

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by BILL BUNTEN at
Chairperson

1:30 ~~am~~/~~xxx~~ p.m. on Tuesday, February 22,, 1983 in room 514-S of the Capitol.

All members were present except:

Committee staff present: Marlin Rein -- Legislative Research
Lyn Entrikin-Goering -- Legislative Research
Bill Gilmore -- Legislative Research
Jim Wilson -- Office of the Revisor
LewJene Schneider -- Administrative Assistant
Charlene Wilson -- Committee Secretary

Conferees appearing before the committee:

Rep. Ruth Luzzati on HB 2362
Wayne Zimmerman, Electric Company Association
Harold Shoaf, Kansas Electrical Cooperative
Don Willoughby, Peoples Natural Gas Co.
Lee Rowe, State Advisory Council on Aging
Hattie Norman, private citizen
Hal Leonard, private citizen
Rep. David Heinemann on HB 2374
Rep. Vic Miller on HB 2387
Mark Tallman, Executive Director of A.S.K.
Bob Kelly, Independent College Association
Tom Akins, Student Advisory Committee to the Board of Regents
Rep. Bill Reardon on HB 2430
Dennis Shockley, Director of Federal and State Affairs for the
City of Kansas City, Kansas
John Koepke, Kansas Association of School Boards
Fred Allen, Kansas Association of Counties
Jim Kelp, Kansas League of Municipalities

Others present: (Attachment I)

The meeting was called to order by Chairman Buntten at 1:40 p.m.

House Bill No. 2387 -- "An Act concerning a program for employment and training for students at certain postsecondary educational institutions; prescribing powers, duties and functions for the state board of regents."

The Chairman recognized Representative Vic Miller to review the provisions of HB2387. Rep. Miller indicated that Mr. Mark Tallman had an extensive statement on HB 2387 and referred to Mr. Tallman for this statement. He appeared in support of HB 2387 and read from written testimony. (Attachment II). Representative Solbach questioned what the basis of the 50% match of funds was based on and if the possibility might exist that a lesser amount would be sufficient for the match of funds. Mr. Tallman indicated that several other states use the 50% match and it works well. He further stated that possibly a less than 50% match would be sufficient. Marlin Rein asked if this bill is the legislation that addresses the \$700,000.00 proposal by the Governor. Mr. Tallman indicated that they had submitted this idea to the Governor before his recommendation was made, therefore, it is not from him directly.

Representative Wisdom expressed some concern over the fact that possibly a situation may arise where people would be laid off in order to hire a student at the minimum wage rate. Mr. Tallman indicated that they would suggest that if any employer wishes to participate in this program that they would have to make application stating that they would be creating a new position that would be of a somewhat educational nature. It should be stated that the job be in the area of the student's course of study, for the student applying for such a job.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,

room 514-S, Statehouse, at 1:30 ~~xxx~~ p.m. on Tuesday, February 22, 1983.

Mr. Bob Kelly appeared next in support of HB 2387. He read from written testimony. Copies were not made available for the committee. Mech
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Tom Akins was called upon by the Chairman to appear in support of HB2387. He read from written testimony. (Attachment IV).

Chairman Bunten asked if any statistics exist with regard to how many students must pay their own tuition and fees. Mr. Akins stated that he was not aware of any figures on this.

Representative Farrar questioned the 8% cut that was felt last year in this program. He further stated that he wasn't aware of anyone who lost a job due to the cut. Mr. Akins stated that when the institutions had to make up their 4% cuts, they gathered that cut from various areas and student wages was one of the first areas to be cut, therefore, they felt an 8% decrease from what had been available.

House Bill No. 2374 -- "An Act authorizing the establishment of imprest funds to provide advance payments for reimbursable expenses to be incurred by a sheriff or sheriff's deputies in the performance of official duties."

Representative Heinemann was called upon to review the provisions of this bill for the committee. No conferees were present to testify on this bill.

House Bill No. 2362 -- "An Act establishing the office of the public advocate of Kansas; providing for administration thereof; imposing certain powers, duties and functions upon the public advocate."

Representative Luzzati review the provisions of this bill. She also distributed a copy of an amendment that would remove section 2 from HB 2362. (Attachment V).

Lee Rowe was called upon to appear in support of HB 2362. She read from written testimony. (Attachment VI).

Hattie Norman appeared in support of this bill. She was speaking as a private citizen and urged the committee to pass this bill.

Mr. Hal Leonard appeared as a private citizen representing the S.E. section of Kansas. He stated that if properly funded, the Office of the Public Advocacy could fill the need of appearing on behalf of the elderly concerning utility rates.

Mr. Wayne Zimmerman appeared in opposition to HB 2362. They feel that this bill only provides for a duplication of services that would result in delay of the costs involved.

Mr. Harold Shoaf appeared in opposition to HB 2362. He read from written testimony. (Attachment VII).

Mr. Don Willoughby spoke in opposition to HB 2362. Contents of his testimony was taken from Attachment VIII.

House Bill No. 2430 -- "An Act relating to political and taxing subdivisions of the state; concerning programs mandated by the state and the financing of the costs incurred thereby."

Representative Reardon was called upon by Chairman Bunten to review the provisions of this bill. He indicated that there is one aspect missing from the bill. That is the method of determining costs. He further stated that it was left out of the bill with the understanding that before it were to ever become law there would have to be some type of spelling out as to how costs would be determined.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,

room 514-S, Statehouse, at 1:30 ~~xxx~~/p.m. on Tuesday, February 22, 1983, 19 .

Mr. Dennis Shockley appeared in support of HB 2430. His statements were made with reference to Attachment IX.

Mr. Shockley stated that they are asking the state to pass a law, before they shall mandate a program for an increased level of services upon local units of government, that will provide the wherewithall to perform that additional service or create the new program. He concluded his testimony by saying that they feel this bill was born out of a sense of fairness, a sense of reasonableness and a sense of equity.

John Koepke appeared in support of HB 2430. He stated that from their standpoint in local Boards of Education, all this bill does is implement what has been the basic policy of this legislature for the past four or five years. He expressed appreciation for what the legislature has done for school boards in recent years.

Mr. Fred Allen appeared in opposition to HB 2430. He referred to the County Platform, Item 15, as the basis for his statement. (Attachment X).

Mr. Jim Kelp appeared in support of HB 2430.

The Chairman turned to final action on the following bills:

House Bill No. 2374 -- "An Act authorizing the establishment of imprest funds to provide advance payments for reimbursable expenses to be incurred by a sheriff or sheriff's deputies in the performance of official duties."

Representative Duncan moved that the bill be reported favorably for passage. Representative Chronister seconded the motion. Motion carried.

House Bill No. 2332 -- "An Act concerning student residency requirements for educational institutions under the state board of regents; amending K.S.A. 76-729 and repealing the existing section."

Representative Luzzati stated that she is in total opposition to this bill because it is her feeling that this bill sets up a new category that could have some bad effects in the future. She stated that it could appear that we are transmitting a message to the foreign students that Kansas really doesn't want to transmit. It might persuade people not to send their young people to be educated in Kansas. Representative Wisdom moved that HB 2332 be reported favorably for passage. Representative Mainey seconded. Motion carried.

The Chairman turned to consideration of subcommittee reports.

House Bill No. 2140, Section 16, STATE TREASURER FY84.

Representative Duncan reported on this section. The subcommittee concurs with the Governor's FY83 recommendation with some adjustments. The subcommittee also concurs with the Governor's recommendation for FY84 with some adjustments. Representative Duncan moved that the subcommittee report be adopted. Seconded by Representative Shriver. Motion carried. (Attachment XI).

House Bill No. 2140, Section 7, GOVERNOR'S DEPARTMENT FY84.

Representative Lowther reported on this section. The subcommittee concurs with the Governor's recommendation with one exception. Representative Lowther moved that the subcommittee report be adopted. Seconded by Representative Teagarden. Motion carried. (Attachment XII).

House Bill No. 2140, Section 12, LIEUTENANT GOVERNOR FY84.

Representative Lowther reported on this section. The subcommittee concurs with the Governor's recommendation with one exception. Representative Lowther moved that the subcommittee report be adopted. Seconded by Representative Teagarden. Motion carried. (Attachment XIII).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS,
room 514-S, Statehouse, at 1:30 ~~XXX~~ p.m. on Tuesday, February 22, 19 83

The Chairman indicated that the committee would recess until 5:00 p.m.

The committee resumed consideration of subcommittee reports at 5:05 p.m.

House Bill No. 2140, Section 2, SECRETARY OF STATE, FY83
Representative Arbuthnot reported on this section. The subcommittee concurs with the Governor's FY83 recommendation. Representative Arbuthnot moved that the subcommittee report be adopted. Seconded by Chairman Buntun. Motion carried. (Attachment XIV).

House Bill No. 2140, Section 14, SECRETARY OF STATE FY84.
Representative Arbuthnot reported on this section. The subcommittee concurs with the Governor's FY84 recommendations with some exceptions. Representative Arbuthnot moved the subcommittee report be adopted. Seconded by Representative Hamm. Motion carried. (Attachment XV).

Representative Arbuthnot brought to the attention of the committee a bill which Ways and Means has been requested to introduce via a request from the Secretary of State's Office. This bill would allow the Secretary of State's Office to charge for photostatic copies upon requests of such copies. Representative Arbuthnot moved that this bill be introduced and referred to the Committee of the Whole. Representative Wisdom seconded. Motion carried. (Attachment XVI).

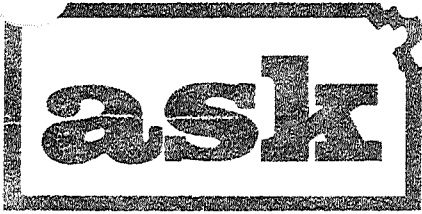
House Bill 2140, Section 3, ATTORNEY GENERAL FY84.
Representative Lowther reported on this section. The subcommittee concurs with the recommendations of the Governor with some exceptions. Representative Lowther moved that the subcommittee report be adopted. Representative Hoy seconded. Motion carried. (Attachment XVII).

House Bill 2140, Section 10, INSURANCE DEPARTMENT FY84.
Representative Duncan reported on this section. The subcommittee concurs with the Governor's recommendations with some adjustments. Representative Duncan moved that the subcommittee report be adopted. Representative Shriver seconded. Motion carried. (Attachment XVIII).

The Chairman asked for a motion on the minutes of February 14, 15, 16 and 17. Representative Holderman moved that the minutes be approved as written. Seconded by Representative Hoy. Motion carried.

The meeting was adjourned at 5:35 p.m.

NAME	ADDRESS	REPRESENTING
1. Cynthia K Jones	Topeka	Speakers office
2. Amy Carter	Topeka	Hansley
3. David B. Hall	Topeka	Rep. Vic Miller
4. Johann Klesath	Topeka	KAPE
5. Bob Kelly	Topeka	Ko. Independent College Assn.
6. Brian Thomson	Lawrence	Leg. intern
7. Harold Shoaf	Topeka	KEC
8. Fred Allen	Topeka	KAC
9. Warren A. Bird	Lawrence	A.S.K.
10. Patrick Levy	Lawrence	A.S.K.
11. Jeff Russell	TOPIKA	UNITED Tel.
12. John Dwyer	Topeka	KASB
13. John Lawrence	Lawrence	A.S.K. - KU
14. Loren Busby	Lawrence	Lugoff
15. Jani Becher	Lawrence	Intern - Governor's Office
16. Jan Funk	Lawrence	intern - AG's office
17. Kathleen Farrell	Topeka	Washburn Univ.
18. Mena Pulliam	K C Jgo Co	United Comen. Services
19. Katherine Champlin	Shawnee	UCS - Jgo Co
20.		
21.	(5:00)	
22.		
23.		
24.		
25.		



ASSOCIATED STUDENTS OF KANSAS

1700 College
Topeka, Kansas 66621
(913) 354-1394

Statement by

MARK TALLMAN

ASSOCIATED STUDENTS OF KANSAS
(ASK)

Before the

HOUSE WAYS & MEANS COMMITTEE

on

HB 2387

An Act concerning a program for employment and training for students at certain postsecondary educational institutions; prescribing powers, duties and functions for the state board of regents.

February 22, 1983

Representing the Students of:

Emporia State • Fort Hays State • Kansas State • Pittsburg State • University of Kansas • Washburn University • Wichita State

ALC h. II

Introductory Remarks

Mr. Chairman, members of the House Ways and Means Committee, my name is Mark Tallman and I am executive director of the Associated Students of Kansas, representing the students of the public universities in Kansas. I am here to speak in favor of House Bill 2387.

Background

To begin with, we would like to thank Rep. Vic Miller for having HB 2387 drafted and introduced. The bill was developed from an ASK proposal that is included in the program we have distributed to members of the Legislature. You can refer to that program for more information on our proposal.

Student interest in a state work-study program grew out of last spring's decision by the Board of Regents to raise tuition 20%, effective next fall. (Fall semester, 1983) Our concern was not only with that particular increase, but also with the rationale by which tuition is set, and its implications on public higher education. As the committee is aware, tuition is pegged to the so-called "cost of education," defined as the cost of the general educational program, excluding organized research, extension services, auxiliary enterprises, and capital improvements. On a system-wide, multi-year average, student fees are supposed to generate 25% of that cost. The fact that tuition levels have not kept pace with that ratio has, we believe, two implications. First, students have faced fairly sharp increases in fees in recent years to "catch-up" somewhat. You might recall the tuition increase that was nearly mandated by the legislature several years ago. The fee/cost ratio is still below 25%, and future increases are probably inevitable. Second, however, we think the Regents have been reluctant to boost tuition as sharply as they would need to in order to meet the ratio because of concern over the ability of the public to tolerate or absorb sharply higher costs.

Although we hope to discuss the tuition situation in more depth when you consider the entire Regents' system budget, we would offer these comments. First, we view tuition as a "user fee" paid by students for a public services, not as the pricetag for a product on the marketplace. Second, the current tuition policy is highly regressive. State support offers a higher education at a cost easily accessible to the higher income groups and relatively accessible to middle income groups. But tuition levels set a hundreds of dollars a semester, when combined with other college costs, may well be beyond the reach of lower income groups.

Kansas tuition is almost always referred to as a "bargain," but that misses the point. An \$800 suit marked down to \$600 may be a bargain, but it is still beyond the reach of many citizens. Tuition in Kansas may be a bargain relative to private universities or even public schools in some other states, but that does not mean that our universities are accessible to all qualified citizens.

Faced with this problem, student leaders debated a great deal about what policy to support, trying to strike an appropriate balance between the need to maintain quality programs, the limitations of state resources, and the financial accessibility to students being served. The position finally adopted was this: tuition increases under the fee/cost ratio are appropriate, but only if the state at the same time increases its commitment to student financial aid. The work-study proposal was developed as way to do just that.

The Need

In order to demonstrate the need for this program, we have collected information on the cost of a student's education and on sources of financial aid. Several informational charts follow the body of this statement. Chart No.1 shows the increases in tuition at the regional universities, represented by the bottom line, and the major universities, represented by the top line, since fiscal 1979.

Note the increases over this period, and the projected increase for next year.

(Source: Board of Regents' office.)

Chart 2 attempts to show the increases in the total cost of a student's education. This figure is the estimated minimum cost of a resident, dependent student living on campus at Kansas State. These figures were prepared by the KSU financial aid office to calculate financial need. As you can see, this figure has risen sharply. We have also provided the level of the maximum Guaranteed Student Loans available to student in a year, which has remained unchanged and now accounts for barely half of total costs. (Incidentally, although a student may borrow up to that level, he or she actually receives less. A 5% "origination fee" is taken off the top and returned to the program, and KSU has recently adopted a \$10 application fee for borrowers under the program.) We also show the maximum Pell, or Basic, Grant. The bottom line shows the actual maximum grant made at KSU. The line above it shows the national maximum. The dotted line shows the combined maximum available to students under the two largest federal student aid programs at KSU. As you can see, they have not kept pace with educational costs. (Source: KSU Financial Aid Office.)

Chart 3 shows total federal appropriations for federal campus-based programs at the state universities. (These are the National Direct Student Loans program, the College Work-Study Program, and the Supplemental Educational Opportunity Grant Program.) As you can see, appropriations have dropped dramatically; in particular, note the funding of the federal work-study program. (Source: Board of Regents Student Assistance Section, 1981-82 Annual Report.)

Chart 4 shows the decline in the State Scholarship program, reflecting declining federal appropriation under the State Student Incentive Grant program, and cuts in state support.

Finally, Chart 5 shows increases in student salary appropriations. Here again, after growth in the first part of this period, spending has leveled off because of the allotment cuts and Gov. Carlin's proposed recissions. (Source: Board of Regents' office.)

With rising costs of education and declining financial aid, students and their families face these choices: find more work off-campus, go deeper into debt, or dig deeper into their own pockets. None of these options are very viable to hard-pressed Kansas families already suffering from high unemployment and a depressed economy.

The need is clear: increased financial aid should be provided. We believe the most appropriate program would be to provide jobs; HB 2387 is such a program.

The Program

HB 2387 would provide a statutory basis for the \$700,000 work-study program recommended by the Governor. It would have these major elements.

First, it would be administered by the Board of Regents, but would provide assistance to students at public universities, private colleges and community colleges, as is the State Scholarship Program.

Second, it provides funds for student jobs in three categories: on-campus, public and non-profit agencies, and private employers.

Third, these employers could receive matching funds to pay wages for jobs in a student's area of study. Students would receive at least minimum wage. The employer would receive matching funds for wages paid up to the student's college-expense financial need.

Fourth, state dollars would be stretched by the matching requirement. At private and community colleges, and at public and non-profit agencies, the program would pay 80% of the hourly minimum wage. At private employers, the program

would pay 50% of the minimum. At the state universities, the program would pay 100% because any institutional match would be made with state dollars anyway.

Fifth, the program will contribute its portion of wages paid only up to 20 hours per week during the school year, 40 hours per week during vacation periods, and, as I mentioned above, only up to the student's financial need.

Sixth, the distribution of an institution's allotment and the placement of participating students would be handled by the school's financial aid office.

Hopefully this provides an adequate explanation of the mechanics of the program. Let us look at some of the benefits it would provide.

Benefits

1. The Program would increase student employment at a time when this is very important.

It should not be necessary to repeat the details of the decline in financial aid resources relative to a student's educational costs. We believe such a work-study program is a fitting state initiative. Attached to this statement is an article from the Chronicle of Higher Education, which notes that most states are planning to increase spending for student aid. Kansas is one of the few states which is not. Note also that several states have launched work-study programs, while many others are considering such a move.

2. The Program would provide a less expensive labor source for the institution

As with regular student salaries, money spent on this program would not be given away, but paid to students who have earned it through jobs that would need to be done anyway. This may be especially true at the state universities if budget cuts force reductions in classified staff. Students could pick up some of this work at a lower cost to the state.

3. The Program would provide a less expensive labor source for public and non-profit agencies.

At a time of pinched budgets in many public agencies, and as federal spending cuts and a poor economy hinder non-profit groups, this program could provide needed, semi-skilled student workers at a much lower cost. Agencies that could benefit include libraries, museums, research and charitable groups, and many others.

4. The Program would provide a less expensive labor source for private employers.

It is our hope that a lower labor cost for student wages would encourage more employment. The state's match would insure that the student receives at least the minimum wage.

5. The Program would provide "on-the-job training" for students in their area of study.

An important benefit of the program in addition to increased student aid, is the practical experience students would receive. Such experience could include business and accounting, computers and communications, plant and animal sciences, advertizing, social work, engineering, and many other areas--as many as their are professions.

6. The Program would allow employers to promote study in their fields.

By participating in the program, employers would be increasing the financial aid, and hence the incentive to study, for a particular area. This would allow businesses to encourage the development of an appropriately skilled labor force.

7. The Program would ease unemployment generally.

Although the benefits of this program are obviously targetted to student workers, the program would create new jobs and lessen the competition for other part-time and even full-time positions throughout the economy.

Conclusion

We would suggest only one change as the bill is printed. In Section 2, subsection (b), student eligibility is limited to those eligible for the federal work-study program. This may be unnecessarily restrictive. Because positions are required to be awarded on the basis of need by Section 4, subsection (a), we suggest that the committee may wish to amend Section 2 (b) to read " 'Eligible student' means a student enrolled and in good standing at a postsecondary educational institution as defined in subsection (e)."

In summary, we believe HB 2387 is an highly cost-effective method of achieving a number of benefits. It helps the young person working his or her way through school. It helps the older student, seeking re-training or additional education to adjust to a changing economy. It helps the family struggling to give their children a college education. It helps colleges, public and non-profit agencies. It helps private employers. It improves the quality of the state labor force, and eases unemployment.

We strongly urge you to approve this bill.

Thank you. I will be happy to answer any questions.

CHART 1

Tuition at State Universities

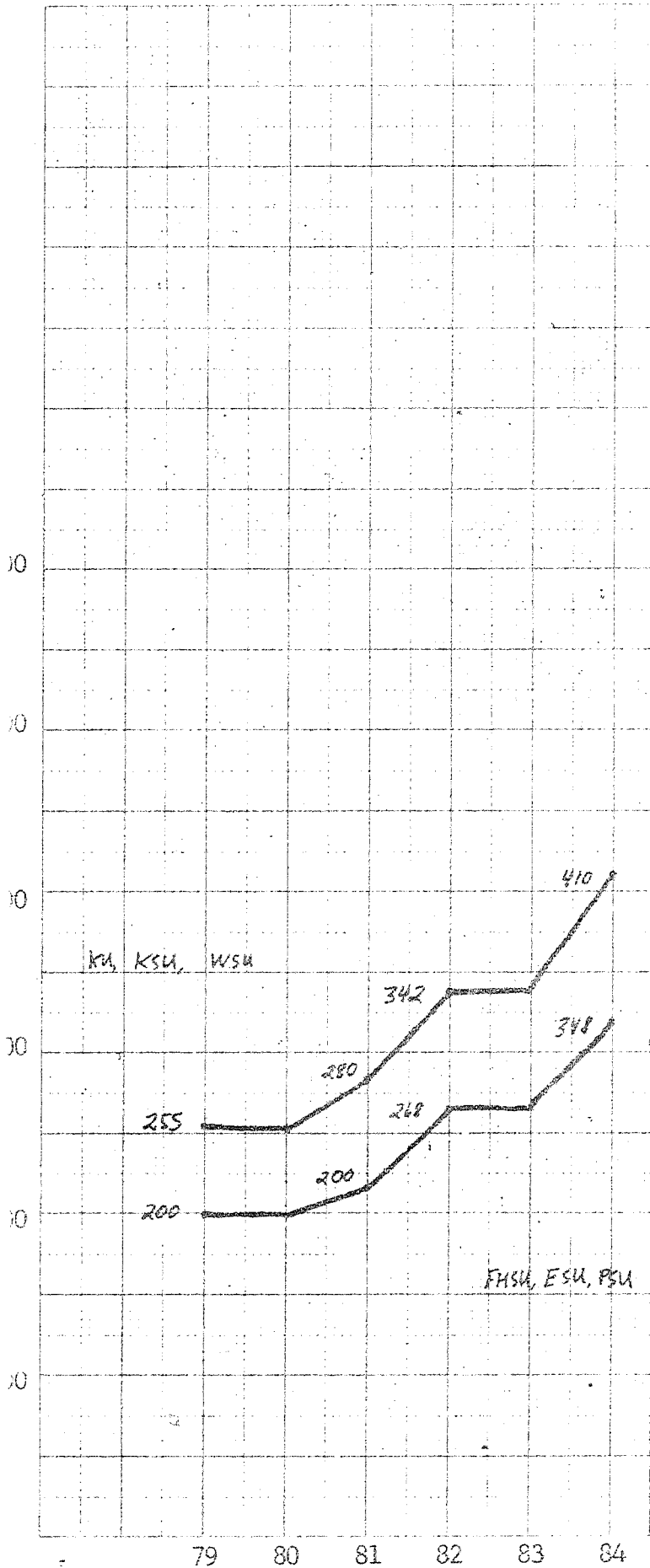


CHART 2

Total Educational Costs, Maximum Loans and Grants

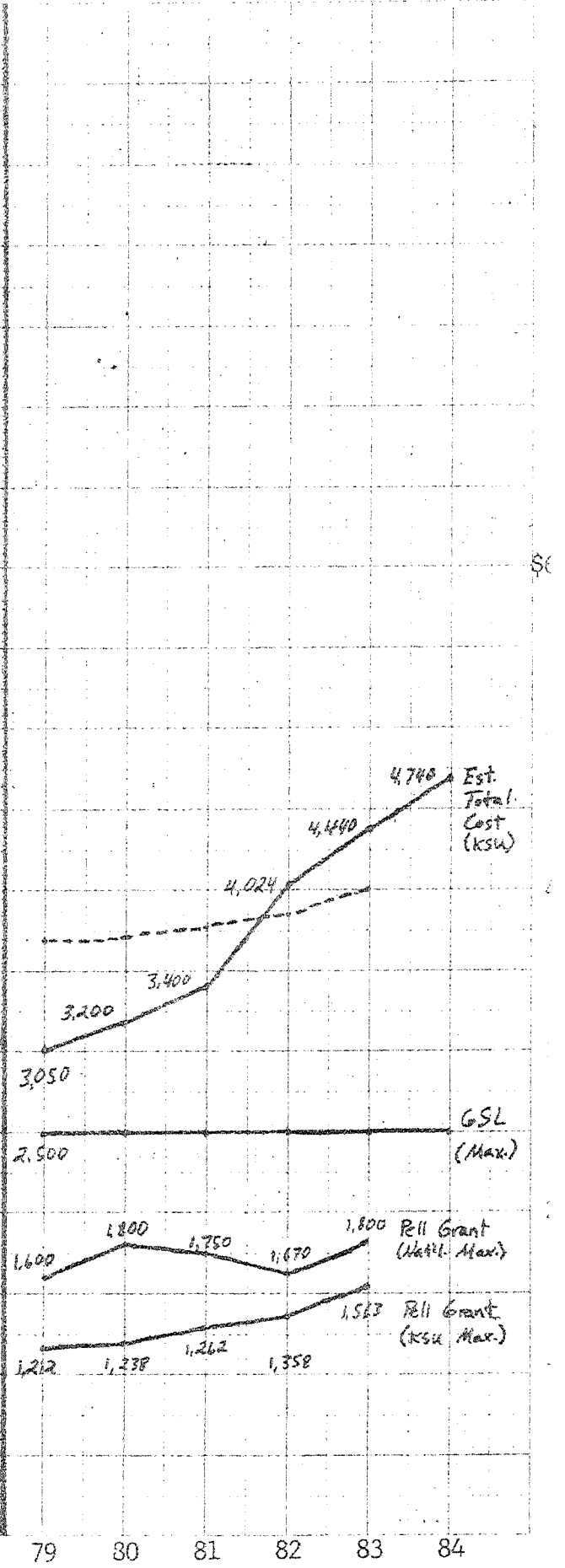


CHART 3
Federal Appropriations, Campus-based
(State Universities only)

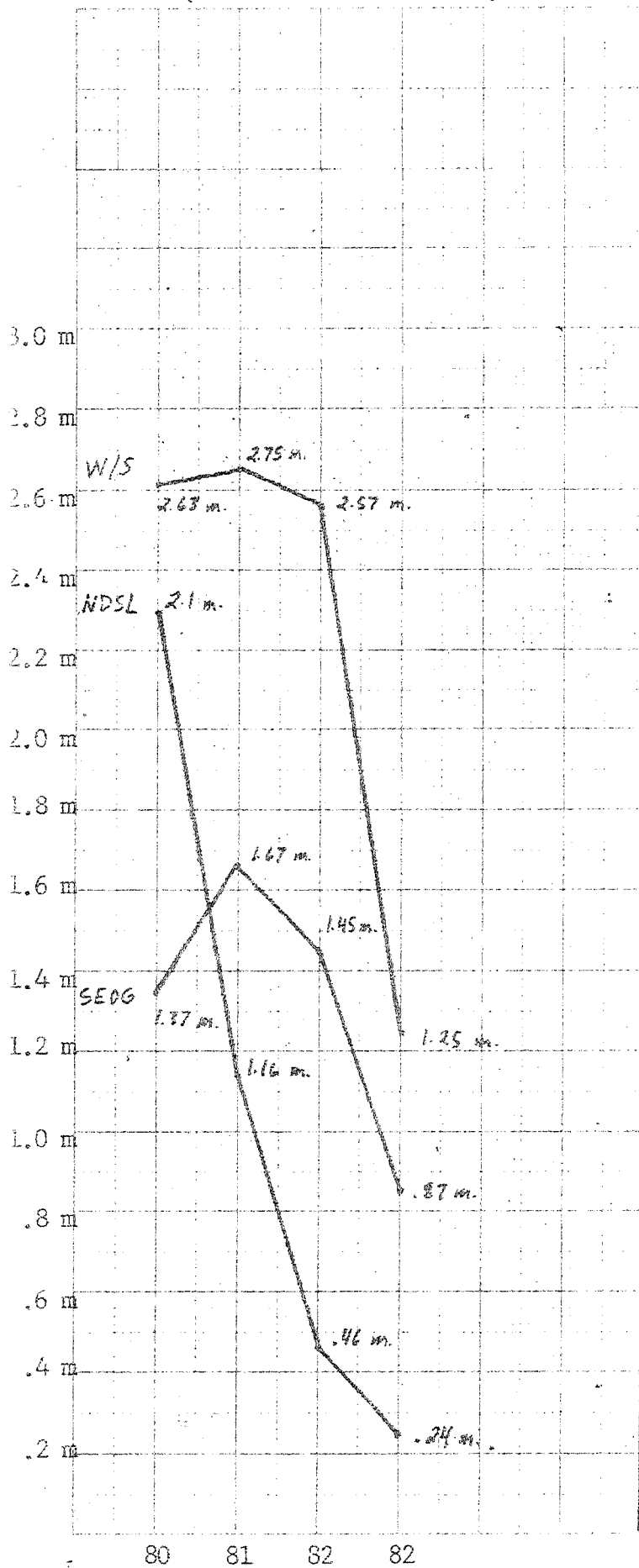


CHART 4
State Scholarship Program
(Total Awards)

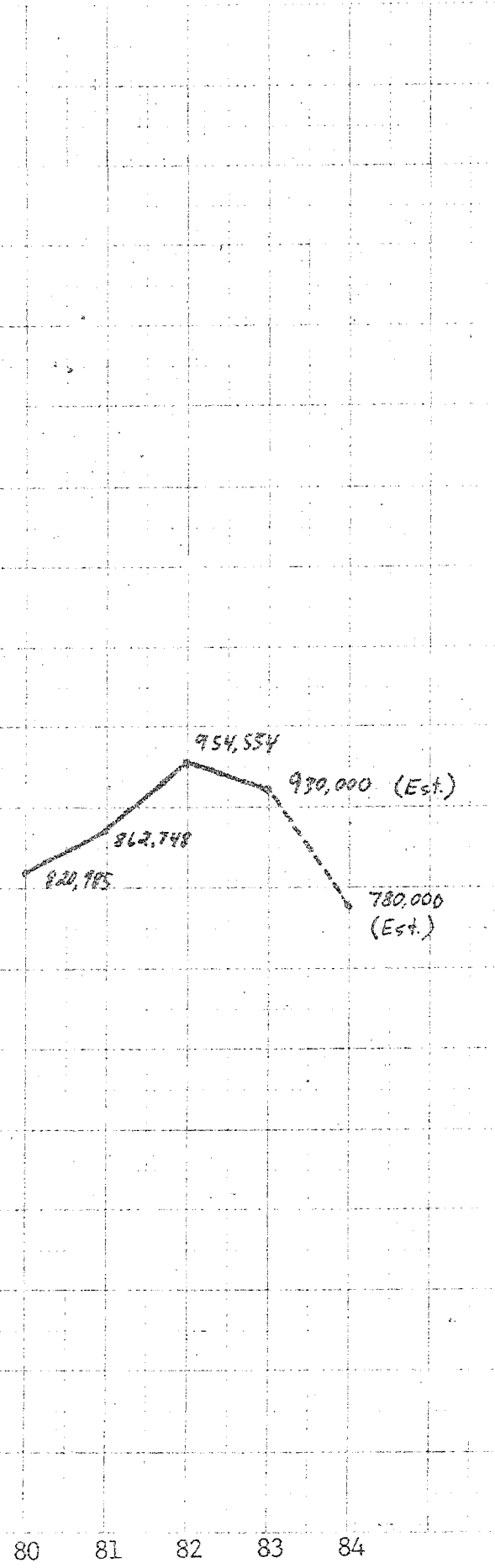
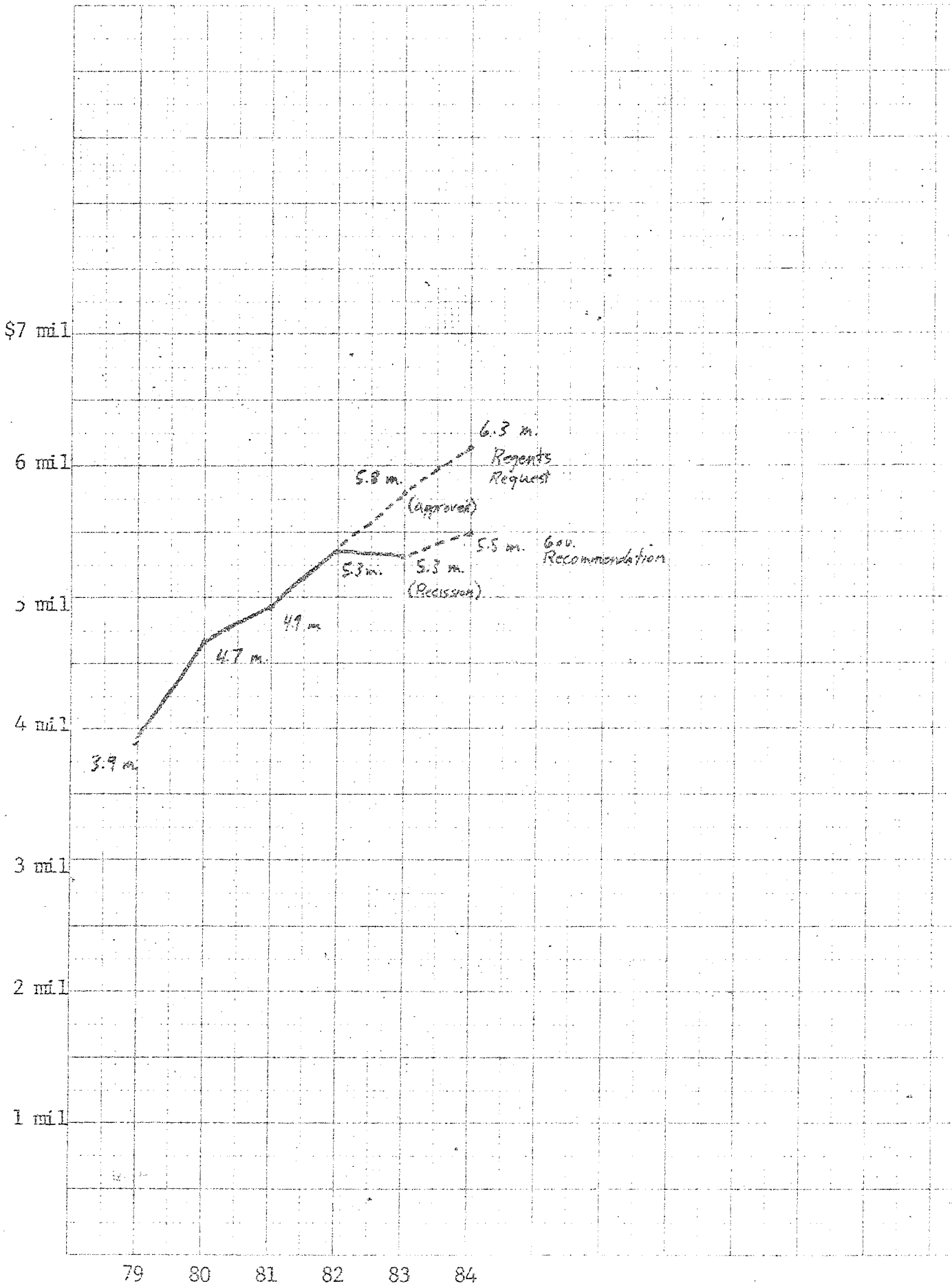


CHART 5
Student Salaries, State Universities

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UNIVERSITY OF WASHINGTON, TACOMA, WASH. 98065



Student Aid from States Expected to Jump 10 Pct. This Year

By JANET HOOK

State spending for grants to needy college students is expected to increase by almost 10 per cent this year—the largest increase since 1978-79—according to a survey by the National Association of State Scholarship and Grant Programs.

The survey also found that a growing number of states have responded in the past year to expected reductions in federal student assistance by proposing or setting up new loan, work-study, and grant programs.

Eased on its annual survey of state scholarship programs, the association estimates that state expenditures for grants to undergraduates will increase 9.9 per cent—from \$890.6-million last year to \$978.5 million in 1982-83.

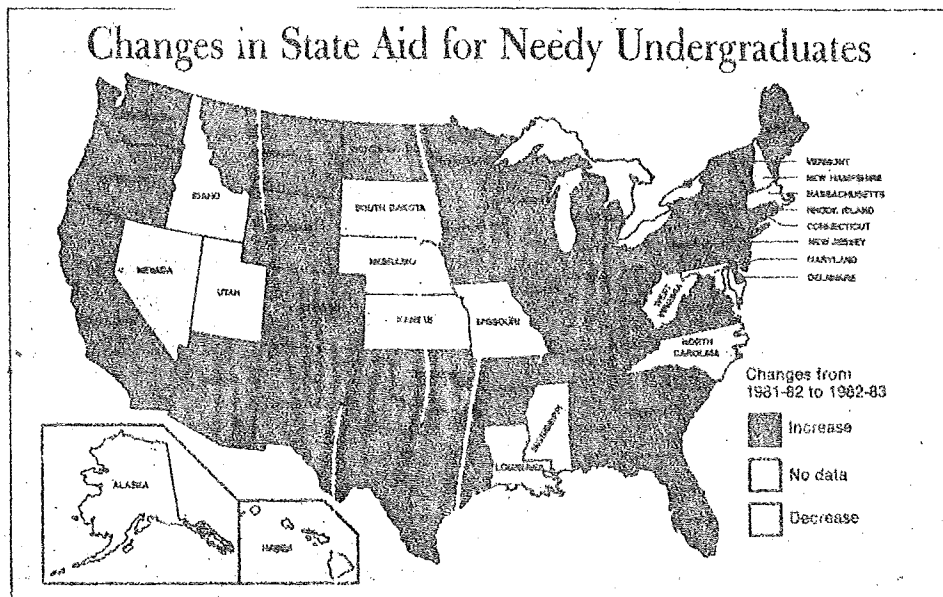
One author of the report on the survey noted that, because the survey is based on preliminary estimates, actual spending this year may fall short of the projected total.

The increase in state spending this year is expected to be coupled with a 3.8-per cent increase in the number of undergraduates receiving grants—from 1.21 million last year to 1.256 million in 1982-83.

While state student aid is expected to increase nationwide, 12 states said spending for their scholarship programs would be reduced this year. Thirty-four states expect increases, and information was not available for four states.

Much of the growth is concentrated in states with large programs, said the report on the survey by Kenneth R. Keeher, executive director of the Pennsylvania Higher Education Assistance Agency, and Jerry Davis, director of research and policy at the Pennsylvania agency.

11 states with the largest programs



pected increase in state spending, the report said.

Pennsylvania, which runs one of the largest programs, has increased appropriations for student grants by \$7-million to \$80-million this year—the largest annual increase since 1968. Coupled with a slight decline in applications for grants, the increased budget has allowed Pennsylvania to provide more aid to middle-income students and to increase the average state grant by about \$100.

But in many states with smaller programs—those that award less than \$5-million a year—little or no growth is expected. State support for those programs has been slowing over the past two years, Mr. Davis said, noting that only about one-third of the 31 states with small grant programs have increased spending since 1980-81. That lack of growth, he said, suggests that

able to make up for major losses of federal aid to their students.

Many of the smaller programs are heavily dependent on federal funds provided through the State Student Incentive Grant program, in which money is awarded to states if they at least match the federal contribution. Asked about the potential effects of a Reagan Administration proposal to eliminate the incentive grants, four states responding to the survey said their programs would not survive and 24 said they would probably have to reduce the size or number of grants.

Mr. Davis also said there had been "significantly more activity" than last year among states in response to cutbacks in federal student aid. Florida and New Mexico have established their own work-study programs to supplement the federal program, which has been trimmed by 4 per

programs are being considered by nine other states: Delaware, Indiana, Kentucky, New Jersey, North Dakota, Oregon, Tennessee, Vermont, and Virginia.

In other actions:

► Legislation allowing the sale of state revenue bonds to raise capital for low-interest student loans has been approved in Iowa, Maryland, and Rhode Island within the last year. Several other states are considering similar laws.

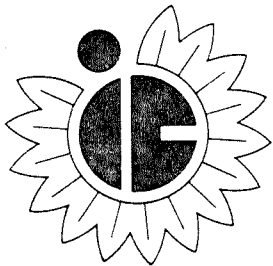
► Colorado, in an effort to stimulate private support for student aid, has set up a \$250,000 pilot program to match private contributions with state funds.

► Arkansas and Tennessee are considering new scholarship programs that would provide aid on the basis of academic merit rather than financial need.

► Alabama is considering establishing a new agency that would provide additional funds for student loans by buying loans from banks. Several other states have already set up such agencies—known as secondary markets—modeled on the federal Student Loan Marketing Association, which purchases loans nationwide.

While most of the state programs surveyed provide aid to undergraduates on the basis of financial need, the survey also found that \$17.8-million was expected to be awarded to needy graduate and professional students—up 4.4 per cent from last year. Of the 21 states reporting that they had such programs for graduate students, only four—California, Michigan, New York, and Texas—said they expected to spend more than \$1-million.

The survey also found that about \$101-million was expected to be spent on undergraduate grants that are not awarded on the basis on financial need—spending that



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ROBERT N. KELLY, *Executive Director*

February 22, 1983

TESTIMONY BEFORE HOUSE WAYS AND MEANS COMMITTEE

On behalf of Washburn University, the Kansas Association of Community Colleges, and the Kansas Independent College Association, I would like to express our support for House Bill No. 2387.

Work is a very attractive means by which to support students. The money clearly goes to its rightful recipients--those who earned it. Students who work while attending college tend to achieve higher grades and higher levels of retention than those who do not. At most Kansas colleges there always seem to be numerous students who want to work and numerous tasks to be performed. Money is the only obstacle as colleges are very willing to assume the responsibility for administering the program for their students both on and off the campus.

In addition to the value of work programs in general, HB 2387 has much to recommend it specifically. First, the administration is left to the campus financial aid officer, who has experience in administering the federal work-study program. Second, all accredited Kansas colleges are included, which means that the benefits of the program are spread throughout the state. Third, the concept of distributing the available funds on the basis of enrollment is convenient and equitable; although it may be desirable to use full-time equivalent or full-time Kansas resident enrollment rather than merely head count enrollment. Fourth, and most important, extending the program to private employers who offer positions that relate to the field of study of the eligible student is an excellent idea because it would assist economic development by improving the work skills of Kansas college graduates.

In conclusion, we support HB 2387 as a sound means to aid students and as an incentive for increasing employment opportunities and productivity among Kansas college graduates.

ALC h. III

TESTIMONY OF TOM AKINS BEFORE THE HOUSE WAYS & MEANS COMMITTEE

February 22, 1983

Mr. Chairman, members of the committee, my name is Tom Akins. I am currently the student body president at Emporia State University and am here today representing the Student Advisory Committee. The Student Advisory Committee, or SAC, was established in 1975 by the Legislature to serve as the "student voice" to the Board of Regents. SAC is composed of the highest elected student official at each of the seven Regents' institution.

Over the past nine months, SAC and the Associated Students of Kansas have been working on researching and developing a state work-study program. In our work, we have found that a state work-study program is not only needed, but justified as an investment in the future of the State of Kansas.

A state work-study program is needed to help students defray the rising costs of tuition at Regents' institutions. Tuition has gone up by over 30% in the past two years and will rise another 20% next fall. When I started my college work in the fall of 1979, tuition was \$274 per semester. In the fall of 1980, \$314.50. In the fall of 1983, tuition will hover at the \$450 mark. Increases in rent, food and textbooks have also added to the students financial burden. Students are willing to go to school; students want to go to school. However, tuition increases, inflation in the private sector, and federal cutbacks have combined to keep some students out of school because of an inability to pay. Student jobs are needed to help keep students on our campuses, working productively and insuring a brighter future for our state.

In looking at the Governor's budget, several items seem to justify a state work-study program. In the analysis of base budget reductions at Regents' institutions, the student wages' expenditure base was cut by 8% - just over \$500,000. This means that the increase in student wages appropriated by the Legislature last year was largely negated by this base budget reduction.

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In further study of the Governor's budget, we have found that no new general fund money is slated for higher education in FY84. Regents institutions appropriated FY83 base was just slightly over \$285 million. The governor has recommended an appropriation of just over \$284 million from the state general fund for FY84. The only new money for the Regents institutions in FY84 would be infused by the 20% tuition increase which takes effect this fall. This tuition increase will realize almost \$8 million. This financing is important in that it points out that any increases for Regents' institutions would be generated from within the Regents' system. A \$700,000 work-study program would be a return to students on their investment, not a drain on the taxpayers of Kansas.

In summary, students are accepting a \$500,000 base budget reduction and a 20% tuition hike, translating into approximately \$10 million. A \$700,000 work-study program therefore would seem in order. I assure you that it is more than just "in order;" it is desperately needed if the quality of education in this state is to continue at its high level.

Students do realize the need for frugality and austerity in these troubled economic times. We appreciate and respect the task which lies ahead of the Legislature. For that reason, we have selected a program we feel most vital to students. The work-study program is needed.

Mr. Chairman, members of the committee, thank you for your time and consideration of this matter.

REPORTS OF STANDING COMMITTEES

MR. SPEAKER:

Your committee on Ways and Means

Recommends that House Bill No. 2362

"AN ACT establishing the office of the public advocate of Kansas; providing for administration thereof; imposing certain powers, duties and functions upon the public advocate."

Be amended:

On page 1, by striking all of lines 39 through 46;

On page 2, by striking all of line 47;

By renumbering sections 3, 4 and 5 as sections 2, 3 and 4, respectively;

And the bill be passed as amended.

Chairperson

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TESTIMONY ON HB 2362
by
Leonore Rowe, Chairman
Kansas State Advisory Council on Aging

Bill Summary: Establishes an Office of Public Advocate to represent the residential utility consumer.

Bill Provisions:

1. Establishes Office of Public Advocate
 - a. Public Advocate approved by the Governor within the unclassified service.
 - b. Places the Public Advocate in the Department on Aging.
2. Establishes the duties of the Public Advocate.
 - a. Attend public investigations.
 - b. Represent public at all hearings and proceedings.
 - c. Provide public advice on rights to the public.
 - d. Intervene on behalf of affected members in judicial actions for consumers.
3. Prescribes responsibilities of Corporation Commission to Public Advocate.
 - a. Full information.
 - b. Access to all documents and records.
 - c. Notification.

Testimony:

I am Lee Rowe, Chairman of the State Advisory Council on Aging. The Advisory Council is mandated by statute to advocate on behalf of older people. The State Advisory Council strongly supports the concept of an Office of Public Advocate similar to those now in existence in 28 states.

A major concern of Older Kansans has been the skyrocketing cost of utilities. Gas prices have risen over 256% in the last 3 years. Older Kansans are particularly vulnerable to those high costs because of the inelasticity of their income and because their incomes are generally low. (34% of Older Kansans had incomes of less than \$4,800 in 1979.)

An Office of Public Advocate would ensure adequate representation of the residential utility ratepayers by acting as an intervenor in hearings and would intervene on the behalf of the residential utility consumer in judicial actions or hearings. The Public Advocate, as an independent body, would represent and protect the interests of the public in any proceeding before and appeal from the regulatory body.

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The Kansas Corporation Commission has stated that its overall regulatory goal is to ensure "that the public interest is served by the rendering of adequate, efficient, and sufficient utility service at rates that are fair, equitable, and reasonable to the consumer and the utility." It is clear that the KCC must represent a balance of interest between the consumer and the utility. Although the intent of the current Commission policy is that the KCC staff represents the interest of the public, this representation is subject to clear structural limits. Thus the KCC staff may not be totally unfettered in representing the public. Furthermore, once a KCC decision has been made, staff must support and defend this decision. Unlike the utilities and their attorneys, KCC staff (rightfully so) do not appeal Commission decisions. As good as they are, KCC staff cannot provide full and exclusive representation of residential consumers as could an Office of Public Advocate.

This fact has been widely recognized outside of Kansas. As of October 1, 1982, the National Association of State Utility Consumer Advocates (NASUCA) listed 30 members which represented 27 states and the District of Columbia. Criteria for membership includes independence from the Public Utility Commission (including the right of judicial appeal) and being a state entity actively engaged in representing consumer interests in utility matters.

Attached to my testimony is a list of current NASUCA members, their office location, and their budgets. In at least two other states, independent governmental or quasi-governmental bodies exist which also represent the public in utility matters.

HB 2362 would bring Kansas in line with the majority of other states by providing full and exclusive representation for the residential consumer. The Advisory Council recommends that Section 3 of the bill be amended to provide for intervention at the discretion of the Public Advocate. Mandating representation in all KCC proceedings would present an unreasonable burden on the Office of Public Advocate and unnecessarily increase costs. The State Advisory Council does not support placing the Public Advocate in the Department on Aging, or any other administrative agency, but supports a separate, independent agency.

The fiscal impact of HB 2362 would be justified because of the savings. Missouri's Office of Public Counsel, which is not mandated to intervene in all utility matters, has a staff of 11 persons and a budget of \$333,000. It states that it has saved consumers \$53 million in the last 2 years, a ratio of direct savings of operating costs of 80 to 1.

The cost of HB 2362 can be borne in part or in whole by assessments upon utilities as is done in at least 8 states shown in the attached list. Alternate financing other than state funds is possible. Expense to the consumer would be negligible if costs could be distributed over all residential ratepayers.

After all, the consumers are paying for utility attorneys representation. In New Jersey, 1/10th of 1% of the previous year's revenues of the utility filing for the rate increase is assessed to fund the Department of Public Advocate.

It only seems fair that, since consumers ultimately bear the expense of regulatory matters and the utilities' attorneys, they get representation from an entity solely concerned with their interests and with the capability to exercise all available options in providing that exclusive representation. The Advisory Council on Aging recommends that HB 2362 be passed out of Committee favorably with amendments to make intervention discretionary and provide placement as an independent agency.

NATIONAL ASSOCIATION OF STATE UTILITY CONSUMER ADVOCATES
Members as of 10/1/82

<u>STATE</u>	<u>OFFICE LOCATION</u>	<u>BUDGET</u>
Alabama	Attorney General's Office	\$250,000
Arkansas	Attorney General's Office	203,000
* Connecticut	Independent Agency	223,603
Delaware	Independent Agency	124,000
* District of Columbia	Independent Agency	391,700
Florida	Legislative Agency	1,061,522
Georgia	Office of Planning and budget (for administrative purposes only)	344,864
Hawaii	Division of the Department of Commerce and Consumer Affairs	945,755
Illinois	a. Governor's Office	220,000
	b. Attorney General's Office	NA
Kentucky	Attorney General's Office	400,000
Maine	Independent Agency	300,000
* Maryland	Independent Agency	1,184,583
* Massachusetts	Attorney General's Office	325,000
Michigan	Attorney General's Office	387,000
Minnesota	Division of the Department of Commerce	270,000
Missouri	Division of Department of Consumer Affairs, Regulation, and Licensing	361,928
Nevada	Attorney General's Office	450,000
* New Jersey	Divison of the Dept. of Public Advocate	2,000,000
New York	a. Division of State Consumer Protection Board	703,885
	b. Attorney General's Office	NA
* North Carolina	Legislative Agency	2,900,000
* Ohio	Independent Agency	6,946,982
Oklahoma	Attorney General's Office	NA
Pennsylvania	Attorney General's Office	1,525,000
South Carolina	Division of Dept. of Consumer Affairs	299,678
South Dakota	Attorney General's Office	NA
Utah	Independent Agency	NA
Virginia	Attorney General's Office	250,000
* West Virginia	Public Service Commission (financially and departmentally independent)	410,980

* Partially or fully funded by assessments on utility companies.

TESTIMONY PRESENTED TO THE HOUSE WAYS AND MEANS COMMITTEE PERTAINING
TO HB 2362 BY HAROLD SHOAF, FEBRUARY 22, 1983

Mr. Chairman and members of the Committee, my name is Harold Shoaf. I am Director of Government Relations and Public Affairs for the Kansas Electric Cooperatives. The Kansas Electric Cooperatives, (KEC) is the statewide organization of thirty-seven (37) electric cooperatives serving electricity to more than 450,000 Kansans.

I think it is necessary that we point out to the Committee that the consumer members of rural electrics are indeed the owners, too. They organized the rural electric cooperatives to provide electric service to themselves. Boards of Trustees of the rural electric cooperatives are elected and serve at the pleasure of the REC consumers. Board members are also REC consumers, and any additional cost will be added to their bill likewise.

In preparing an REC rate case, attorneys and engineers have to be hired to prepare this document. The KCC staff then evaluates the REC rate case proposal. In both situations, the REC consumer pays the bill. Actually, the RECs pay for a rate case against themselves. RECs are cost-conscious and are endeavoring to reduce cost at all levels.

As the bill was originally written, the public advocate would be made a part of the Department of Aging. We understand the intent of the bill was for the public advocate to be assigned to the Governor's office to represent the low-income elderly over 65.

K.S.A. 66-155 defines the duties of the attorney of the State Corporation Commission which is to represent all consumers of public utilities. Eleven other attorneys are under the Chief Counsel for the State Corporation Commission with one additional counsel being added next month. Each of the three KCC Commissioners have counsel likewise. We believe that the professional people in the

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Kansas Corporation Commission are in the best position to serve elderly consumers or other consumers in the best possible manner.

The Kansas Legal Services have a Consumer Division which represents the low-income elderly. Staff members of the Department of Aging have also testified on behalf of the low-income elderly.

K.S.A. 66-106 also states the Attorney General, when requested, shall give the State Corporation Commission or the attorney for the Commission such assistance as is needed in hearings and suits.

Rural electric cooperatives are concerned about the welfare of the elderly and will endeavor to assist them in any way possible. However, we believe the professional people mentioned above are in the best position and have the responsibility of representing not only the elderly but all utility consumers.

We believe that the addition of a public advocate including assistants or clerks would be a duplication of effort which would add to the cost of taxpayers whether it is added to the electric bill or tax money used from some other source.

Mr. Chairman and members of the Committee, thank you for the opportunity to express our thoughts regarding HB 2362.

KANSAS - PUBLIC ADVOCATE BILL - HB 2362

My name is Don Willoughby and I am here today representing InterNorth and its retail natural gas company -- Peoples Natural Gas.

There is no question that in order to fairly regulate public utilities, the public must have representation in hearings, investigations and other matters brought before the KCC by utilities or others. It is unreasonable to expect individual members of the public to organize representation for utility matters. Rather it is a function which government can be expected to provide. This is not really a new idea, in fact it is one of the basic tenets of utility regulation. In its enabling legislation the KCC was required to set up a staff which does exactly what is being contemplated with this legislation.

While we sometimes have differences of opinion with the staff of the Commission, they do their job of representing the public in a competent and dedicated manner. It may be tempting to look at gas rate increases of the past few years and conclude that the KCC or its staff is not doing its job in terms of representing the public; but that simply is not true.

The establishment of a public advocate would duplicate the work already being done by the KCC Staff. Presumably, this duplication would result in increases in the costs of regulation at a time when gas costs are already too high.

Rather than create a new public advocate with duties which have already been assigned to the Commission Staff, the legislature should consider the duties and organization of the present

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Commission and its Staff. The subject is complex and will require some study and analysis to identify the most efficient system. This should be the subject of an interim study committee.

An interim committee could take the time to study the current KCC organization and consider testimony or other information related to alternative methods of regulation and public representation in the process.

The committee could form opinions on:

- 1) Organization - should the KCC be both prosecutor in behalf of the public and judge or does this create a conflict of interest?
- 2) What are the methods used by other states to assure public representation in utility matters and what has been successful?
- 3) What are the technical staffing requirements to fully represent the public?
- 4) What is the cost of possible changes in organization and who will pay them?

This course of action would assure that the public continues to be adequately served in the future without creating an expensive and probably unneeded state office.

Information Bulletin:

INFORMATION BULLETIN 82-2

Advisory Commission on Intergovernmental Relations
Washington, DC 20575

NOV 11 1982

November 1982

MAJOR'S OFFICE

STATE MANDATES: AN UPDATE

IN BRIEF

Over the past decade, states have implemented policies and programs directed toward one of the most troublesome state-local fiscal issues: state mandates. Over half of the states have undertaken study and cataloguing efforts, nearly four-fifths have adopted the practice of attaching "fiscal notes" to bills (and in some cases administrative rules), and at least one-fourth have adopted constitutional or statutory provisions addressing the reimbursement of state mandates. This Bulletin highlights the efforts of three states -- Florida, Georgia and New York -- which have completed catalogues of their mandates, and the initiatives of two other states -- California and Illinois -- to address the question of mandate reimbursements.

BACKGROUND

State mandates may be defined as any constitutional, statutory or administrative action that limits or places requirements on local governments.^{1/} On the one hand, three reasons generally are advanced by state officials as justification for mandates. First, mandated programs or services may promote a desirable social or economic goal. Secondly, a state may determine that an activity or service is of sufficient statewide importance that the decision to provide the activity or service simply cannot be left to the judgment of individual jurisdictions. And thirdly, statewide uniformity in a program or service may be deemed essential by the state -- either by the legislature or the courts.

^{1/} State Mandating of Local Expenditures, Advisory Commission on Intergovernmental Relations, July 1978.

ALC h. *JA*

On the other hand, it is argued by local officials that state mandates are found to contravene the principle of political accountability. According to this principle, programmatic and financial decisions are best made by those directly accountable to the voters for those decisions. State mandates also are said to undercut financial responsibility. Local government officials view state mandates as onerous burdens which absorb already hard-pressed revenues, thereby diminishing the control these officials exercise over their budgets. Local government officials are especially critical of state laws pertaining to the salaries, job benefits, and working conditions of local government employees.

These opposing positions can be seen in the following chart, taken from ACIR's 1981 report Measuring Local Discretionary Authority. State-level officials consistently rated both full and partial constitutional and statutory reimbursement provisions as "undesirable," while local officials endorsed such provisions.

Despite the widespread concern about state mandates, there has -- until recently -- been little systematic data available about the scope and effects of the practice. From a national perspective, two studies are cited as perhaps the best sources: Federal and State Mandating on Local Governments: An Exploration of Issues and Impacts, published in 1979 by the Graduate School of Administration of the University of California, Riverside under a grant from the National Science Foundation; and ACIR's report entitled State Mandating of Local Expenditures, published in July 1978.

In a follow-up article highlighting their study, two of the principal authors of the "Riverside" study -- Catherine Lovell and Charles Tobin -- concluded that the "evidence is beginning to accumulate that mandates serve as the most important determinant of local government expenditures and as the single most important influence on local government policy-making."^{2/}

In contrast to this assessment is the view expressed in a 1982 report published by the University of Connecticut's Institute of Public Service. The authors maintain that the removal of a myriad of state exemptions from local property taxes would be far more beneficial than the abolition of mandated costs. The authors observed:

"It is the opinion of these writers that elimination of state mandated expenditures would not be a financial cure-all for our towns and cities. Over 80% of all mandates are for

^{2/} Catherine Lovell and Charles Tobin, "The Mandate Issue," The Public Administration Review, American Society for Public Administration, May/ June 1981.

PERCEPTIONS OF THE DESIRABILITY OF CONSTITUTIONAL AND STATUTORY PROVISIONS, BY POSITION OF RESPONDENT, 1979 *

	Governors			Attorneys General			Departments of Community Affairs		
	Very Desirable	Desirable	Undesirable	Very Desirable	Desirable	Undesirable	Very Desirable	Desirable	Undesirable
10. Constitutional provision requiring full state reimbursement for costs associated with state mandates.	1 (7%)	4 (29%)	9 (64%)	4 (44%)	1 (11%)	4 (44%)	4 (21%)	5 (26%)	10 (53%)
11. Constitutional provision requiring partial state reimbursement for costs associated with state mandates.	3 (21%)	2 (14%)	9 (64%)	0 (0%)	6 (75%)	2 (25%)	2 (11%)	5 (28%)	11 (61%)
12. Statutory provision requiring full state reimbursement for costs associated with state mandates.	1 (7%)	7 (50%)	6 (43%)	3 (33%)	2 (22%)	4 (44%)	2 (11%)	10 (56%)	6 (33%)
13. Statutory provision requiring partial state reimbursement for costs associated with state mandates.	5 (38%)	6 (43%)	3 (21%)	0 (0%)	7 (88%)	1 (13%)	3 (17%)	10 (56%)	5 (28%)

	Legislative Research Bureaus			Municipal Associations			County Associations			Experts		
	Very Desirable	Desirable	Undesirable	Very Desirable	Desirable	Undesirable	Very Desirable	Desirable	Undesirable	Very Desirable	Desirable	Undesirable
10.	1 (9%)	6 (55%)	4 (36%)	19 (73%)	4 (15%)	3 (12%)	14 (88%)	1 (6%)	1 (6%)	4 (29%)	4 (29%)	6 (43%)
11.	0 (0%)	9 (82%)	2 (18%)	12 (50%)	9 (38%)	3 (13%)	6 (38%)	8 (50%)	2 (13%)	4 (29%)	9 (36%)	5 (36%)
12.	2 (18%)	4 (36%)	5 (46%)	18 (67%)	6 (22%)	3 (11%)	12 (75%)	4 (25%)	0 (0%)	3 (21%)	6 (43%)	5 (36%)
13.	1 (9%)	6 (55%)	4 (36%)	9 (38%)	13 (54%)	2 (8%)	6 (40%)	7 (47%)	2 (13%)	5 (36%)	6 (43%)	3 (21%)

* Taken from ACIR Report M-131, Measuring Local Discretionary Authority, November 1981.

educational expenses and school transportation. Since local support for educational expenditures of this nature has traditionally been of high value to citizens in our towns and cities, elimination of these mandates would still result in substantial expenses. Added to the fact is that increased educational aid from the state through the Guaranteed Tax Base Educational Grant is linked to school expenditures... However, state mandated revenue losses for towns and cities through a multitude of state exemptions from local property taxes, such as state tax exempt property, corporate and other tax exempt property, and manufacturers' inventories result in a staggering revenue loss for Connecticut towns and cities. . . . Since the state government gives the exemptions from the property taxes, they should reimburse the towns and cities for their financial loss due to these exemptions."3/

ACIR Recommendations

As a result of the ACIR staff study, the Commission concluded that only a state policy of "deliberate restraint" can reconcile the sharply opposing interests of state and local governments. This restraint policy could consist of one or more of the following eight components:

1. An inventory of existing mandates to ascertain whether they meet a statewide interest.
2. A review procedure for weeding out unnecessary mandates.
3. A statewide policy objective statement to accompany all proposed state mandates.
4. Full state reimbursement for state mandates if state-imposed tax lids seriously constrict local revenue raising ability.
5. A partial reimbursement procedure to compensate local governments for those state mandates that prescribe program enhancement in areas of benefit "spillovers" -- education, highways, health, hospitals and welfare.
6. Full state reimbursement for mandates affecting local employee retirement benefits.
7. Full state reimbursement to minimize state intrusion into matters of essential local concern -- employee compensation, hours, and working conditions.

3/ George E. Hill and Martin Berliner, "State of Connecticut Legislative Mandate Analysis - Effect on Municipalities in the Capitol Region," Connecticut Government, Institute of Public Service, The University of Connecticut, Winter 1982.

8. Procedural safeguards for the reimbursement procedure -- i.e., (a) a fiscal note, (b) a strict interpretation of state-initiated mandates, and (c) an appeal and adjustment provision to a designated state agency for local governments whose claims to state payments are in dispute.

The ACIR typology of state mandates is contained in Appendix A.

Recent State Actions

Currently, 12 states -- California, Colorado, Florida, Hawaii, Illinois, Massachusetts, Michigan, Missouri, Montana, Rhode Island, Tennessee and Washington -- have either constitutional or statutory provisions for the reimbursement of mandates. Not included in this total are states that reimburse expenditures for or tax losses attached to specific programs. A complete listing and description of the 12 states' provisions is included in Appendix B.

The Colorado law, that went into effect in mid-1981, may be more effective in eliminating hidden mandates than in guaranteeing state reimbursement. Like other similar state laws, it requires the legislature to fund mandates for new or expanded programs or to provide a source of revenue for them. However, it also provides lawmakers the alternative of stating ~~explicitly that added costs shall be borne by~~ property tax revenues subject to state and local revenue and spending limits.

The Colorado statute, nevertheless, fits into a pattern for mandate reimbursement provisions that has emerged in recent years. As in Missouri and Massachusetts, which approved similar restrictions in 1980, mandate reimbursement is tied to new limits on revenues and expenditures by the state itself. The limiting legislation -- or constitutional amendment -- prohibits the state not only from exceeding the limits but also from shifting the responsibility and the costs of new or added services to local governments. This pattern may well be extended in a constitutional amendment currently under consideration in Pennsylvania.

Clearly, the vast majority of states have not as yet tackled the reimbursement dimension of the mandates issue. However, nearly every state has taken at least one step toward establishing a mandates policy in the past ten years. Nearly 40 states have adopted the use of the fiscal note process to measure the effects of proposed legislation (and in some cases administrative rules) on local governments; at least half of the states have undertaken (or are currently completing) studies of mandates; and at least 15 states have compiled mandate catalogues, or are in the process of doing so.

The remainder of this Bulletin describes recent developments in five states. Three of the states -- Florida, Georgia and New York -- provide examples of efforts to catalogue state mandates. The remaining two states -- California and Illinois -- are leaders in the area of implementing mandate reimbursement programs.

FLORIDA

Since its inception in 1977, the Florida Advisory Council on Intergovernmental Relations (ACIR) has issued a series of reports detailing the impact of state mandates imposed on municipalities and counties. For those mandates imposed prior to its inception, the ACIR undertook an extensive and thorough review of the Florida Statutes. In July 1980, the results of that review were published in the Catalogue of State Mandates.

The 1980 report catalogued 159 statutory mandates as of the end of FY 1979. The body of the report was intended to provide legislators, local officials, and other policymakers with a more comprehensive picture of the applicability and pervasiveness of mandates. No attempt was made to quantify their fiscal implications other than a distinction between "negligible" and "substantial".

Although few areas of local government were found to be immune to mandates, those areas of predominant mandating activity with substantial fiscal impact are: personnel; public protection; health; and tax exemptions. Mandate areas with substantial impact upon county government did not generally coincide with those affecting both city and county government. For counties, the numerous statutory changes abolishing municipal courts are - when considered cumulatively - mandates with the greatest cost implication. For municipalities and counties affected collectively by mandates, those imposing the greatest costs are the numerous constraints, limitations, and tax exemptions that erode their revenue-generating capacity. Various personnel requirements also were found to impose substantial costs upon local governments, such as non-contributory pension systems and various pension benefits which are defined by statute.

Included as an appendix to the report was an analysis of mandates which became law during the 1980 session. Although few in number, their fiscal impact was found to be substantial. In addition to providing a data base for future clarification of a mandate policy, the ACIR is hopeful that the 1980 catalogue will provide the basis for ranking mandates according to function or effect.

The 1981 mandates report is substantially broader in scope than previous studies, and contains several bills that are outside the "classic" definition of a mandate. The report contains information on actions that repeal existing mandates or increase the revenues or revenue-generating capacity of local governments because these items offset, to some extent, the fiscal impact of new mandates. Also included is an analysis of the appropriations bill detailing the increase in appropriations going directly to local government. Increased appropriations resulting from sources earmarked for local government are not included in this section, but are noted in the appendix. Additionally, mandates imposed by previous legislatures

that contain language delaying implementation until the current fiscal year are included. Finally, the report looks at one rather substantial administrative mandate - new local jail rules - that was adopted since the 1980 mandates report.

Each bill that passed the legislature during 1981 was reviewed to determine its effect on local government and then categorized as an act that:

- o required a municipality or county to perform an activity or to provide a service or facility;
 - o restricts a municipality's or county's revenue or revenue-generating capacity;
 - o repeals previously-imposed mandates or previously-imposed restrictions;
 - o will reduce costs to, increase the revenue-generating capacity of, or share additional state funds with, municipalities and counties; or
 - o was imposed by previous legislatures and takes effect in fiscal year 1982.
-

The format presented in earlier mandates studies was expanded in the 1981 report. In the past, the explanation of each new mandate was limited to a condensed summary of the legislation. In some instances, however, the mandate was too complex for such brevity and clarity was lost. The same approach was used in the 1982 report released at mid-year.

Together, the 1980, 1981 and 1982 reports contain a complete list of state mandates. It is anticipated that future reports also will contain information about administrative mandates.

Now that the first comprehensive disclosure of state mandates has been completed and a process is in place to track and report on legislative and administrative changes, the Council has turned its attention toward utilizing this data base in addressing a comprehensive state mandates policy. As a next step, the Council recently concluded that two changes in state policy should be made. Specifically, the Council recommended that the legislature: "enact a bill to sunset existing mandates"; and "modify its rules to require a more thorough review of legislation that imposes, or might impose, substantial costs on local governments, especially when the magnitude of these costs are not clearly stated in the fiscal note accompanying the proposed bill."

GEORGIA

In 1981, the Georgia Department of Community Affairs (DCA) undertook an analysis of state mandates in response to continuing concerns expressed by local officials about both state and federal preemption of local revenues. The DCA did not attempt to offer recommendations, but only to catalogue mandates and to measure their range and effects upon counties and cities. The study's findings were published by the DCA in its report An Overview - State Mandates on Georgia's Local Governments.

Eight cities and eight counties were surveyed to determine the "true costs" of 30 state mandates. Mandates were classified into six categories: personnel, local government organization and structure, service, tax exemptions, due process, and mandates by default. Six reasons were cited for imposing state mandates: uniformity, implementation of state policy, relief of state expense by shifting fiscal responsibility to localities, promotion of desirable economic and social goals, establishment of professional personnel standards to protect public safety and health, and pass-through of federal regulations.

Two significant findings emerged from the study. First, counties are affected by mandates at a level ten times greater than that of cities. In dollar terms, mandates total about \$5.5 million for counties, compared to \$500,000 for cities in the surveyed jurisdictions. When measured as a percentage of local budgets, mandates represented 30% for the surveyed counties and only about 7 1/2% for the surveyed cities.

Second, one of the highest costs to local governments is the state's restriction of local revenues through tax exemptions. Mandates are believed to cost Georgia's cities and counties about \$250 million annually, most of which is attributable to tax exemptions.

The study found that mandates tended to distort local spending priorities by forcing the jurisdictions to use their own funds to carry out the state-ordered programs and services. However, it also was determined that the surveyed localities would continue the same or similar programs and services on at least some level in the absence of a state requirement. This response applied particularly to such areas as minimum fiscal and financial management, personnel training, and service delivery standards.

The most expensive mandates identified are associated with jail maintenance and operation, property tax exemptions, indigent patient care, juvenile court operations, and solid waste management. In terms of ameliorating the costs of mandates, local officials cited state funding in all areas as their first choice. The use of a fiscal note was viewed as the least desirable alternative -- a reaction that suggests the Georgia fiscal note law has not been functioning very well over the past few years. Legislation focusing on the state mandates issue is expected to be on the agenda of the next legislature.

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NEW YORK

The 1978 ACIR mandate study identified New York as the state with the most mandates: 60 of 77 functional areas surveyed. The ACIR study, however, made no attempt to rank the importance of each of the functional areas, nor to identify the multiplicity of individual mandates in each functional area.

In response to a request by the New York State Association of Counties, and using the mandates definition incorporated in the ACIR work, the New York Legislative Commission on Expenditure Review initiated a study in 1979 to identify mandates imposed upon counties. As a first step of the study, the commission compiled a comprehensive inventory of statutory mandates affecting New York's counties. In addition, the inventory classified each mandate by type, by major functional expenditure area, and by its relationship to either county programs or administration.

The results of the commission's analysis are impressive: 2,632 separate mandates were identified in 68 of the 88 laws examined. Over 60% of the mandates (1,595) are program mandates; the remainder (1,037) are administrative requirements.

In addition, the more than 2,600 mandates were classified into one of three categories: those requiring a specific program or activity (1,264); those permitting discretion in implementing a program or activity (674); and those requiring programs or activities although a county had opted to provide a discretionary program or activity (694).

A ten part cross-classification system focusing on functional areas also was developed. This system was designed to help county officials assess the relationship of the mandates to their own expenditure categories.

The commission determined that the greatest amount of "program mandating" occurred before 1968. In the time period 1968-1972, the legislature imposed 251 program mandates, and from 1973-1977 another 182 program requirements. The commission also found that much of the most recent statutory mandating activity was in response to federal program requirements rather than state-initiated activities.

The results of the expenditure review commission's work have been forwarded to the counties' association, the State-County Task Force on Mandates, and the New York Legislative Commission on State-Local Relations for further research and development of possible policy alternatives to be considered during the 1983 legislative session.

THE CALIFORNIA EXPERIENCE

California has been cited as the leader in the mandate reimbursement area for the past decade. The program was instituted by the legislature in 1972 as SB 90 -- the "Property Tax Relief Act." The original legislation

was aimed at preventing increases in local property tax rates, but in anticipation of these rate limits, localities pressed for reimbursement of cost increases arising from state mandates.

SB 90 provided reimbursement to cities and counties for any sales and use tax exemptions enacted after January 1, 1973. In addition, it required the state to pay the full cost of any new state mandated program or increase in the level of services arising from a state mandate. Finally, the state was required to pay the full costs of new programs or increased service levels in existing programs if mandated by state executive regulation issued after the same date. If a city, county, or special district had already been providing the service prior to it being mandated by the state, the statute provided that the state would pay the local government for the cost of the service, but the local government was required to decrease its tax rate accordingly. Three other types of mandates - by the federal government, the courts, and statewide initiatives - were not reimbursable under the law, but could be financed by a tax rate increase.

Local officials were encouraged by the outcome of their efforts to incorporate the reimbursement safeguards in the 1972 law. Typical of the local reaction to the early implementation of SB 90 were the sentiments expressed by then-Mayor Jack Maltester, former League of California Cities President and former ACIR Commissioner, when he noted in 1977: "We believe that our experience in California has been very successful, and that the mandated cost reimbursement law has caused the defeat of many millions of dollars of costly mandates in the areas of collective bargaining, expensive property and sales tax exemptions, police and fire training requirements, general plan elements and public safety employee retirement benefits."

For example in 1975, 244 of the 1,284 bills passed by the legislature were identified as having a state mandated local cost. Funding was provided for 22 of the bills; 213 bills contained legitimate disclaimers; and only nine "slipped through" without a disclaimer or an appropriation. During the first three legislative sessions after enactment of the reimbursement law (1973, 1974 and 1975), the legislature approved 46 reimbursement appropriations bills totalling nearly \$19 million.

Several changes were made to the original law, however, as local officials became more concerned about the number and nature of SB 90 "disclaimers." These disclaimers fall into three general categories: those outside the provisions of the reimbursement legislation; those adding new programs, but not representing net additional costs to local governments; and those which although they represent additional duties and impose additional costs, explicitly have been exempted by legislative action or policy. And it was the latter category --

explicit legislative exemption --that caused the greatest amount of concern for local officials.

Amendments in 1975, 1977 and 1978 culminated in establishing a claims process that allows local governments to seek reimbursement for costs arising from legislation containing an SB 90 disclaimer. Until 1977, the only remedy available to local governments for unfunded mandates was separate legislation to recover costs.

Under the appeal provisions, a local government may submit detailed information about the costs of implementing a mandate to a five-member Board of Control. A hearing then is held at which interested persons can present evidence concerning methods of estimating costs and can review the local government's cost information. The Board of Control may increase, reduce, or disallow the claim for reimbursement. If the board decides in favor of the petitioning government, then an appropriation bill must be introduced into each house of the legislature by the chairman of the fiscal committee. Initially the appeal process did not apply to mandates that the legislature refused to fund, but subsequent legislation expanded the power of the Board of Control to include these programs as well.

In 1980, another change clarified mandate definitions, and required a review and analysis of regulations with possible mandated costs. The state's Office of Administrative Law, created by a 1979 statute, was assigned responsibility for determining whether a regulation may have an SB 90 impact. If a positive finding is made by the office, the regulation is referred to the local mandate program unit in the Department of Finance for further analysis and cost computation.

The SB 90 Process

The Legislative Counsel determines, at the time of introduction, whether a bill qualifies for reimbursement under SB 90. If the bill qualifies, it is sent to the local mandate program unit (LMPU) of the Department of Finance that is responsible for preparing cost estimates. The LMPU computes an estimate of the cost to implement the legislation through either an "in house" analysis or by contacting a "network" of city, county and school district personnel. When the cost estimates prepared by local officials have been returned to LMPU, the staff checks the estimates and forwards them to interested persons such as the chairman of the fiscal committee in each house, the author of the bill, an analyst in the research office of the legislature, and the state office of the local government associations.

The cost estimate, usually several pages long, analyzes the objectives of the program and the assumptions on which the analysis is based, and generally describes how the estimate was made. The initial year's cost and an annual cost estimate also are provided.

To obtain reimbursement, each local government must submit a claim to the State Controller within a specified number of days following a statute's effective date. The Controller has the right to audit the records and reduce claims considered unreasonable or excessive. The Controller makes the payments, and in the following year corrects any overpayments or underpayments.

In the event the legislature under-appropriates funds for the reimbursements, the Controller must prorate the available monies among the governments involved. The apportionment is made according to the dollar magnitude of approved claims. In subsequent years, an appropriation for funding must be included in the Governor's budget bill.

The following chart, prepared by the California Legislative Analyst, summarizes the identification and funding processes for mandates. The right side of the chart shows the process for reimbursing mandates from funds appropriated by the measure that imposes the costs. The left side of the chart illustrates the process when a bill contains a disclaimer, or does not identify a mandate and includes neither a disclaimer nor an appropriation. Judicial remedies are denoted by the double lines on the left side of the chart for any denial of a claim and the legislature's refusal to appropriate funds for a mandate imposed on or after July 1, 1980.

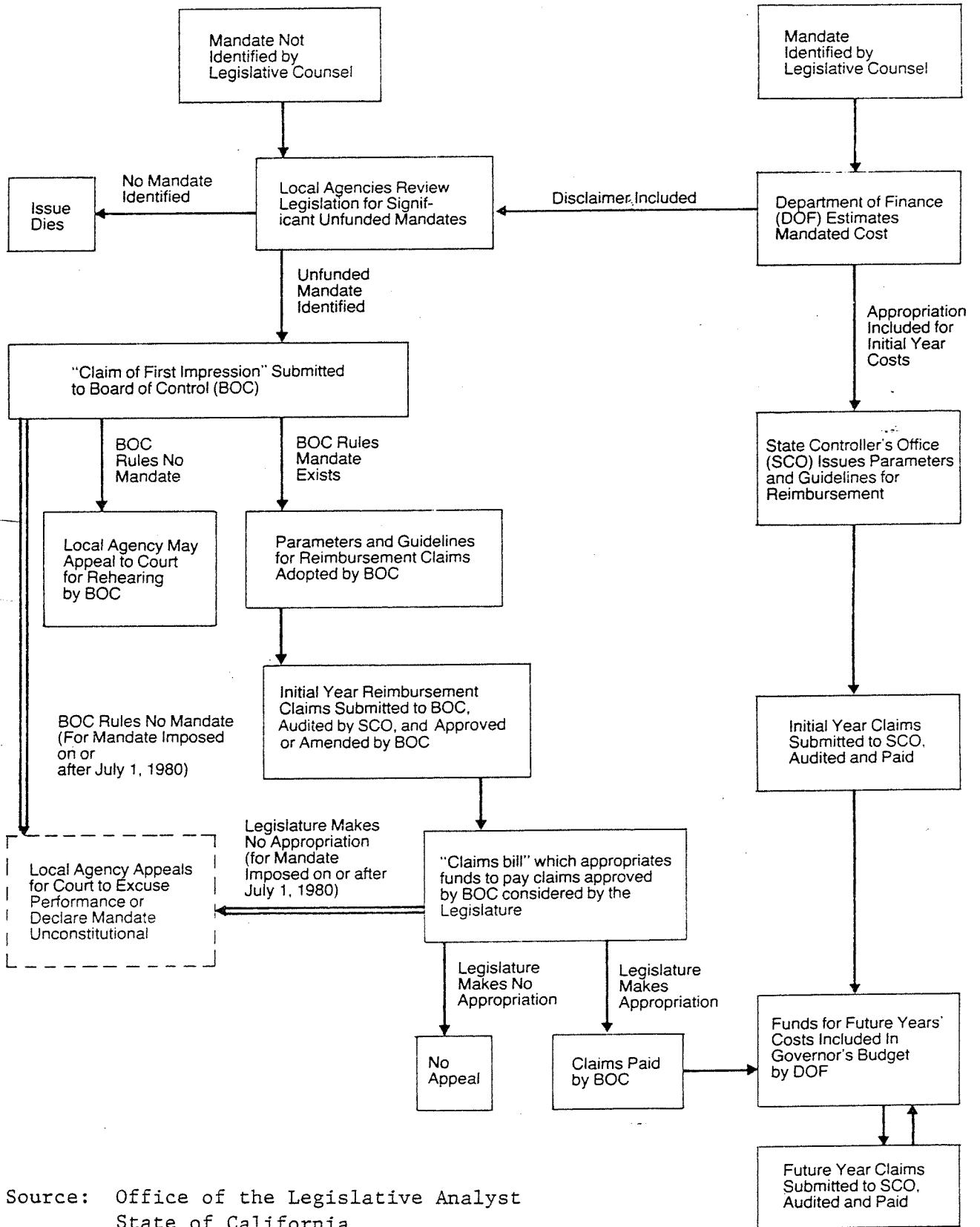
In 1979, the voters of the "Golden State" declared their support for the principles embodied in SB 90 by approving Proposition 4. Prop 4 added Section 6 of Article XIII B to the constitution and states: "Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state shall provide a subvention of funds to reimburse such local government for the costs..." The chief effect of the constitutional amendment was to permit local governments to seek a court order declaring a mandate unconstitutional if the jurisdiction had pursued all available administrative remedies, or excusing a locality from complying with an unfunded mandate. The amendment applies to any mandate imposed on or after July 1, 1980.

In 1980, the legislature enacted a "sunset" provision for state mandates. New laws which mandate a local program and require state reimbursement automatically are repealed after six years, unless reauthorized by the legislature.

New Fiscal Realities: New Challenges

It did not take long for local governments to exercise their newly found "constitutional rights" under provisions of Proposition 4. In 1981, 38 counties -- representing 75% of the state's population -- filed a law suit against the state challenging the constitutionality of laws requiring local governments to pay for new state mandated programs or services. The counties' class action suit contends they are "not obligated to enforce or implement" 20 new laws passed in 1981 unless

The "SB 90 Process" for Legislative Mandates



Source: Office of the Legislative Analyst
State of California

they are funded by the state. The counties, in fact, are asking the court to declare the 20 new statutes and three earlier laws as "invalid, unconstitutional and/or unenforceable" in accordance with the Prop 4 constitutional language.

The suit capped mounting frustration on the part of localities with the SB 90 reimbursement process. In the past, cities and counties alike have paid the cost of unfunded mandates from reserves and transfers. They received reimbursement, sometimes years later, by filing claims applications with the State Board of Control. However, dwindling local reserves and the steadily increasing cost of unfunded mandates have squeezed counties. Claims legislation, which amounted to \$1 million a year or less in 1977 and 1978, rose to nearly \$35 million dollars in after-the-fact funding in 1981-82. Many of the unfunded programs date back over a 10-year period.

In December 1981, the County Supervisors' Association of California (CSAC) approved a resolution supporting the suit, and compiled a list of 20 measures enacted into law in 1981 that the association maintains contravene the constitution. The list includes laws: imposing stiffer penalties for drunk drivers, including mandatory confinement in county jails; requiring every city and county building department to have an office copy of the state's building standards code; levying a 9.2% increase in cost-of-living grants for social service programs; and requiring local fire marshals to publish a list of highrise hotels and motels that fail to meet minimum fire safety standards. The CSAC does not take issue with the content of the various laws, but the counties do object to what they term "the Legislature's unconstitutional failure to provide funding." Final oral arguments in the case are slated for late December - more than a year after the suit was filed.

The Governor's proposed budget for 1982-83 includes a \$96 million reimbursement for previously identified state-mandated programs, but provides no funds for future claims bills. The Governor also has recommended that the legislature fund any criminal justice bill that would require an additional expenditure of five percent of the total law enforcement budget. Although no specifics are mentioned, the budget discusses the Governor's intent to work with local government officials and the legislature in analyzing costs and securing funds for new state mandates.

ILLINOIS: ADOPTION OF ACIR'S MODEL BILL

Several years' efforts by Illinois local officials met with success in 1979 with the adoption of the State Mandates Act. The law took effect on January 1, 1981, and incorporated all of the major provisions of ACIR's model legislation.^{4/}

^{4/} A copy of state mandate model legislation is available on request from ACIR's Policy Implementation Division, 1111 - 20th Street, N.W., Washington, D. C. 20575, telephone (202) 653-5536.

In general, the law provides that if certain types of state-initiated statutory or executive actions require additional expenditures on the part of local governments, reimbursement must be provided. If the funding is not provided, the unit of local government need not comply with the law or rule.

Responsibility for implementing the mandates law is divided between the Illinois Community College Board and the Office of Education for community colleges and school districts, and the Department of Commerce and Community Affairs (DCCA) for all other local governments. Implementation of the act requires new duties in three areas: preparation of a fiscal note on pending legislation and administrative rules that may result in mandates; administration of reimbursements to local governments for costs incurred; and development of a catalogue of existing mandates. A State Mandates Review Office also was created in the DCCA to implement the law.

To help implement the law, the mandates review office set up an informal advisory board. As part of this effort, the office, with the assistance of the advisory board, also set up a technical network, composed mainly of local government officers and staff persons familiar with local government operations and costs.

Implementation

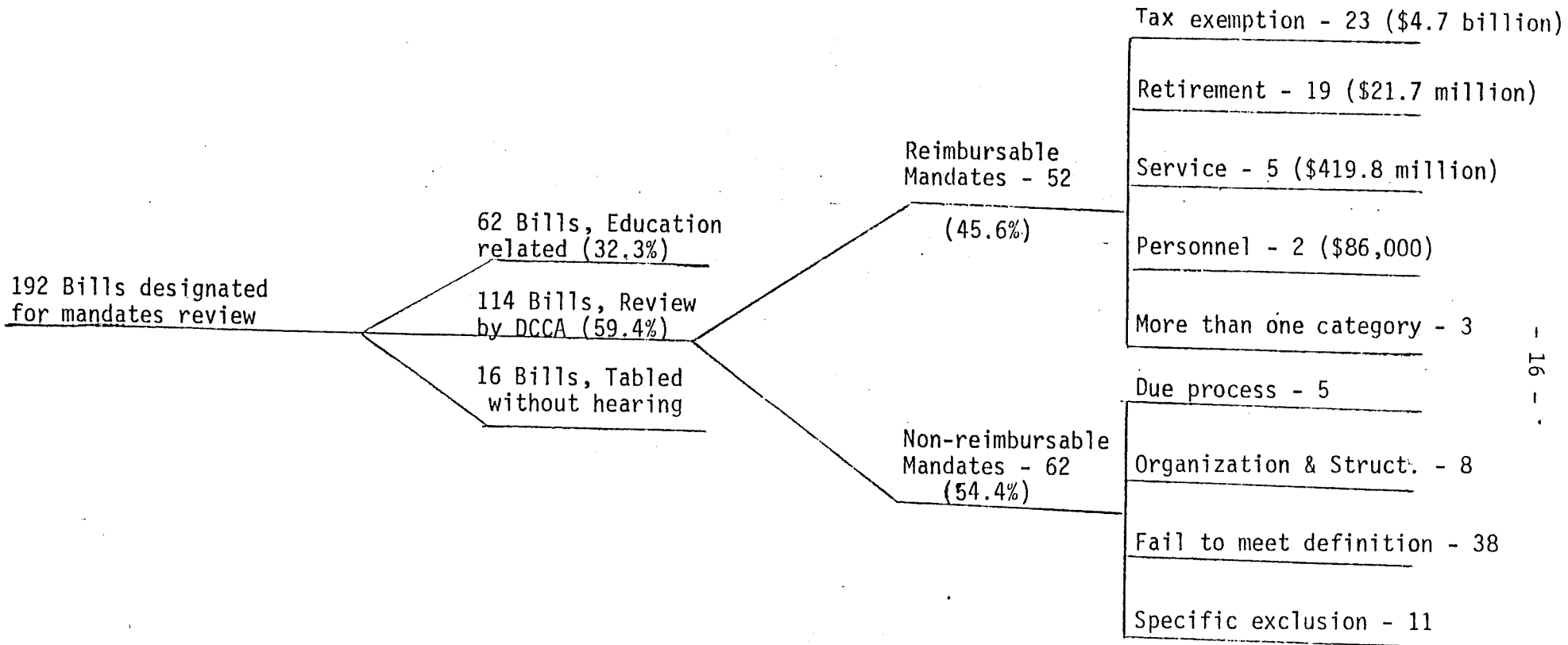
During the initial year, the mandates review office focused primarily on the fiscal analysis of legislation. The analyses include a determination of whether or not the bill creates a reimbursable mandate, and an estimate of the reimbursement cost in the first operational year. Fiscal notes are filed prior to committee hearings on bills and become part of the legislative record.

The fiscal note is intended to alert legislators to costs imposed on local governments because of state requirements, and is based on the best available information that can be analyzed in a timely fashion. In instances when no data are available, the fiscal note states that a reimbursable mandate does exist, but it is impossible to provide a reasonably accurate cost estimate.

During the first year, 192 bills were identified by the Legislative Reference Bureau for review. The mandates review office completed an analysis for 114 of these bills that involved units of general government. Of the remaining proposals, 62 measures were education-related, and 16 proposals were tabled without a hearing. Over half (62) of the general government bills were found to have non-reimbursable mandates. All bills that proposed reimbursable mandates (52) failed. The following chart prepared by the mandates office summarizes the legislative reviews during the first year.

A local government unit subject to a reimbursable mandate has 60 days to file a claim for reimbursement. The rate at which costs are reimbursed

LEGISLATION REVIEWED



This summarizes all legislation reviewed by DCCA and denotes the number of bills falling in each category. The total dollar amount necessary for reimbursable mandates is also shown. This figure includes duplication resulting from similar bills.

Source: State Mandates Review Office
 Illinois Department of Commerce and Community Affairs
 September 1981

vary according to the type of mandate. Claims from general local governments are to be submitted to the DCCA for review. Payment may be denied or reduced on unreasonable or excessive claims. Approved amounts then are to be forwarded to the Comptroller for payment in three equal installments, using appropriated reimbursement funds. If the appropriation is insufficient to cover the total amount of approved claims, each claim is to be pro rated, with differences between the amount approved and the actual program cost to be paid in the following year.

Local governments legally may refuse to comply with mandates if the legislature fails to make the necessary appropriation. If funding is not provided, local governments may opt to proceed with the mandate at local expense. However, if an appropriation is made at a later date, only costs incurred after the funding date are eligible for reimbursement.

Mandate appeals may be made to a five-member Mandates Board of Appeals appointed by the governor. Claims that the reimbursement award is insufficient to carry out the mandate must be submitted to the board within 60 days following receipt of the award.

The mandates law contains criteria to exclude several types of legislative and administrative actions from reimbursement liability, including:

- o accommodation of a local government request;
- o imposition of duties resulting in no appreciable net costs;
- o provision of offsetting revenue;
- o recovery of costs from external sources; and,
- o additional net costs of less than \$1,000 for each of several local governments affected or less than \$50,000 statewide.

These exclusion criteria were applied to a number of bills during the first year. Most of the exclusions were applied legitimately. However, there were instances where exclusions were applied in a misleading fashion to satisfy the requirements, if not the spirit, of the law, including a number of pension benefit bills that allowed an increase in the "tax multiple" on which the allowable property tax levy is based, as well as an increase in benefits. These bills were excluded from reimbursement by the legislature under the "cost recovered from external sources" provision of the mandates law.

The DCCA is developing standardized claims forms and a computerized tracking system for implementing the reimbursement process, and has begun preparation of a mandate catalogue.

The Report Card

The new requirements provided in the State Mandates Act initially took many legislators and state officials by surprise. At first, there was concern

among fiscally conservative lawmakers that the law could trigger raids on the state treasury. However, this has not been the case; no reimbursable mandates have been adopted to date. Another concern was that the mandates act could provoke litigation between the state and local governments over interpretation of the act. Thus far, no legal challenges have been presented.

The fact that these concerns have yet to manifest themselves, however, is not to say that the law has been universally and warmly greeted. As one statehouse pundit characterized the climate: officials are "approaching the new State Mandates Act as one might approach a strange dog on a lonely street -- (they are) trying to befriend the creature while remaining alert for a sudden baring of teeth and the bite that often follows."

Indeed, several attempts to repeal the law were made during the first year. All failed. Three amendments to the law, however, were successful. First, the section that called for a statement of statewide policy objectives was dropped. The disclaimer provision was deleted and replaced by a requirement for a "statement of specific reasons for exclusion." And finally, the deadline for fiscal note preparation was changed from "prior to any hearing" to "prior to final action". Language also was added to permit legislation to progress to the "second reading" stage without a fiscal note, but no further.

Despite concern over the implementation of the State Mandates Act, reaction suggests that the law has operated relatively smoothly. During 1981, 52 general government mandates were determined to be reimbursable, requiring total annual reimbursements of slightly more than \$5 billion, or \$2 billion when duplications were excluded. All 52 bills were defeated by the legislature. All reimbursable bills were defeated in 1982 as well.

Operationally, one area of concern has been developing a cohesive relationship between the DCCA -- which handles general government mandates -- and the Office of Education -- which is responsible for analyzing education-related measures. Efforts are underway under the auspices of the Governor's Office to identify areas of cooperation and to strengthen the process. Two other components yet to be tested are the compilation of the mandates catalogue and the actual operation of the reimbursement process.

As noted by Governor James Thompson in describing the first year's experience: "The mandates act has saved taxpayers' hard-earned dollars while strengthening the state's business climate. The reduction of mandates bills means that everyone benefits. The state has less drain on its treasury; local governments have been spared paying for new or expanded programs; and the citizens of the state are less burdened with potentially higher taxes."

CONCLUSION

Few issues cause more concern among local government officials than state mandates because these mandates impose restrictions on local autonomy and budgets. Although state officials must have wide latitude in determining and implementing statewide policies and programs, substantial controversy remains over how far states should go in certain areas. For example, education, highways, welfare, health and environmental protection are functions considered subject to broad statewide policy objectives because of their "spillover" effects. Yet, even in these fields, questions arise. There are programs in each of these highly intergovernmental functions where the spillovers are not explicit and justifying a statewide concern becomes more difficult.

The experiences of the states described in this Bulletin are indicative of the benefits, as well as the difficulties, associated with developing and implementing a state mandates policy. The study and cataloguing activities that have been undertaken in the five states have been useful in consciousness-raising and in promoting informed decision-making at all levels. The studies and catalogues are important first steps in the mandate review process. By recording mandates in a central reference source, policy-makers are better able to assess the magnitude and nature of the mandate issue. Legislators, in particular, have a valuable new resource at their disposal that could help strengthen and expedite their oversight activities.

Mandate reimbursement laws also have proved beneficial, although not entirely successful. A major advantage of a reimbursement law is its directness: if the state imposes a cost on local governments, then the state pays for it. Further, the success of a reimbursement program is dependent on several factors including: what types of mandates are included, the method of determining costs, and the availability of relief for local governments if the reimbursement process is not effective.

California has the most sophisticated mandate reimbursement system in the country. However, as described earlier, California's program has not been free of controversy. The state's record provides many examples of the benefits to be gained from implementing a mandates policy. Likewise, the record includes a number of experiences that reflect the practical difficulties of implementing a mandates policy when philosophical, political and fiscal considerations come into focus.

By contrast, the Illinois mandate program has not yet been fully tested. The early results, nevertheless, appear to indicate that the program is successful as shown by the number and costliness of the local government bills that were either withdrawn or defeated after the enactment of the mandates law.

In early October, a new chapter of nationwide significance in the state mandates debate may have opened when New Orleans filed suit in civil district court, asking for a preliminary injunction to prohibit the State of Louisiana from enforcing laws that mandate certain city expenditures. At issue are 15 state statutes, enacted during the past 34 years, that require the city to expend almost \$19 million annually for various state functions. The suit claims that each of the laws violates the home rule charter provisions of the state's constitution. The suit further maintains that "local government revenue sources have dwindled and the city of New Orleans conducts an ongoing struggle just to maintain existing services to its citizens. Despite these difficulties, the state of Louisiana continues to delegate and transfer, illegally, its responsibilities and obligations which it is constitutionally required to provide to the city of New Orleans and mandate costly new programs on the city without providing the funds necessary for operation thereof."

In late November, the civil district court ruled in favor of the city, stating: "It is pure folly to hold that the state cannot under the constitution enact a statute which affects the structure and organization of the city's government but then permit the state to tell the city 'you establish within your jurisdiction these state governmental agencies and offices and you pay the cost of their operation'." An appeal is expected. State and local officials across the country, and especially those in states with broad constitutional home rule provisions, will pay close attention to the outcome of this suit and the potential impact it might have on their own jurisdictions.

The state mandates question probably will remain a major public policy issue on the intergovernmental agenda, especially in times of sustained fiscal stress. As noted by Marcia Whicker Taylor, professor of government at the University of South Carolina: "Mandates need closer monitoring before the practice runs amok. As the financial screws are turned on state governments, a natural tendency is to pass laws and regulations requiring local government to pick up a greater share of the state-local funding effort. In many instances, however, mandating may not be the most effective mechanism to ensure the uniform and equitable implementation of state policies."^{5/}

The interests of state and local governments may be incompatible in the area of mandates. To help reduce the frequency and seriousness of potential collisions, ACIR recommends that states adopt a policy of deliberate restraint toward the imposition of mandates. By comprising both substantive and procedural reforms, it is hoped that the ACIR recommendations can help ensure fiscal "fair play," reconciling the right of states to mandate local expenditures with local governments' interests in establishing their own priorities.

(This Bulletin was prepared by Jane F. Roberts, ACIR State-Local Relations Associate)

^{5/} Marcia Whicker Taylor, "State Mandated Local Expenditures: Are They Panacea or Plague?", National Civil Review, September 1980

Appendix A

A Typology of State Mandates*

While the scope of state mandates is extensive, five distinct types can be isolated:

- I) "Rules of the game mandates," relating to the organization and procedures of local governments, such as:
 - a) the form of government,
 - b) the holding of local elections,
 - c) the designation of public officers and their responsibilities,
 - d) the requirement of "due process" with respect, for example, to the administration of justice and the tax law,
 - e) state safeguards designed to protect the public from malfeasance by local public officeholders, and
 - f) provisions of the criminal justice code that define crimes and mandate punishment.

- II) "Spillover" or service mandates, dealing with new programs or enrichment of existing local government programs - that is:
 - a) education,
 - b) health,
 - c) hospitals,
 - d) welfare,
 - e) environment (clean water, clean air programs), and
 - f) transportation (nonlocal).

- III) "Interlocal equity" mandates, requiring localities to act or refrain from acting to avoid injury to or conflict with neighboring jurisdictions. Mandates of this type would include, but not be restricted to, regulatory and supervisory state roles in such areas as:
 - a) local land use regulations,
 - b) tax assessment procedures and review,
 - c) environmental standards.

- IV) "Loss of local tax base" mandates, where the state removes property or selected items from the local tax base - excluding tax exempt property. Examples would be:
 - a) exemption of business inventories from the local property tax base; and
 - b) exemption of food and medicine from the local sales tax.

- V) "Personnel" mandates, including (1) personnel standards (educational training, licensing and certification) of those local employees who carry out state-aided programs; (2) mandates affecting personnel benefits where the state sets salary or wage levels, hours of employment, or working conditions; and (3) mandates affecting retirement benefits..

* Taken from State Mandating of Local Expenditures, Advisory Commission on Intergovernmental Relations, A-67, July 1978.

Appendix B

SUMMARY OF CONSTITUTIONAL AND STATUTORY PROVISIONS
FOR STATE MANDATE REIMBURSEMENT PROGRAMS

CALIFORNIA:

Mandates requiring a new program or higher level of service shall be accompanied by funds to reimburse local governments for costs of such programs or increased service levels. No funds need be provided when the mandate is requested by the local agency affected; the legislation defines a new crime or changes an existing definition of a crime; or the mandate was enacted prior to January 1, 1975. Cal. Const. art. 13B, §6

The state is to reimburse each local government for all costs imposed by the state through mandated programs, services and other requirements. In the initial fiscal year, local agencies were to submit claims to the state controller within 45 days or in subsequent fiscal years, claims shall be submitted to the controller by October 31. Also in subsequent years, funds are to be appropriated by the legislature to cover mandated costs. The funds received pursuant to this Chapter may be used for any public purposes. Cal. Rev. & Tax Code §2231 et seq. (West)

COLORADO:

Actions by the General Assembly that mandate local governments to initiate or expand a program after July 1, 1981, shall either: (a) provide state funding; (b) provide a local source of revenue; or (c) provide that the cost be funded by local property tax revenues. The last alternative will be subject to state and local property tax limitations and revenue raising limitations. Colo. Rev. Stat. §29-1-304.

FLORIDA:

Any general law that requires a local government to perform an activity or provide a service or facility that will require the expenditure of additional funds must: (a) include an economic impact statement estimating the amount needed to cover the total cost to those localities; and (b) provide a means to finance such activity or service or facility.

Any general law that grants a tax exemption or changes the manner by which property is assessed or changes the authorization to levy local taxes must provide a means of finance on an ongoing basis. Financing may be provided by state aid, granting the right to levy a special tax; or through other means provided by law. Any such method shall bear a reasonable relationship to actual cost. Fla. Stat. §11.0706

HAWAII:

The state constitution requires that the state share in the cost of a new program or if an increase in service level if that cost is mandated by the state on any political subdivision. Haw. Const. art. 8, §5.

- ILLINOIS: The State Mandate Act requires: (1) collection and publication of information regarding existing and future state and federal mandates; (2) regular review of existing mandate programs; and (3) reimbursement to local governments for state mandates by express formula according to the type of mandate. Ill. Stat. Ann. Ch. 85, §2201 et seq.
- MASSACHUSETTS: Laws imposing any direct service or cost obligation on local governments are effective only if a local government approves them by vote or appropriates funding for them, unless the legislature provides funding. Laws granting or increasing exemptions from taxes must include state funding to be effective. ch. 29, §27C (Michie/Law. Co-op).
- MICHIGAN: Local governments may not be required to expand an existing service or activity or undertake new responsibilities "unless a state appropriation is made and disbursed" to pay for any resulting increased costs. Mich. Const. art. 9, §29.
- The state must provide funds to local governments for the costs of administering and implementing activities or services required of them. Mich. Comp. Laws §21.231 - §21.244.
- MISSOURI: The state shall not require a new or increased level of activity by any political subdivision without providing a corresponding state appropriation. Mo. Const. art. 10. §21.
- MONTANA: Statutes imposing new local government duties that require performance of an activity or service or facility that will require the direct expenditure of additional funds must provide a specific means to finance the activity, service or facility other than the existing authorized mill levies or the all-purpose mill levy. A law will not become effective until a specific means of financing is provided by the legislature. If an increase in mill levies is used to finance the mandate, it must be sufficient to cover the additional costs. Mont. Code Ann. §1-2-112.
- RHODE ISLAND: The Department of Community Affairs annually prepares a report, by city and town, of the cost of state mandates. The total costs are to be included as a line item appropriation in the state budget. R.I. Gen. Law §45 13-9.
- TENNESSEE: No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide the state share of the cost. Tenn. Const. art. 2, §24, implemented by Tenn. Code Ann. §9-6-301 et seq.
- WASHINGTON: The legislature shall not impose responsibility for new programs or increased levels of service on any taxing district unless the district is reimbursed for the costs thereof by the state. §43.135.060.

Source: ACIR Staff Compilation.

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KANSAS

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Platform***

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Atch. 4

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1982 - 1983

OFFICIAL STATEMENT OF POLICY

This Statement of Policy was adopted by conference action at the annual Kansas Association of Counties meeting in Wichita on the 16th day of November, 1982. It is the means through which the counties of Kansas make known their common aims and purposes and move together for the improvement of local government.

This Statement of Policy represents the foundation upon which the counties will build their 1983 State Legislative Program. It does not attempt to set forth the counties position on many of the specific bills which may be considered by the Legislature during the coming session. However, it does set forth basic principles and policies which will serve as a guide for action by legislative committees and county officials.

.....A platform for building better county government in Kansas.....

MEMBERS OF THE BOARD:

Elected Board:

Beverly Bradley, Douglas County Commissioner, President
Ralph Unger, Decatur County Commissioner, Vice-President
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Gayle Landoll, Marshall County Clerk
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Gary Smith, Shawnee County Appraiser
Paul Weidner, Haskell County Commissioner

Staff:

Fred D. Allen, Executive Secretary
Rosemary O'Neil, Administrative Assistant
Barbara Beach, Secretary

FINANCE AND TAXATION -- To improve the financial status of counties and to provide relief to the property taxpayer, we recommend the following-

(a) We support a home rule local option tax lid approach, whereby the elected board could adjust the state-imposed tax lid according to local conditions, subject to voter petition for a referendum.

(b) We support an increase in state motor fuel taxes to raise an estimated \$160 million annually, with 50 percent allocated to the special city and county highway fund.

(c) We support an expansion of the state-local revenue sharing plan and recommend that this fund be annually financed by the use of two and one-half percent of the total state income tax revenue and one and one-half percent of the total state income tax revenue. Current formulas relative to distribution should not be changed.

(d) Local governments should be exempt from the payment of the motor fuels tax.

(e) Because the special bridge fund is being called upon to finance increasing numbers of bridge replacements, we urge the Legislature to remove this fund from the aggregate tax lid.

2. SALES TAX -- We support a two percent increase in state sales tax with fifty percent returned to local governments under existing formulas.
3. COURT COSTS -- Inasmuch as courts are a state function, we oppose the financing in part of this service to the people by a tax on property and request the assumption of court costs by the state.
4. COURT FEES -- We request a further review of the statutes relating to court fines and fees and recommend additional adjustments to provide for retention of funds by the county to offset increased county costs brought about by traffic regulations and the new DWI laws.
5. PROSECUTION COSTS -- We request state reimbursement to counties for the cost of prosecution and defense of indigent defendants, as well as prosecution and subsistence of prisoners held in county facilities in connection with prosecution for crimes.
6. DEBT LIMITATIONS -- The debt limitations for counties as provided in K.S.A. 10-301 et seq no longer parallel the needs at the county level and are frequently by-passed by special legislation. We request a legislative review and update of these statutes.
7. INDUSTRIAL REVENUE BONDS -- We request that the statutes regulating the issuance of industrial revenue bonds be amended to provide for more input from counties when the issue relates to improvement in unincorporated areas.
8. ROAD IMPROVEMENT BONDS -- Counties should have authority to issue bonds for road and highway purposes similar to the authority of cities in K.S.A. 12-614 and the limitations in K.S.A. 68-521 and 68-1106 should be removed or increased.

EXEMPTIONS -- We oppose the granting of the farm machinery, business aircraft, or any other exemptions that further erode the ad valorem tax base and recommend a study of existing exemptions in an attempt to arrive at a uniform and equitable method of taxation. We support a "sunset" concept on all existing exemptions and oppose the passage of legislation without the opportunity for public input at committee hearings.

10. STATEWIDE REAPPRAISAL -- We strongly urge counties to continue efforts to maintain property values at an equalized level with state assessed property and generally oppose a reappraisal directed and administered by the state.
11. COMPUTERIZED ASSESSMENT ROLLS -- We strongly oppose the installation usage and control of a centralized state computer system of assessment rolls.
12. SOIL MAPS -- Recognizing the need for an updating of the values of real property we request that the Soil Conservation Service soil mapping program be accelerated.
13. LIVESTOCK -- State laws should provide for the assessment of all livestock by average inventory method.
14. COUNTY BOARD OF EQUALIZATION -- We oppose the erosion of the role of the county governing board as a board of equalization.
15. STATE MANDATES -- We strongly oppose the imposition of additional mandatory functions or activities, on local governments by the state unless the state also provides funds other than ad valorem taxes to finance such functions.
16. PUBLICATION OF CLAIMS -- We continue to request that all statutes relating to legal publications be reviewed and made uniformly applicable to all governmental entities.
17. SPECIAL BENEFIT DISTRICTS -- Existing statutes relating to benefit district improvements in counties are so diverse and fragmented that more than one can apply to the same situation. We therefore request that the general improvement assessment laws presently covering incorporated cities be expanded to cover counties as well and the existing laws now applicable to counties be repealed.
18. ANNEXATION -- We request that all annexations be approved by the county commissioners as well as the City Governing Board, unless written request is made for annexation by land owner or owners.
19. PETITIONS -- We request a change in protest petition statutes to provide for a uniformity of procedural regulations and signature sufficiency.
20. COUNTY VEHICLE REGISTRATION -- We request legislation allowing counties to purchase vehicle registration and license tags which are non-renewable and nontransferrable for county vehicles.
21. CLARIFICATION OF LAWS -- Laws prescribing the authorities of county elected and appointed officials relating to budget spending, personnel and personal liability should be clarified to eliminate confusion and conflicts.

22. CODIFICATION OF STATUTES -- We request the initiation of a general ongoing program for the codification and clarification of outdated and obsolete statutes relating to cemetery districts, drainage districts and townships.
23. COUNTY EMPLOYERS -- We request a change or clarification of statutes relating to Public Employee Organizations designating the county governing board of their designated agent(s) as the official representative or the county for collective bargaining purposes.
24. COUNTY RECORDS -- We support revision of the statutes governing the retention and disposal of county government records to provide more appropriate requirements for specific types of records.
25. MENTAL HEALTH -- We urgently request and recommend that the state aid for community mental health centers be increased to the extent authorized by the 1974 Legislature in K.S.A. 65-4401 et seq.
26. REGIONAL AGENCIES -- We continue to support present law allowing the local option to membership and oppose granting governing or taxing authority to such commissions. We support the state financial assistance for such regional agencies.
27. EXTENSION COUNCIL BUDGETS -- K.S.A. 2-610 should be amended to provide for the approval of the Extension Council Budget by a majority of the County Governing Board and a study made of existing statutes relating to the budgetary expenditure of county funds.
28. COMMUNITY COLLEGE TUITION PAYMENTS -- We request to pay tuition only on verified completion of prescribed courses in our community colleges.
29. VANDALISM -- We request a codification of laws relating to vandalism of highway signs and a provision added declaring the possession of such signs by unauthorized persons to be illegal.
30. WATER -- We support concepts that will increase the availability of water in Kansas.
31. RETIREMENT BENEFITS -- Whereas current home rule authority exists to provide for county law enforcement and fire department personnel to be covered by the Kansas Police and Firemen's Retirement System we oppose all state mandates for this change in retirement coverage.
32. 911 EMERGENCY COMMUNICATIONS -- We request an amendment to K.S.A. 12-5304 (b) to allow for the expenditure of the exchange access charge for any services relating to emergency communications.
33. DOG LICENSES -- We request an amendment to K.S.A. 19-2230 authorizing the county governing board to set the licensing fees for dogs.

SUBCOMMITTEE REPORT

Agency: State Treasurer Bill No. 2140 Bill Sec. 16
 Analyst: Ahrens Analysis Pg. No. 380 Budget Pg. No. 1-181

<u>Expenditure Summary</u>	<u>Agency Req. FY 84</u>	<u>Governor's Rec. FY 84</u>	<u>Committee Adjustments</u>
All Funds:			
State Operations	\$ 1,411,890	\$ 1,276,892	\$ (39,175)
Aid to Local Units	50,058,140	46,755,140	(198,000)
TOTAL	<u>\$ 51,470,030</u>	<u>\$ 48,032,032</u>	<u>\$ (237,175)</u>
State General Fund:			
State Operations	\$ 1,374,290	\$ 1,171,735	\$ (37,233)
Aid to Local Units	42,858,000	39,387,000	(198,000)
TOTAL	<u>\$ 44,232,290</u>	<u>\$ 40,558,735</u>	<u>\$ (235,233)</u>
F.T.E. Positions	50.0	47.0	—

FY 1983 House Subcommittee Recommendations

The Subcommittee concurs with the recommendations of the Governor for FY 1983 except for two adjustments recommended by the Subcommittee, neither of which involves any change in FY 1983 appropriations:

1. Delete the \$8,132 for the FY 1983 merit pool and reappropriate the amount to FY 1984.
2. Revise downward by \$64,160 State General Fund aid to local units of government on the basis of current law. The Governor's Budget Report contained an estimate of General Fund aid of \$37,607,000, less \$18,900,000 resulting from passage of S.B. 24 and 27, for a net of \$18,707,000. Distributions are actually \$18,642,840. Presently before the House Ways and Means Committee is S.B. 85 which would provide additional aid of an estimated \$810,555 for one-time payments to community colleges and Washburn University as recommended by the Governor as an addition to his original recommendation.

FY 1984 Agency Request/Governor's Recommendation

The Governor's recommendation for FY 1984 provides for the existing staff of 47.0 F.T.E. positions. The State Treasurer had requested three additional positions, two of which were tentatively requested to meet operating requirements arising out of the federal law which requires all public bonds issued commencing July 1, 1983, to be in registered form. The Governor stated that he would make a revised recommendation if the review of the new federal requirements reveals the need for additional operating expenditures. The Governor recommends replacement by installment purchase over five years of the agency's warrant reader/sorter at an annualized cost of \$23,234. The FY 1984 recommendation includes \$11,617 for the first six month's cost. The Governor also recommended \$12,595 (\$7,000 less than the agency request) for a special notification of obligation to potential holders of unclaimed property.

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FY 1984 House Subcommittee Recommendations


The Subcommittee concurs with the Governor's recommendation except for the following recommended adjustments:

1. Delete the \$33,174, of which \$31,232 is from the State General Fund, recommended by the Governor for 4 percent cost-of-living salary increases.
2. Delete the \$8,200 for the FY 1983 merit pool which was retained in the Governor's recommendation, presumably to be used for other purposes.
3. Add \$2,199 for seasonal and temporary help (\$2,103 plus \$164 fringes less \$68 turnover). The Governor's recommendation of \$21,790 for seasonal and temporary help in FY 1984 compares with \$23,893 estimated for FY 1983 and the Subcommittee recommends retention of the present level.
4. Revise downward by \$198,000 estimated General Fund expenditures for aid to local units based upon consensus estimates adjusted for passage of S.B. 24 , 27 and 36 (the latter being the acceleration of sales tax receipts). The Governor's Budget Report contained the original consensus estimate of \$40,087,000 less \$700,000, reflecting proposed legislation, for a net estimate of \$39,387,000. Based upon the final form of S.B. 36 and actual calendar year 1982 sales tax receipts, distributions are now estimated to be \$39,189,000.

The Subcommittee concurs with the Governor's recommendation that the warrant reader/sorter be replaced. The Subcommittee believes that replacement is a high priority which should not be deferred on the basis of some other need perceived by the agency.

The State Treasurer reported to the Subcommittee her strong desire to remain in the present quarters occupied by the agency in the 535 Kansas Building. However, the Subcommittee believes that the matter of office location is beyond the Subcommittee's jurisdiction.


Representative Sandy Duncan
Subcommittee Chairman


Representative David Heinemann


Representative Jack Shriver

SUBCOMMITTEE REPORT

Agency: Governor's Department

Bill No. 2140

Bill Sec. 7

Analyst: Ahrens

Analysis Pg. No. 341

Budget Pg. No. 1-13

<u>Expenditure Summary</u>	<u>Agency Req. FY 84</u>	<u>Governor's Rec. FY 84</u>	<u>Committee Adjustments</u>
State Operations:			
All Funds	\$ 1,135,250	\$ 1,096,000	\$ (30,331)
State General Fund	1,135,250	1,096,000	(30,331)
F.T.E. Positions	33.9	33.9	—

Agency Request/Governor's Recommendation

The Governor's recommendation of expenditures for FY 1984 total \$1,096,000 and would finance 33.9 F.T.E. positions. Staffing changes are recommended at the Governor's Residence which result in a net increase of .35 of a position from the FY 1983 staffing level. Not included in the expenditure total is the Governor's recommendation of \$75,000 for contingencies, an increase of \$50,000 above the current year's level. The contingency recommendation includes funds for possible expenses of special projects and task forces.

House Subcommittee Recommendations

The Subcommittee concurs with the recommendations of the Governor except that, in accordance with the action of the full Committee, the \$30,331 for 4 percent cost-of-living increases is recommended to be deleted.


 Representative James Lowther
 Subcommittee Chairman


 Representative Rex Hoy


 Representative George Teagarden

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SUBCOMMITTEE REPORT

Agency: Lieutenant Governor Bill No. 2140 Bill Sec. 12

Analyst: Ahrens Analysis Pg. No. 367 Budget Pg. No. 1-21

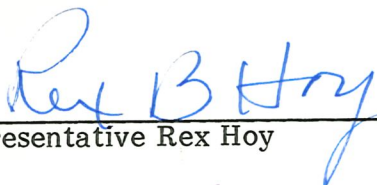
<u>Expenditure Summary</u>	<u>Agency Req. FY 84</u>	<u>Governor's Rec. FY 84</u>	<u>Subcommittee Adjustments</u>
State Operations:			
All Funds	\$ 93,988	\$ 90,788	\$ (2,400)
State General Fund	—	—	—
TOTAL	<u>\$ 93,988</u>	<u>\$ 90,788</u>	<u>\$ (2,400)</u>
 F.T.E. Positions	 3.0	 3.0	 —

House Subcommittee Recommendations

The Governor recommends FY 1984 expenditures of \$90,788 for the Lieutenant Governor, a personal secretary, and an administrative assistant. The Subcommittee concurs with the Governor's recommendation with the exception of \$2,400 which represents the 4 percent cost-of-living increase.

The Subcommittee has also learned that the Lieutenant Governor is requesting legislative authorization to pay from his appropriation for operations, travel and subsistence expenditures for security personnel when traveling with him. Similar authorization has been contained in the appropriations for the Governor for some years. The Subcommittee recommends the amendment of H.B. 2135 for FY 1983 and H.B. 2140 for FY 1984 to pay security personnel when traveling with the Lieutenant Governor.


 Representative James Lowther
 Subcommittee Chairman


 Representative Rex Hoy


 Representative George Teagarden

SUBCOMMITTEE REPORT

Agency: Secretary of State Bill No. 2140 Bill Sec. 14

Analyst: Ahrens Analysis Pg. No. 370 Budget Pg. No. 1-23

<u>Expenditure Summary</u>	<u>Agency Req. FY 84</u>	<u>Governor's Rec. FY84</u>	<u>Committee Adjustments</u>
State Operations:			
All Funds	\$ 1,671,741	\$ 1,574,718	\$ (33,916)
State General Fund	1,483,955	1,380,792	(46,979)
F.T.E. Positions	45.0	45.0	—

Agency Request/Governor's Recommendation

The agency request and Governor's recommendation are based upon continuation of present levels of operation and the existing staff of 45 F.T.E. positions.

House Subcommittee Recommendations

The Subcommittee concurs with the Governor's recommendations except for the following recommended changes:

1. Delete the \$33,916, of which \$31,979 is from the State General Fund, for 4 percent cost-of-living salary increases.
2. Shift financing of \$15,000 of other operating expenditures from the State General Fund to the Information Services Fee Fund. The Governor's recommendation contemplates carrying forward a portion of the resources of the special revenue fund to FY 1985. The Subcommittee recommends the use of the resources in FY 1984.
3. Retain the present method of appropriating General Fund line items for salaries and wages, other operating expenditures and official hospitality.


 Representative Bob Arbuthnot
 Subcommittee Chairman


 Representative William Bunten


 Representative Lee Hamm


 Representative Ruth Luzzati


 Representative Robert H. Miller

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SUBCOMMITTEE REPORT

Agency: Secretary of State Bill No. 2135 Bill Sec. 2

Analyst: Ahrens Analysis Pg. No. 370 Budget Pg. No. 1-23

<u>Expenditure Summary</u>	<u>Agency Req. FY83</u>	<u>Governor's Rec. FY 83</u>	<u>Subcommittee Adjustments</u>
State Operations:			
All Funds	\$ 1,523,877	\$ 1,453,514	\$ —
State General Fund	1,377,158	1,306,795	—
F.T.E. Positions	45.0	45.0	—

Agency Request/Governor's Recommendation

The Governor's recommendation for expenditures from the State General Fund for FY 1983 is \$101,543 below the amount authorized by the 1982 Session of the Legislature. Of total reductions, \$67,408 represent allotment reductions which have now been lapsed due to passage of S.B. 54. Additional reductions of \$34,135 include \$33,170 of salaries and wages and \$965 of other operating expenditures. Most of the additional salaries and wages reductions result from the shifting of \$29,189 from General Fund financing to the Register Fee Fund, and an expenditure limitation increase in the Fee Fund is recommended by the Governor. The agency's request included the shifting in financing but proposed the expenditure of the State General Fund moneys for other purposes.

House Subcommittee Recommendations

The Subcommittee concurs with Governor's recommendations and recommends the reappropriation to FY 1984 of the \$33,170 of salaries and wages and \$965 of other operating expenditures.



Representative R. E. Arbuthnot
Subcommittee Chairman



Representative William Bunten



Representative Lee Hamm



Representative Ruth Luzzati



Representative R. H. Miller

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PROPOSED BILL NO. _____

For Consideration by House Committee on Ways and Means

AN ACT concerning the secretary of state; relating to providing certain copies, documents and services to state and federal agencies; amending K.S.A. 17-7506 and K.S.A. 1982 Supp. 75-409 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 17-7506 is hereby amended to read as follows: 17-7506. (a) The secretary of state shall charge each domestic and foreign corporation a fee of ~~twenty-dollars-(\$20)~~ \$20 for issuing or filing and indexing any of the corporate documents described below:

- (1) Restated articles of incorporation;
- (2) Certificate of extension, restoration, renewal or revival of articles of incorporation;
- (3) Certificate of amendment of articles of incorporation, either prior to or after payment of capital;
- (4) Certificate of designation of preferences;
- (5) Certificate of retirement of preferred stock;
- (6) Certificate of increase or reduction of capital;
- (7) Certificate of dissolution, either prior to or after beginning business;
- (8) Certificate of revocation of voluntary dissolution;
- (9) Certificate of change of location of registered office and resident agent;
- (10) Agreement of merger or consolidation;
- (11) Certificate of ownership and merger;
- (12) Certificate of authority of foreign corporation to do business in Kansas;
- (13) Certificate of extension, restoration, renewal or revival of a certificate of authority of foreign corporation to do business in Kansas;

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- (14) Change of resident agent by foreign corporation;
- (15) Certificate of withdrawal of foreign corporation;
- (16) Certificate of correction of any of the instruments designated in this section;
- (17) Reservation of corporate name; and
- (18) Any other certificate for which a filing or indexing fee is not prescribed by law.

(b) Except as hereinafter provided, the secretary of state shall charge fees for the documents or services described below:

(1) Certified copies, ~~seven-dollars-and-fifty-cents-(\$7.50)~~ \$7.50 for each copy certified plus a fee per page if the secretary of state supplies the copies in an amount fixed by the secretary of state and approved by the director of accounts and reports under K.S.A. 45-204; the fee for each certificate of good standing and certificate of fact issued by the secretary of state shall be ~~seven-dollars-and-fifty-cents-(\$7.50)~~ \$7.50;

(2) For a report of record search, ~~five-dollars-(\$5)~~ \$5, but furnishing the following information shall not be considered a record search and no charge shall be made therefor: Name of the corporation and address of its registered office; name and address of its resident agent; the amount of its authorized capital stock; the state of its incorporation; date of filing of articles of incorporation, certificate of good standing or annual report; and date of expiration; and

(3) For photocopies of instruments on file in or prepared by the secretary of state's office and which are not certified, a fee per page in an amount fixed by the secretary of state and approved by the director of accounts and reports under K.S.A. 45-204.

~~(e) The secretary of state shall not charge any fees for the documents or services described in this subsection upon an official request therefor by any agency of this state or of the United States, or by any officer or employee thereof.~~

Sec. 2. K.S.A. 1982 Supp. 75-409 is hereby amended to read as follows: 75-409. (a) The secretary of state, when required by any person to make out a certified copy of any law,

resolution, bond, record, document or paper deposited or kept in or prepared by the secretary of state's office, shall attach an official certification thereto ~~his-or-her-certificate,~~ under the secretary of state's official seal, ~~and~~. Such copy, thus certified, shall be received in evidence in the same manner and with like effect as the original. The secretary of state shall charge a fee per page in an amount fixed by the secretary of state and approved by the director of accounts and reports under K.S.A. 45-204 for each such copy so made and certified, and unless otherwise specifically provided by law, for photocopies of any document or instrument on file in or prepared by the secretary of state's office which are not certified, the secretary of state shall charge a fee per page in an amount fixed by the secretary of state and approved by the director of accounts and reports under K.S.A. 45-204 for each such copy.

(b) Where any such copy must be made outside the secretary of state's office, in addition to the certification fee, the secretary of state shall charge the requesting party the actual costs of reproducing and transmitting such copy in an amount fixed by the secretary of state and approved by the director of accounts and reports under K.S.A. 45-204.

~~(c) No fee authorized by this section shall be charged for any copy made by the secretary of state upon an official request therefor by any agency of this state or of the United States, or by any officer or employee thereof, except where any such copy must be made outside the office of the secretary of state in which case the secretary of state shall charge the actual costs of reproducing and transmitting such copy in an amount fixed by the secretary of state and approved by the director of accounts and reports under K.S.A. 45-204.~~

Sec. 3. K.S.A. 17-7506 and K.S.A. 1982 Supp. 75-409 are hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.

SUBCOMMITTEE REPORT

Agency: Attorney General Bill No. 2140 Bill Sec. 3
 Analyst: Ahrens Analysis Pg. No. 327 Budget Pg. No. 1-1

<u>Expenditure Summary</u>	<u>Agency Req. FY 84</u>	<u>Governor's Rec. FY 84</u>	<u>Subcommittee Adjustments</u>
State Operations:			
All Funds	\$ 1,969,663	\$ 1,900,981	\$ (65,762)
State General Fund	1,867,300	1,798,618	(95,606)
F.T.E. Positions	54.5	54.5	—

FY 1983 Subcommittee Recommendation

The Governor's recommendation for FY 1983 is the same as the agency request. Estimated expenditures reflect the reduction of \$78,124 which was first imposed by allotment and subsequently lapsed by S.B. 54. Additional reductions of \$2,735 were not lapsed by S.B. 54 and the Subcommittee recommends their reappropriation to FY 1984 in H.B. 2140.

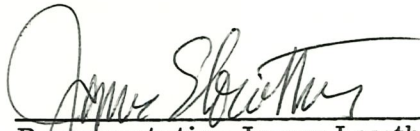
FY 1984 Subcommittee Recommendations

The Governor's recommended expenditures, as well as the agency's request, would continue in FY 1984 the present level of operation of the Attorney General's Office, except for the addition of 1.5 F.T.E. positions, supporting expenses and professional fees to pursue specialized legal matters pertaining to interstate water rights. The Governor recommends \$103,980 for the new program, which is the amount requested by the Attorney General less the adjustment of salary increases from the 7 percent requested to 4 percent.

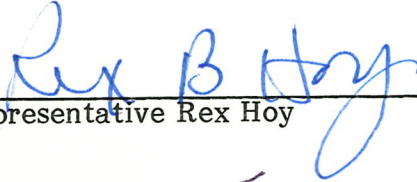
The Subcommittee concurs with the recommendations of the Governor except for the following:

1. Delete the \$52,257 set aside for the 4 percent cost-of-living increase.
2. Delete \$13,505 representing a 1 percent reduction from salaries and wages for estimated turnover savings which can reasonably be anticipated.
3. Shift \$29,844 of financing for the Anti-Trust Subprogram from the General Fund to the Attorney General's Anti-Trust Special Revenue Fund. Because of accomplished settlements of anti-trust cases, principally highway bid-rigging cases, such additional special revenue fund resources can now be identified and utilized in financing the subprogram.
4. Retain the current legislative practice of appropriating General Fund line items for salaries and wages, other operating expenditures, and for litigation costs, in lieu of the program line items contained in H.B. 2140, as introduced. The agency representative appearing before the Subcommittee stated agency preference for current appropriation practices and also suggested a separate item for the new program in water rights, and the Subcommittee so recommends.

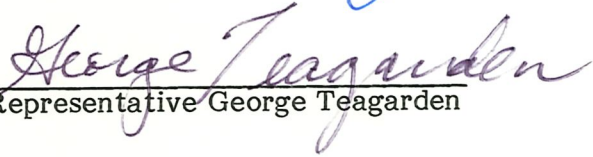
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Representative James Lowther
Subcommittee Chairman



Representative Rex Hoy



Representative George Teagarden

SUBCOMMITTEE REPORT

Agency: Insurance Department Bill No. 2140 Bill Sec. 10

Analyst: Ahrens Analysis Pg. No. 359 Budget Pg. No. 1-137

<u>Expenditure Summary</u>	<u>Agency Req. FY 84</u>	<u>Governor's Rec. FY84</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 5,906,552	\$ 5,782,913	\$ (126,596)
Aid to Local Units	2,234,647	2,234,647	(32,740)
Other Assistance	<u>12,110,000</u>	<u>12,110,000</u>	—
TOTAL	<u>\$ 20,251,199</u>	<u>\$ 20,127,560</u>	<u>\$ (159,336)</u>
State General Fund:			
State Operations	\$ 3,812,128	\$ 3,708,288	\$ (317,468)
F.T.E. Positions	136.0	136.0	—

Agency Request/Governor's Recommendation

The agency request and Governor's recommendation are based upon the continuation of the present staffing level of 136 F.T.E. positions. Reflected in FY 1984 requested and recommended expenditures is the full-year cost of the agency's new offices located in the former Woman's Club Building. In FY 1983, rental costs of the new offices are subsidized by the Department of Administration to the extent of \$146,626, and Administration also paid \$20,291 of moving and telephone and partition installation costs.

House Subcommittee Recommendations

The Subcommittee concurs with the Governor's recommendations for the Insurance Department except for the following adjustments which the Subcommittee recommends:

1. Delete \$122,528, of which \$104,987 is from the General Fund, which is the 4 percent cost-of-living salary increases included in the Governor's recommendation.
2. Shift the financing of \$208,413 of expenditures from the State General Fund to three special revenue funds, the administration of which has previously been subsidized by the Department from its general operating budget. Amounts recommended to be shifted include salaries and wages of \$157,792 for 7.5 F.T.E. positions and supporting other operating expenditures of \$50,621. The amounts are as estimated by the Department of Insurance; and the concept of charging expenses to the funds has been endorsed by the Insurance Commissioner. Shifting of the financing is dependent upon passage of authorizing legislation. S.B. 284 authorizes payment of administrative expenses from the Health Care Stabilization Fund; H.B. 2436 authorizes the same to be paid from the Firemen's Relief Fund; and H.B. 2462 authorizes payment of expenses from the Workers' Compensation Fund. Administrative expenses would be additional expenditures from the Health Care Stabilization Fund and the Workers' Compensation Fund. In the case of the Firemen's Relief Fund, administrative expenses would be offset by an equal reduction of payments to the various firemen's relief associations.

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3. Delete \$4,068 recommended by the Governor for a CASK-KIPPS terminal for the Department of Insurance. The Subcommittee believes that, based upon discussion with the Department, such a terminal, at best, would be of marginal benefit for an agency of its size.


The Subcommittee notes that the Governor has recommended \$18,688 for various office equipment and furniture items. Based upon Subcommittee discussion with the agency, equipping of a large conference room is now the major priority and the Subcommittee has no objections to the agency's change of plans.

H.B. 2140, as introduced, provides for a single line item of appropriation from the State General Fund. The Subcommittee recommends retention of previous practice of appropriating line items for salaries and wages, other operating expenditures and official hospitality.


The Subcommittee brings to the full Committee's attention the fact that claims expenditures from the Workers' Compensation Fund continue to grow rapidly. Indeed, FY 1983 expenditures are exceeding estimates by such a degree that the Department plans to have insurers pay up to \$2 million of new claim awards in FY 1983 and be reimbursed from the Workers' Compensation Fund in FY 1984.

The Subcommittee was informed by the Insurance Commissioner of four matters of particular concern to him and which he intends to have his existing staff pursue vigorously. The Commissioner stated that if existing departmental resources proved insufficient to get the job done to the standards he deemed essential, he would request additional resources next year. The matters of concern to the Commissioner are as follows: (1) health care cost containment; (2) improved surveillance of casualty insurance companies; (3) the transfer of federal regulatory and supervisory responsibilities to the states; and (4) development of reinsurance resources particularly in application to insurance claims for medical malpractice and product liability. The Subcommittee brings this to the attention of the full Committee and recommends that the Insurance Commissioner report to the 1984 Session concerning progress and needs.

The agency request and Governor's recommendation include additional amounts for printing and developing consumer brochures — \$15,600 for a special printing to initially stock 500 display cases being distributed statewide by the Kansas Insurance Education Foundation and \$13,300 for other reprinting and new development of brochures. The Subcommittee has some concern about such an increased volume of printing all in one year; but rather than recommending any reduction, the Subcommittee suggests that the agency carefully review its priorities, especially with regard to the four matters of particular concern expressed by the Commissioner, and utilize funds to the state's best advantage.



Representative Sandy Duncan
Subcommittee Chairman



Representative David Heinemann



Representative Jack Shriver