
Asst. Chief	21	956	929	1,172	1,165	935 - 1192
Captain	27	820	806	1,009	990	789 - 946
Driver/Eng.	16	709	723	873	886	720 - 862
Fireman	29	658	655	832	845	688 - 825
Inspector	12	830	827	1,017	1,094	780 - 946

Public Works

Pub. Wks. Dir.	23	1,246	1,217	1,594	1,574	1136 - 1521
City Engineer	20	1,245	1,228	1,658	1,603	1521 - 2038
Street Supt.	28	878	916	1,168	1,175	891 - 1192
Sanitation Supt.	21	917	877	1,177	1,118	-
Bldg. Insp.	31	812	807	1,058	1,067	982 - 1315
Hvy. Eqp. Opr.	28	661	652	842	816	663 - 800
Truck Driver	18	593	588	757	754	547 - 728
Refuse Tk. Drv.	20	594	617	749	764	633 - 770
Refuse Coll.	18	528	537	674	672	574 - 673
Auto Mech.	31	677	686	867	837	633 - 885
Crew Foreman	26	714	720	886	915	665 - 839
Skilled Laborer	22	567	575	733	728	574 - 728
Laborer	28	528	515	676	671	497 - 659
Janitor/Cust.	22	510	509	651	650	473 - 693
Water Supt.	20	950	873	1,241	1,286	891 - 1192
Sewer Supt.	18	908	852	1,159	1,075	891 - 1192
Water & Sewer Supt.	14	1,058	1,003	1,366	1,200	-
Meter Reader	22	572	580	769	811	633 - 800
Sewer Plt. Opr.	26	618	620	815	815	633 - 891
Water Mtr. Repmri.	18	576	577	749	767	660 - 800

MEDICAL COVERAGE

Of all cities in Kansas, 73.8% pay full cost of medical premium for individual employees and 35.9% pay full cost of family coverage.

Of Kansas cities over 10,000 population, 81.8% pay full cost of individual coverage, 60.6% pay one-half or more of family coverage and 24.2% pay full cost of family coverage.

James
Attached XVI

COMMENTS ON ZONING STATUTES

It is my opinion that the zoning and planning statutes are generally adequate. We have disagreed with the recent changes in the laws regarding annexation but since these changes were made after the extensive annexation taken by Kansas City, Kansas, they have no immediate effect.

One area that we feel should receive some attention is the amortization of legal non-conforming uses. Such amortization is not specifically allowed with regard to city zoning functions, but apparently does exist for counties.

Also to be addressed we feel it is the ability of a City to refuse to allow development in areas where services do not exist or cannot be reasonably extended due to excessive costs. Generally, this issue has been addressed in other states through the courts ^{RATHER THAN} and in the legislature. We do, however, feel that the legislature could take action.

Finally, there is a more general and perhaps more important issue that we feel will need to be addressed eventually. This issue deals with the relationship between city development patterns and costs of services. We believe that if energy costs increase and if population characteristics continue to change that on the one hand the most important task confronting the City is how it can order its physical environment so people can afford to live there and on the other hand how can it make this environment sufficiently appealing so that people will want to live there. When one considers these two aspects, the relationships between land uses become exceedingly important. The classic concepts of zoning with rigid segregation of uses is obviously inconsistent with an environment that is efficient from the standpoint of minimizing transportation costs. For this purpose, a mixture of uses with places of work, play, and shopping being close to one another is required. Our current concept

of zoning and to some degree our current zoning laws do not lend themselves to this kind of flexibility. It is a difficult area to be dealt with and one that at the present time we do not have the answers for, but it is one that obviously will need to be dealt with in the future.

Robert J. Leanna
Director of Planning and Development

Attaching # VII



TOPEKA-SHAWNEE COUNTY METROPOLITAN PLANNING COMMISSION
COURTHOUSE • ROOM 209 • 357-1241 • EXT. 412 • TOPEKA, KANSAS 66603

July 13, 1976

Special Committee On Local Government
Attention: Mr. Mike Heim

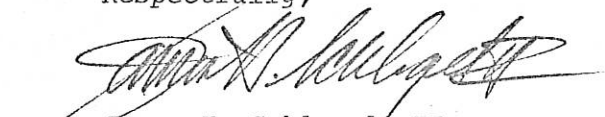
Re: Proposal #38 - Planning & Zoning

I would like to urge the Committee to give consideration to the revision of Kansas Statutes whereby the Planning and Zoning Laws for a Metropolitan Area would be consistent and uniform for the entire jurisdiction. For example, in Shawnee County there are three (3) separate Planning and Zoning Statutes applicable: KSA 12-701 et. seq.; KSA 19-2914 et. seq.; KSA 19-2927-2937. Although there are no basic conflicts among these provisions, there are, in my opinion, certain inconsistencies which could be changed to provide for uniformity and more efficient administration thereof.

I would further suggest that the Committee give consideration to the definition of the term "agricultural purposes". Since strictly agricultural uses are exempt from regulations, we have encountered certain problems in applying our regulations in such instances where the use is indicated to be agricultural.

There are, of course, other provisions which could be pointed out which lead to conflicting interpretations, however I would suggest and urge the adoption of a single Planning & Zoning Act applicable to a Metropolitan Area rather than continue with the present statutes.

Respectfully,


James H. Schlegel, II
Planning Director

JHS:pe

Attachment VIII

WICHITA - SEDGWICK COUNTY



July 8, 1976

METROPOLITAN AREA PLANNING
DEPARTMENT

CITY HALL — TENTH FLOOR
455 NORTH MAIN STREET
WICHITA, KANSAS 67202
(316) 266-4561

Mr. Mike Heim
Principal Analyst
Legislative Research Department
Room 551-N, Statehouse
Topeka, Kansas 66612

Dear Mr. Heim:

Please thank the Special Committee on Local Government for inviting me to speak to them on current laws relating to planning and zoning. As you know, I have appeared before similar committees in the past and many of my thoughts have been incorporated in Senate bills 58 and 59. Certainly, I don't think that everything was included, but a reasonable approach to "cleaning up" the existing law. I am not certain what particular problems those two bills ran into during the legislative sessions, but some of them, such as the governing bodies becoming the prime client for the planning process instead of planning commissions, is simply a political issue as far as I am concerned. The merits of the argument still, I believe, are as substantially in favor of those that stand at elections being responsible for the final plan adoption of any given jurisdiction.

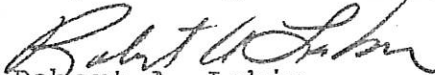
It has been the position of earlier committees that only a clean up of existing law should be attempted at this time and I have attempted in previous sessions to gear my suggestions to that end. However, I did note in earlier testimony that The American Law Institute was developing a model land development code. That code is now complete and has been published, with a complete text and commentary of the official draft dated April 15, 1975. I am attaching a copy of this code for your review and so that you may report to the Committee your assessment of its content. There is no question that it is complex. It is not only complex, but will change in a substantive way the approach to planning and zoning if these suggested legislative changes come to pass in any given jurisdiction. The primacy of having a plan in existence before regulating comes in for serious discussion in the new code. This follows, incidentally, to some degree, what is happening in the courts in California through the overthrow of zoning regulations without having an appropriate and effective comprehensive plan adopted as a condition precedent to zoning. The code, in terms of land development,

Page 2 - Mr. Mike Heim
July 8, 1976

also goes beyond the traditional concepts of zoning and subdivision, but also builds on the role of the state in the land development process, regional impacts, the relation of local activity to regional and state development planning process, authorities relative to the acquisition and disposition of land, and land banking. The material contained within the code is of such substantive nature that it will take certainly several months, if not years, of detailed and hard study before proceeding with any of its recommendations. However, The American Law Institute seems to have a way of developing typical standard codes which find their ways into most state legislatures, with the result that they become standard law. As I understand, the State of Kansas has already adopted several of The American Law Institute model codes. Thus, I believe it is only a matter of time as to whether or not the State of Kansas will be seriously considering the contents of this model code.

Because it will affect land values, legislative attitudes, both at the state and local levels, relative to land development, professional views of the architects, real estate, planning, and legal areas, I would suggest that the Committee may want to consider the structuring of a technical ad hoc committee composed of people from the various land development related professions - law, real estate, architecture, and planning - to review this model land development code in depth, assess its impact and applicability to the State of Kansas and report back to the Legislature in some reasonable period of time - 12 or 18 months. At that point in time, then the Legislature could determine whether or not it wished to proceed with the development of a code for Kansas based on the model code, or to settle for these interim band-aid proposals that we have been applying to Kansas planning and zoning law for the last ten or fifteen years. Please don't misinterpret the band-aid approach. If there are problems that are creating difficulties for local and state government in terms of current operations, we certainly should correct those, and as expeditiously as possible. However, I believe the time is at hand to start looking seriously at The American Law Institute's new work.

Respectfully submitted,


Robert A. Lakin
Director of Planning

RAL:ber

Enclosure

cc: John Dekker, Director of Law