

MEETING AGENDA

Special Commission On A Public Agenda For Kansas
10:00 a.m., December 5, 1985
State Capitol, Room 522-S

I. Approval of Minutes

II. Review of Subcommittee Reports

A. Subcommittee #1, Robert F. Bennett, Chair

- ✓ 1. Proposed Study of Kansas State and Local Finance
- ✓ 2. Proposed Study of Capital Finance and Infrastructure

B. Subcommittee #2, Michael L. Johnston, Chair

- ✓ 1. Proposed Study of The Kansas Economy
- ✓ 2. Proposed Study of Kansas Rural Communities

C. Subcommittee #3, Mike Hayden, Chair

- ✓ 1. Proposed Study of Preventive Health Care
- ✓ 2. Proposed Study of Educational Governance and Finance

III. Commissioning of Studies

Recommendation: Authorize the Coordinator with the approval of the Chair to commission the six studies as approved.

IV. Proposed schedule for Completion of Commission Work

December 5	Approval of proposed studies
March 13	Progress reports to and review by subcommittees
April 21-22	Draft reports to Commission
June 5	Final meeting of Commission
June 30	Final report to Kansas Legislature

MINUTES

~~DRAFT~~ approved
4/28/86

Special Commission on a Public Agenda for Kansas
December 5, 1985
10:00 a.m.

Present: Arasmith, Barkis, Bennett, Borgen, Braden, Finley, Frey, Hayden, Johnston, Lee, McGlothlin, Moore, Shumway, and Warner.

Absent: Dykes and Edmiston.

Shumway moved approval of the minutes for the October 3 meeting. Motion passed unanimously.

Bennett introduced Glenn Fisher who reported on the proposed study of state and local finance. Bennett moved approval of the proposed study. Motion passed unanimously.

Flentje reported on the proposed study of capital finance and infrastructure. Hayden requested that the study include options such as a building fund dedicated to correctional purposes and lottery funds dedicated to capital improvements. Bennett moved approval of the proposed study. Motion passed unanimously.

Hayden introduced Maurice Penner who reported on the proposed study of preventive health care. Hayden moved approval of the proposed study. Motion passed unanimously.

Flentje reported on the proposed study of educational governance and finance and recommended that John E. King be commissioned to undertake the study. Bennett moved that the study include broad policy option concerning the finance of elementary and secondary education. Motion passed unanimously. Braden moved the approval of the proposed study as amended. Motion passed unanimously.

Johnston introduced Anthony Redwood who reported on the proposed study of the Kansas economy. Johnston moved approval of the proposed study. Motion passed unanimously.

Johnston introduced Charles Krider who reported on the proposed study of rural communities. Moore moved approval of the proposed study. Motion passed unanimously.

Moore moved that the Commission authorize the Coordinator with the approval of the Chair to commission the six studies as approved. Motion passed unanimously.

Hayden reviewed the proposed schedule for the completion of Commission work as follows:

March 13	Progress reports to and review by subcommittees
April 21-22	Draft reports to Commission
June 5	Final meeting of Commission
June 30	Final report to Kansas Legislature

In the absence of objection the schedule was adopted.

The meeting adjourned at 2:45 p.m.

STATE AND LOCAL GOVERNMENT
CAPITAL SPENDING

JOHN E. PETERSEN
Government Finance Research Office
Washington, D.C.

The Banking Law Institute
February 7-8, 1985

State and Local Government Capital Spending

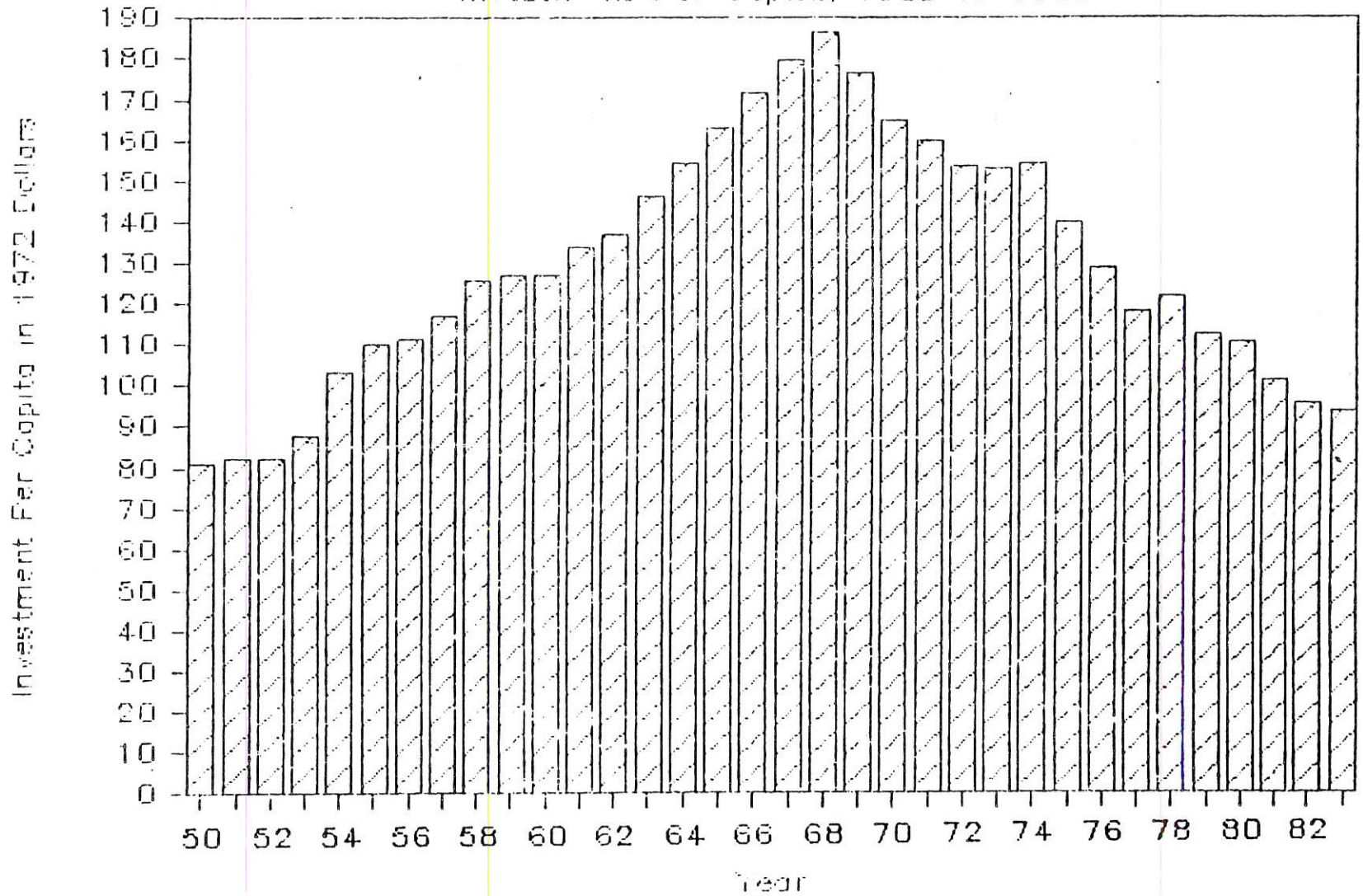
Capital spending was once a top priority for state and local governments. New investment in government-owned capital facilities, after controlling for inflation and population changes, showed a rapid rise after World War II. As illustrated in Figure 1.1, this upswing in state and local capital investment reached an historic high in 1968. Thereafter, annual levels of investment in public capital per capita declined.

Cyclical patterns are evident in government capital spending. Capital investment, which was deferred by shortages immediately after World War II, then rose sharply in the 1950s and 1960s with the building of schools for baby-boom pupils, the Interstate Highway System, and new and expanded airports. The early and mid 1970s saw the growth of water and sewer public power projects. Shortly thereafter, public attention (and public funds) seemed to drift away from "brick-and-mortar" projects into human service and entitlement programs. The early 1980s were noteworthy in that virtually all categories of public capital spending declined, quite severely in some cases.

The amount of public infrastructure is explained not just by trends in public concerns and government programs, but by the durability of new investments. Physical infrastructure is long-lived. Each year's new investment spending adds to the total stock of public infrastructure, except to

Figure 1.1

State & Local Gov't--Owned Fixed Capital Investment Per Capita, 1950 To 1983



the extent it replaces the depreciation on existing facilities.

The total value of state and local government public capital stock, net of depreciation, can never be known exactly, but the estimates shown in Figure 1.2 are instructive. They show that the real per capita value of the public capital stock has been far more stable than the new investments shown in Figure 1.1. There was growth, especially in the 1950s and 1960s, and stability in the late 1970s, as annual investment at least kept pace with annual depreciation. By 1980, however, the total stock of state and local public capital began to erode. Since its historical high in 1979, public capital stock per capita has declined by about one percent a year through 1983. Thus, the nation's physical plant of public works is beginning to contract in per capita terms.

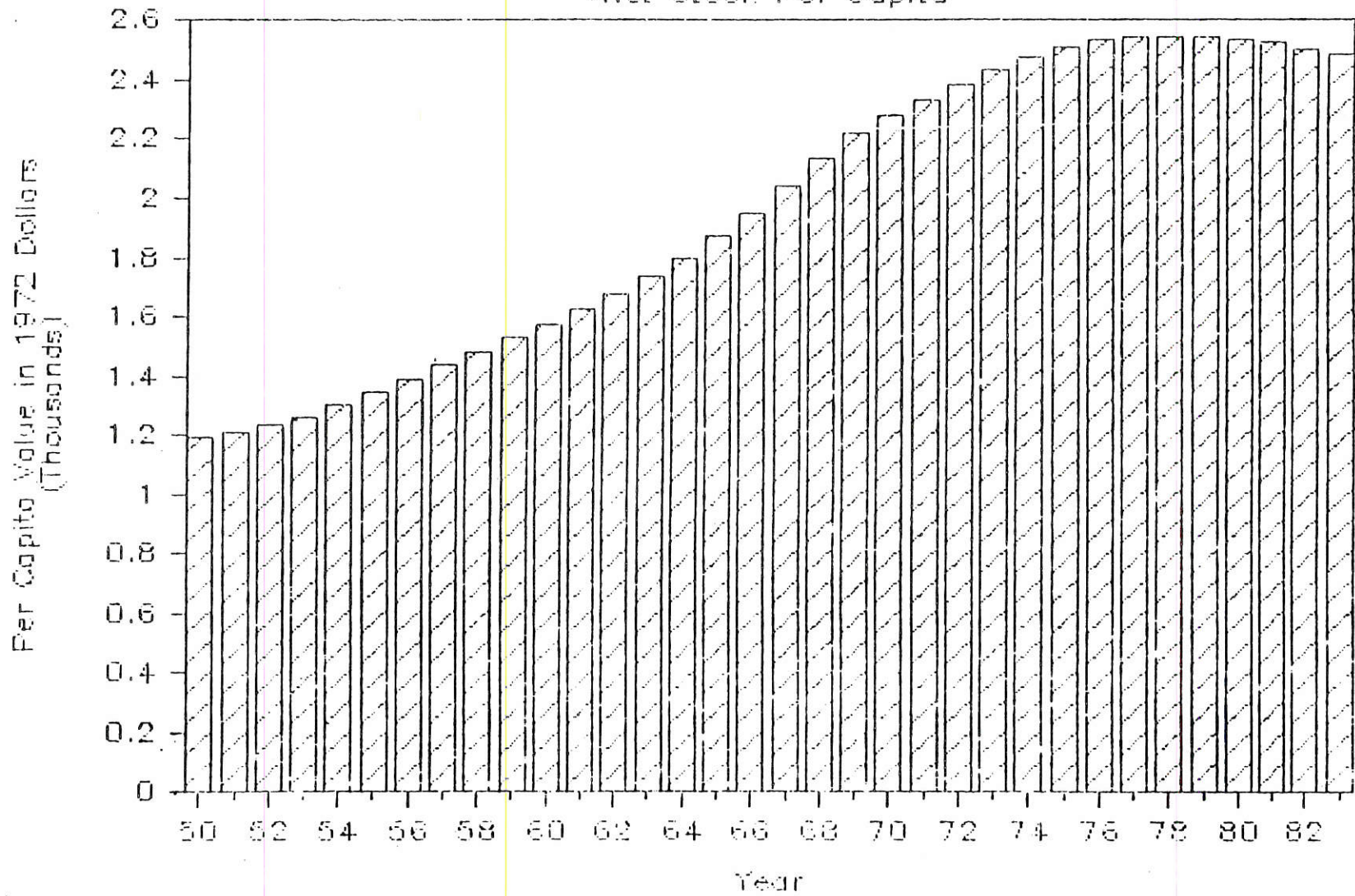
Sources of Capital Funds

Where has the money come from to finance the fixed capital expenditures of state and local government, and what may we expect of these sources in the future? Traditionally, states and localities have had three major choices in securing the funds used for their capital improvements:

- o borrowing,
- o federal grants, and
- o other own-financed sources.

Figure 1.2

State & Local Gov't--Owned Fixed Capital Net Stock Per Capita



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Borrowing and other own-financed sources are especially important because they represent the commitment of resources that are (or will need to be) raised by the state and local governments themselves in taxes, user charges, and other current revenues.

Borrowing for funding capital purposes has typically been restricted to long-term borrowing in the private capital markets, although short-term interim financing has frequently been used in anticipation of bond proceeds or grant receipts. Federal grants have been supplied through a variety of programs over the last 25 years, while federal lending programs (counted as borrowing) have been of only minimal importance. Other sources of capital funds typically represent funds appropriated from current revenues or the savings represented by carried-over balances of past revenues and the retained earnings of governmental enterprises. The relative importance of these sources has varied over time, depending on the nature of improvements being financed and the fiscal circumstances of governments.

Unfortunately, because of the complexities of governmental accounting and information gaps, it is not possible to get an exact accounting of where every dollar going into capital improvements was originally raised. However, with certain adjustments to available data, it is possible to trace the broad trends in aggregate financing. Focusing on the definition of fixed investment previously employed as a proxy for capital spending, Figures 1.3 and 1.4 depict the

Figure 1.3

Sources of Funds for State+Local Gov't

Fixed Capital Formation, 1950 To 1983

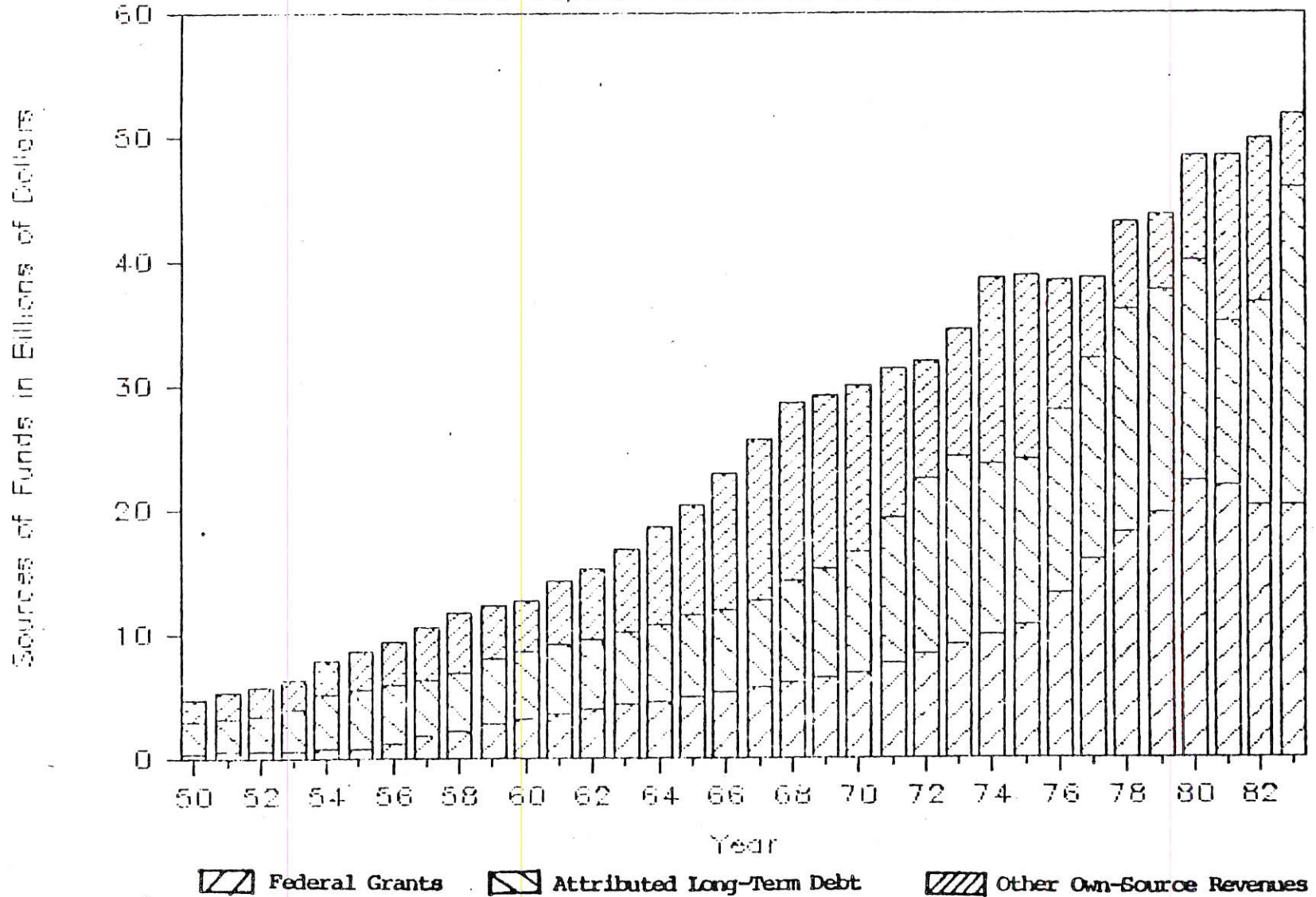
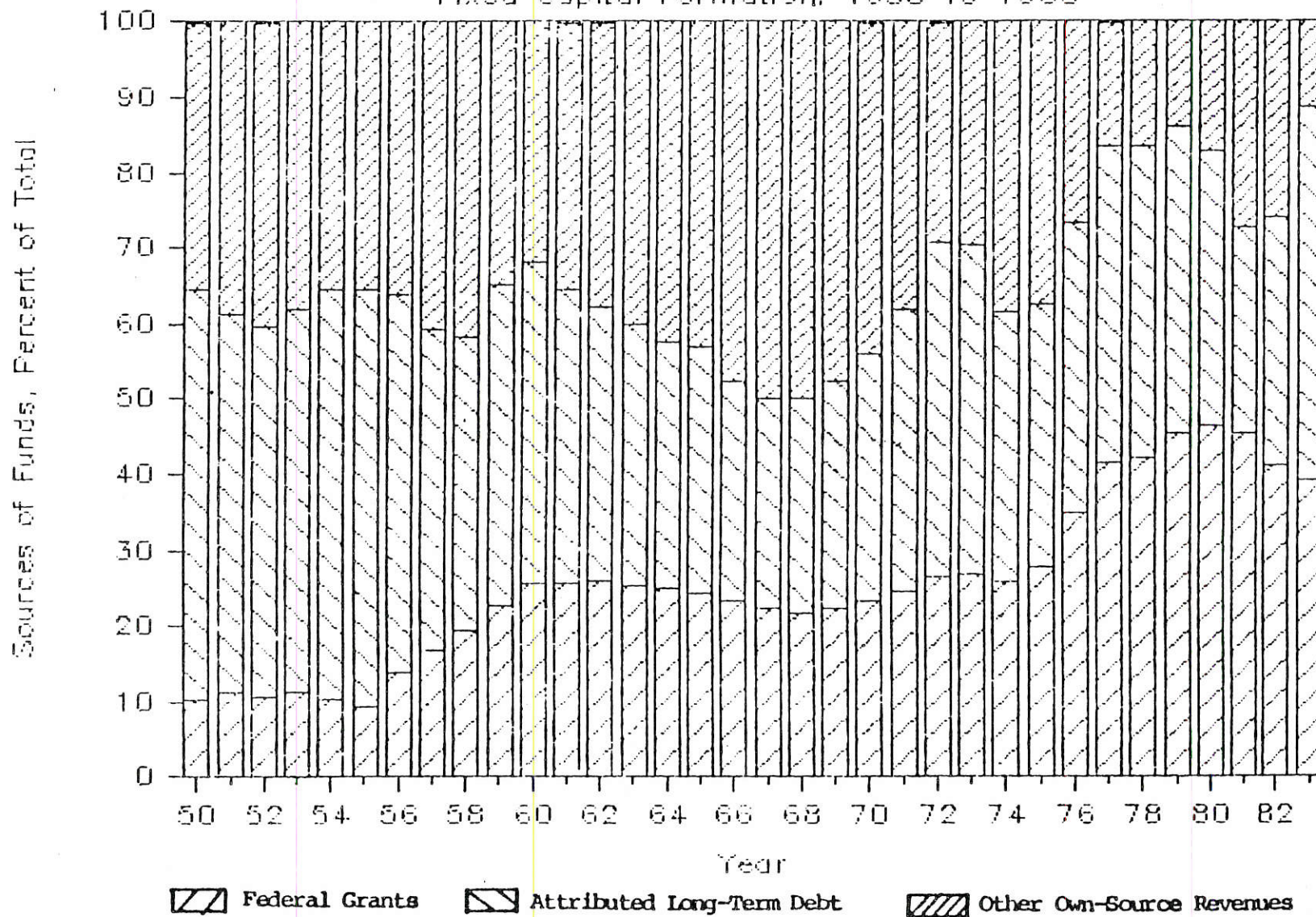


Figure 1.4

Sources of Funds for State+Local Gov't

Fixed Capital Formation, 1950 To 1983



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ebb and flow in the importance of the three major sources of capital funds. In the early 1950s, long-term borrowing accounted for about half the funds used for capital investment, and federal grants were of only minimal importance. As the decades of the 1960s and 1970s rolled by, federal aid grew in importance, first displacing borrowing and later diminishing the importance of other own-source revenues as well. By the 1980s, federal aid had become the predominant form of state and local government capital funds, representing well over 40 cents out of every dollar spent. That situation, however, began to reverse as federal spending priorities changed. By the early eighties, long-term borrowing was re-emerging as the major source of funds, and it became clear governments would need to look increasingly at their own sources to finance capital improvements.

Capital Needs and Financing Requirements

There is no universally accepted measure of how much capital spending state and local governments should be doing. Based on a variety of sources, the Government Finance Research Center has estimated the "needed" state and local government capital expenditures to obtain "reasonable" levels of annual capital spending throughout the remainder of this decade. In addition, where possible, newly emerging areas of facility need (such as waste-to-energy projects) were incorporated into the estimates.

In terms of total state and local capital spending, the indicated annual need (in 1982 dollars) is \$96 billion through the rest of the decade of the eighties. This compares to a 1982 level of \$51 billion in capital outlays. Assuming a projected level of \$25 billion in federal aid for capital purposes, this would mean \$71 billion would be financed by states and localities from their own resources. The "needed" billions in annual state and local capital spending to be raised from own sources will be financed from two major revenue sources: the proceeds of debt obligations and available current resources. In view of the recurring pressure on current revenues and the philosophical leanings toward placing projects on a self-supporting, user-pays basis, it is evident that debt-financing is destined to regain its pre-eminent position in financing capital goals. For that reason, the emphasis for the remainder of this volume will be on innovations in debt-financing and closely-related capital-raising mechanisms.



October 24, 1985
Revised November 25, 1985

AL

SUBJECT: Proposed Study of Kansas State and Local Finance

FROM: Glenn W. Fisher
Regents Professor
Hugo Wall Center for Urban Studies
Wichita State University

This study will center around two major questions: (1) Is the Kansas state and local revenue structure adequate? and (2) Is the Kansas state and local revenue structure well balanced? The proposed approach to these questions includes a more detailed definition of the problem and a brief description of the methodology to be used. In the final report there will be a discussion and analysis of the most likely alternative policy choices. This proposal was reviewed by the Subcommittee on State and Local Finance, and their suggestions have been incorporated.

I. Is the Revenue Structure Adequate?

The adequacy of a tax structure can be analyzed only in relation to a particular level of governmental expenditure, which, in turn, depends upon the level of governmental services to be provided. The level that will be chosen is not known, but the questions to be analyzed are chosen to cover the likely range of choice.

A. Problem Definition

1. Will the Kansas revenue structure produce adequate revenue to maintain the present level of services without new taxes, changes in tax rates or major revisions in the tax base?
2. If past trends toward increasing expenditure continue, will the present revenue structure provide sufficient revenue without new taxes, changes in tax rates, or major revisions in the tax base? (Both questions 1 and 2 need to be analyzed separately for local and state governments. Also, for major state funds.)
3. How does the level of tax capacity and tax effort in Kansas compare with the level of tax capacity and tax effort in other states?
4. In the case of local governments (including schools), what are the unit-to-unit variations in revenue adequacy? Will the answers to questions 1-3 vary greatly from district to district?
5. Is the revenue potential of Kansas taxes being seriously affected by erosion of the tax base due to legislative exemptions, administrative practices, court decisions, or Board of Tax Appeals rulings?

6. Is the adequacy of the Kansas revenue structure being seriously affected by changes in federal aid policies?
7. How will adoption of proposed changes in the federal tax system affect the adequacy of Kansas revenue structure?

B. Methodology

Because of time limitations the analysis will utilize existing data whenever possible. Fortunately, Kansas has a tradition of good legislative research, and several administrative agencies report information which will be useful. The U.S. Census of Government and the Advisory Commission on Intergovernmental Relations provide much data and analysis that will be useful for purposes of interstate comparisons. It is impossible to describe in advance exactly what analysis will be undertaken, but available data and time should permit the following analyses.

1. Compute the elasticity of state and, where possible, local taxes. Elasticity is a coefficient which measures the relationship between the growth of tax revenue and state personal income. Such computations have been made in the past and can be further refined to separate the components of revenue growth which are due to economic growth and those that are due to legislative or administrative change. These calculations will indicate whether the present level of services can be maintained without tax rate increases.
2. Project expenditure and revenue trends to determine what revenue shortfall would result if the present revenue structure is maintained but expenditures continue to increase at past rates. Separate projections will be made for local governments, where possible.
3. Compute per capita revenues for Kansas and other states. Compute revenues as percent of personal income for Kansas and other states. Compile data on tax capacity and effort as measured by the ACIR representative tax system for Kansas and other states. Separate data will be provided for state and local governments.
4. Compute per capita and per pupil tax bases, as available, for local governments in Kansas (for example, property tax bases of all local governments, sales tax bases for counties, income tax bases for school districts). Compute statistical measures of variation among units.
5. Examine statistical evidences of tax base erosion. Attempt to identify sources of this erosion by comparing legislative or administrative changes with revenue collection data.
6. Collect and analyze data on actual and proposed changes in federal aid policies as they affect Kansas revenue receipts.
7. Obtain and analyze studies of the effect of proposed federal tax changes on state and local tax revenues. Analyze effect on Kansas as time permits.

II. Is the Revenue Structure Well Balanced?

Tax analysts often employ a list of 7 to 10 criteria for evaluating a revenue source (see attached reprint). Because no revenue source scores well on all criteria, it is necessary to decide how much weight to give to each criterion. Almost always it is concluded that the weakness of the various sources are best counterbalanced by depending upon a variety of sources.

Due to time and resource limitations, we will not attempt a revenue-by-revenue, criterion-by-criterion evaluation of the Kansas revenue system. Instead we will utilize existing models of revenue balance and provide a more detailed consideration of some of the more important issues raised by this analysis. Special attention will be given to issues which have been a matter of controversy or discussion in Kansas.

A. Problem Definition

1. Is there a reasonable balance among the major tax sources (income, sales and property)?
2. Are other revenue sources such as other taxes, fees, and charges utilized where appropriate?
3. Does the state provide an appropriate level of aid to local governments?
4. Does the state provide local governments with appropriate authority to raise revenue? Does the state assist local governments in administration and provide controls that will prevent local abuse?
5. Are there obvious problems of tax equity? Does the Kansas revenue system impose an unreasonable burden on any income class, occupation, or region of the state?
6. Are there features of the revenue system which are difficult to administer or which involve unreasonable compliance costs?
7. Are there features of the revenue system which hamper good fiscal administration or promote undesirable governmental structures?
8. Does the Kansas tax system impose excess tax burdens on business? Are the various types of business enterprise treated fairly?
9. What effect will proposed federal tax reform have upon balance in the Kansas revenue system?

B. Methodology

The problem statements above include many that cannot be fully explored, but it is hoped that the issues can be clearly stated and that we can draw upon other research to provide some guidance as to answers to these problems or, at least, indicate where further research and discussion is needed. Among the methods which can be used are the following:

1. The proportion of the Kansas revenue obtained from each of the revenue sources will be compared with that suggested in "model" plans and compared with other states. Allowance will need to be made for the economic and geographic characteristics of Kansas.
2. The distribution of revenue raised and spent among the levels of government in Kansas will be compared with that of other states and the trends will be described.
3. Tax rates in Kansas will be compared with other states.
4. Attention will be given to complaints, controversies and to previous studies dealing with particular features of the Kansas revenue system and its administration. An attempt will be made to delineate the issue and summarize material from the literature of public finance that bear upon the question.

III. What are the Policy Choices?

It is difficult to provide a list of the policy choices that will be discussed before the research has been completed. The main thrust of this report will be to discover the most important issues and to provide information which will be useful in resolving them. Clearly, this is an area in which choices are limited by hard reality. It would be easy to recommend major tax reductions which would improve tax equity or the business climate of the state if no consideration had to be given to the effects of revenue loss.

Undoubtedly, however, the discussion of policy choices will include some or all of the following:

1. What new revenue sources or increased rates would be most desirable, if additional revenue is needed?
2. Are there "revenue neutral" changes in major revenue sources that might improve the equity of the tax system, the business climate or the administration of the revenue system?
3. What changes should there be in local finance? Should the state assume more of the burden of local finance? How should state aid to localities be distributed?

J. W. F

Glenn W. Fisher — WHAT IS THE IDEAL REVENUE BALANCE? — A POLITICAL VIEW

Economists have had a major impact upon state and local tax structure in the last few decades. In that period of time, they have participated as staff members in hundreds of tax studies. But the greatest impact has come not because policy makers immediately have accepted the recommendations made in carefully reasoned staff papers. Rather, the teachings of economists have become part of the intellectual equipment of those who make tax decisions and have been disseminated by publication in tax studies, journal articles, in the news media and through classroom teaching. Long-run impacts of this type are difficult to measure, but the widespread use of economic terms and concepts by those who make tax policy would appear to be a very good *prima facie* evidence that economic thinking about tax matters is influential.

Examples are easy to find. Thirty years ago the term "regressive tax" scarcely was heard outside the classroom, and those who attempted to explain the term or to invoke it as a sanction against the sales tax risked being considered slightly subversive. Today the term is widely used and approved. As this is written a Republican controlled legislature in Kansas is considering strongly the removal of food

from the sales tax base in order to reduce the regressivity of the tax. The importance of this lies not in the fact that it will create a fiscal problem for a newly elected Democratic governor, though this is not unimportant, but rather it lies in the fact that the Republican Party in a rather conservative state would choose the regressivity of the tax as the stated reason for the attempt.

Many legislators are familiar with the "tax elasticity" concept, and "coefficients of dispersion" are often cited as measures of the horizontal equity of the property tax. Even though such terms and concepts are often used in political rhetoric to justify positions already taken for other reasons, I believe that the frequency with which these terms and concepts are used suggests that economists are held in considerable respect and that the widespread use of economic arguments by legislators, administrators, lobbyists and ordinary citizens has a substantial long-term effect on policy decisions.

The problem with this state of affairs is that non-economic aspects of tax policy may be overlooked or that the results of economic analysis undertaken in one setting or at one particular time may be misapplied in another setting or at a later time. The principal argument of this paper is that more emphasis should be placed upon the political aspects of taxation.

PUBLIC POLICY ANALYSIS AND TAX POLICY

The analysis of public policy involves several steps. Among the most important are:

1. Choosing goals and objectives,
2. Measuring or appraising various alternatives in light of the goals and objectives adopted,
3. Determining priorities or weights to be accorded the various goals in order to arrive at a recommendation.

The second phase of these is largely a technical, value-free task properly performed by the analyst in his or her role as a scientist or technician. Steps 1 and 3, on the other hand, are value-laden processes, and the analyst should act with care to avoid attributing scientific validity to his or her own value judgments.

One common "model" of rational decisionmaking calls for "society" or some agency within the political system to define goals and objectives. It then becomes the job of the analyst or technician to determine the most effective or efficient way of achieving these goals and objectives.¹ Although examples of decisionmaking which conform essentially to this model can be cited, rational

decisionmaking is not the usual way of making the hard decisions.² A colleague of mine once told a state legislature that he could design a tax system if he were provided a clear statement of what the tax system was to accomplish. Predictably, he never received the statement of objectives. Any close student of legislative behavior knows that it would be far more difficult for a legislative body to draft such a statement than to make specific changes in the tax system without drafting such a statement.

ECONOMIC CRITERIA FOR A REVENUE SYSTEM

The failure to receive a statement of goals, objectives and priorities has not kept the economists from doing applied work in the field of revenue policy. Lacking an authoritative directive, economists have utilized their own knowledge and experience to formulate criteria for revenue systems and have then analyzed the various revenue sources in light of these criteria. The long history of this activity is emphasized when we recall that among the most quoted portions of the *Wealth of Nations* are the four maxims of taxation which Adam Smith formulated. In fact, these maxims—equality, certainty, convenience of payment and economy of collection—bear striking resemblances to the criteria utilized in recent revenue policy analyses.

Typical of the present-day criteria are the six utilized by George Break in analyzing local property taxation in California.³ These criteria, as listed by Break are:

1. Horizontal Equity

Equal burdens should be placed on people who enjoy equal amounts of local government services and own equal amounts of property.

2. Vertical Equity

In a broad sense, vertical equity requires that people who are in different economic circumstances pay tax burdens that are different from each other in some systematic and rational sense. . . . Opinions differ widely concerning the choice among taxes with varying degrees of progressiveness and the choice between progressive and proportional levels.

3. Fiscal Efficiency

The third test of a good tax system deals both with the administrative costs that the government must incur in order to obtain revenue from different kinds of taxes and with the time and effort and money . . . required on the part of the taxpayer in order to determine the amount of his tax liability.

4. Fiscal Flexibility

If local governments are to maintain their fiscal autonomy, they need at least one major source of revenue that can easily be varied from year to year in response to changing demands for local government services.

5. Economic Efficiency

This fifth test concerns the impact of different taxes on the effectiveness with which economic decisions to consume, to save, to work and to invest are made.

6. Growth Sensitivity

Local governments have found themselves in financial difficulties in recent years largely because the demand for their services appears to be highly sensitive to economic growth, whereas their traditional revenue sources are not.

Though differing somewhat in organization and emphasis, a similar list of criteria was utilized in a recent study of the Washington, D. C. tax system.⁴ This list is as follows:

1. Revenue Productivity

The primary job of a tax system is to produce revenues. Thus, the system as well as each particular tax must be judged on the basis of its revenue generating potential. For those who want the jurisdiction's revenue to expand at least as rapidly as its population and economic activity, there is an advantage in selecting taxes whose revenues are automatically responsive to changes in employment, volume of business, price level, or as a general proxy, the dollar value of personal income received in the jurisdiction.

2. Neutrality

Neutrality in taxation requires that taxes accomplish certain *intended* objectives, but beyond this they should minimize interference with private economic decisions. Special emphasis here must be placed on the word "intended." Sometimes a government deliberately chooses to raise some prices through taxation and thus discourage consumption.

3. Equity

Few questions of public finance are more obviously judgmental—and therefore political—than the question of "who should pay." Nevertheless, tax equity is a proper concern in economic analysis and must be addressed as objectively as possible. For our purposes here, there are two types of equity concepts which can be distinguished: "horizontal" and "vertical."

4. Tax Exporting

Most state/local governments rely—sometimes quite heavily—on taxes which are designated to be paid by non-residents. This design to "export" taxes should not be based on a political preference to "beggar our neighbors," but from the realization that non-residents may generate substantial costs to a jurisdiction in traffic policing, health problems, congestion and environmental degradation.

5. Investment and Economic Growth

It is frequently alleged that state or local taxes will frighten away prospective investors and producers, but there is a large literature which testifies that neither tax increases nor tax exemptions have had significant effects on the location of industry within the U.S. At some point, of course, extremely high, discriminatory or uncertain taxes could have adverse effects on the jurisdiction's economic growth.

6. Administrative Feasibility

Another basis commonly advanced for choosing among tax alternatives is the ease or difficulty, costliness or cheapness of collecting any levy in a reasonably uniform way. Surely, other things being equal, it is preferable to choose taxes which are easy to collect . . .

Indeed, there are few taxes proposed to city councils or state legislatures which, assuming that they are constitutional and otherwise lawful, cannot be administered if government has the will, the facilities and staff to do so.

7. Taxpayer Compliance Costs

There is a wide range of compliance costs—the costs borne by the individual or business taxpayer in keeping records, computing and filing tax returns, undergoing audits, etc. . . . Failure to consider the taxpayers' views in the mechanics of tax preparation can result in widespread tax evasion and contempt for the government legislative body.

The authors of the D.C. study conclude the discussion of criteria for evaluating a revenue system by pointing out that there must be tradeoffs among the criteria and that there is no perfect tax. This leads them to the widely held conclusion that a good tax system must be a balanced system utilizing several different taxes.

Both lists of criteria cited above are strongly oriented toward economic factors. In this regard, the two studies probably are typical. An underlying assumption appears to be that the private sector is working well generally and that the tax system should alter the operation of that system only in limited, consciously arrived at instances. Discussion of administration of the revenue system is confined almost entirely to the costs of administration. The authors of the D.C. study go out of their way to downplay the importance of administration by suggesting that all common types of taxes can be administered satisfactorily if the political will and resources are present. Concern about revenue adequacy is expressed, but this seems to be only a concern that existing units of government maintain existing levels of services without undue political conflict. Nowhere in the lists of criteria do the authors indicate concern that revenue systems have a major impact upon the structure of government. Concern about public attitudes is minimal, and there is no explicit recognition that taxes might be related to the alarming decline in the capacity of our political institutions to govern.

This state of affairs has come about because economists predominate among the groups of persons thinking and writing systematically about government revenue. Political scientists, with a few exceptions, have been uninterested and uninformed about the technical aspects of revenue, and those who have become interested often have been so impressed by the methodology of economics that they sometimes

fail to emphasize sufficiently their own expertise in government structure and in the processes of authoritative decision making.

THE CASE FOR POLITICAL CRITERIA

The major theme of this paper is that it is time to add explicit political criteria to the list of tax criteria used in tax policy analysis and that these should be given rather high priority—especially when urban fiscal problems are under consideration. In formulating revenue criteria economists generally have taken the political and administrative structures of government as given. Adam Smith, living much closer in time to major struggles over the constitutional rights of the sovereign in matters of taxation and also living before the development of the modern administrative state, appears to have been more sensitive to these matters than are many modern writers. His words on the “certainty” maxim are worth recalling:

The uncertainty of taxation encourages the insolence and favors the corruption of an order of men who are naturally unpopular, even where they are neither insolent nor corrupt. The certainty of what each individual ought to pay is, in taxation, a matter of so great importance, that a very considerable degree of inequality, it appears, I believe, from the experience of all nations, is not near so great an evil as a very small degree of uncertainty.⁵

Economists writing in more recent times have been concerned about administrative feasibility or fiscal efficiency. They have emphasized the economic costs of administration and compliance or sometimes, as illustrated by the quotation from Break's study, the effects of administration upon equity. These are basically economic, not political concerns. In almost every case, economists who make tax studies have assumed the basic political system, including the administrative and governmental structure, as given. The question has been how to adjust the tax system to the existing political system which is taken as a constant. *This procedure ignores the fact that taxes are major determinants of the structure and operation of the political system.* It may be simplifying history to say that this nation exists because of the tax policies of King George III, but surely those policies were a major factor in bringing about the American Revolution. Closer to the present it is surely true that the rapid fiscal centralization of government occurring in this country has been greatly facilitated—it may not be too strong to say caused—by the discrepancy between the elasticity coefficients of Federal taxes, on the one hand, and the income elasticity coefficients of state and

local taxes, on the other hand. The tax rate is the politically sensitive variable in the basic tax equation, $\text{Tax} = \text{Base} \times \text{Rate}$.⁶ Because the rate is *very* sensitive, a tremendous political advantage accrues to any governmental unit that obtains a major portion of its revenue from a base that increases automatically in years of rapid growth in money incomes. The fiscal centralization occurring in recent years has been an almost inevitable result of elasticity of the federal tax system. The fiscal centralization, in turn, is transforming the political system in this country in ways which we do not fully understand but which may represent very far reaching and fundamental changes.

Tax structure is also an important determinant of the horizontal structure of local governments. I have argued elsewhere that there is a symbiotic relationship between fragmented local government and the property tax. The highly fragmented, overlapping units of government which exist in the United States could not exist and maintain any real semblance of independence if the real property tax were not available as a revenue source. Conversely, it is likely that the decline in the importance of the property tax would have been much more rapid if satisfactory alternative revenue sources had been available to local units of government—especially to the smaller ones. This symbiotic relationship makes it highly unrealistic to judge the property tax apart from its effect on government structure.

Authors of tax studies not only commonly assume that the broad political structure is given, but they also neglect to make any real analysis of administrative capabilities as they exist in a political context, although attention may be given to administrative capabilities in a narrow or technical context. The appraisal profession has the skills to do a good job of assessing most kinds of real property. Computer assisted methods are being improved rapidly, and the statistical techniques for measuring the quality of assessment and pinpointing trouble spots are available.⁸ Within the technical context it is correct to say that good administration of the property tax is feasible. In a broader political context, however, this conclusion is much more doubtful. To bring about this result in many states it would be necessary to appropriate rather large sums of money to employ highly skilled appraisers at salaries very near the top range of state and local government salary scales. These individuals would be allowed to make decisions which would bring about drastic changes in the size of property tax bills. All this must occur at a time when distrust of government is high, when populist-like distrust of experts seems closer to the surface than usual and when property tax is the major focus of tax revolts in several states.

It is common to respond to such a recital of problems by suggesting the need to educate citizens as to the nature of the property tax and to the separation between technical administrative matters and policymaking. This approach implies that the citizen's attitude is the operational policy variable. It may be, however, more useful to recognize that in many states to propose the achievement of high-quality assessment by employing highly qualified professional appraisers is to propose a major change in the decisionmaking process. The authority to make decisions determining individual shares of the property tax levy would be placed in the hands of persons who are new to the political process. These persons would obtain their positions by an entirely different route than that followed by those presently holding power and would use an entirely different procedure to make decisions. This is a political change of considerable magnitude—not a minor administrative change.

Aaron Wildavsky, an early and persistent critic of PPBS, pointed out repeatedly that some of the changes proposed by budget reformers represented major changes in the political system.⁹ In one memorable passage he chided Arthur Smithies for not realizing that he had reinvented the parliamentary system of government. Property tax reformers should be alert to avoid similar oversights, and students of taxation might well devote some time to a systematic study of the political capacity of governments to raise revenue.

The political aspects of public revenue are especially important in a conference devoted to the Municipal Fiscal Squeeze. The fiscal crisis which have plagued American cities in recent years are far more political than economic. New York City, Newark, Cleveland and the other cities with well publicized fiscal problems are located at or near the heart of some of the greatest concentrations of wealth and income in the history of the world. If there are any little men in flying saucers who have been observing this planet for the past few hundred years, they must be amazed that one of the worst fiscal crises of that period occurred in New York City in the 1970s. It must be perfectly clear to them that the problem is not lack of economic resources but failure in the public decisionmaking mechanism. This of course, is not news to students of public finance. Unfortunately, however, those who give advice on municipal financial problems often have limited their responses to suggestions that taxes be adapted to the political structures. In some cases they have called for reform in the political structures. Rarely have they paid adequate attention to the effect that taxes themselves have upon political structures.

Tax matters also play an important role in citizen attitudes toward government and in the growth of alienation shown by opinion polls in recent years.¹⁰ Taxpayers in many states are aware of the gross inequities in property tax assessments which exist in their communities. The report of the 1976 assessment/sales price ratio study recently released by the U.S. Bureau of the Census shows that only 42 percent of 1,569 jurisdictions had a coefficient of intra-area dispersion of less than 20 percent.¹¹ This is for single family (non-farm) houses, which are probably the best assessed class of property. In those assessment areas with a population of more than 50,000 the record is even worse—only 36.5 percent had a coefficient of less than 20 percent. Although the average taxpayer is probably not aware of such studies or of their significance, many are very much aware of individual instances of poor assessment. Many taxpayers can point out similar properties which are assessed at widely different levels of value. This undoubtedly is one of the reasons that the property tax is consistently selected as the “most unfair” tax.¹²

Other instances of the effect of taxation upon public opinion are easy to cite. The dramatic drop in public confidence in the federal income tax which followed revelations of the Nixon Administration's attempt to use the tax to punish those on its list of enemies, and the publication of information about the number of wealthy individuals who paid no taxes, has been well reported. It is difficult to prove how much effect these revelations have had upon general attitudes toward government, but it is clear that public dissatisfaction with government has been rising and that much political activity has focused on attempts to reduce taxes. It seems reasonable to assume that dissatisfaction with the tax system is an important factor in dissatisfaction with government.

TWO PROPOSED POLITICAL CRITERIA

The relationship between finance and the political system is recognized widely, and references to various aspects of the relationship are common in the literature. But little systematic consideration has been given to the importance of these relationships. The inclusion of specifically political criteria in the list of those utilized in tax policy analysis would spotlight the importance of these factors and encourage policymakers to give more weight to them. Explicit consideration of political factors in policy analysis also might encourage systematic research of these questions.

Political criteria could be formulated in many ways, but perhaps it would be appropriate to begin by focusing upon the effects of

taxation upon government structure and the public acceptability of various tax measures:

1. *Effects on Government Structure.* The analysis of the effect of taxation upon government structure, like the analysis of tax equity, can conveniently be divided into vertical and horizontal components. Vertical structure refers to the relationships among governments at different levels—federal, state and local. There is little doubt that the revenue structure has had a powerful influence upon these relationships in the past few decades. In a period of rapidly growing money income, the highly elastic federal income tax produced abundant revenues without any need for Congress to initiate the highly unpopular act of raising tax rates. Local officials, on the other hand, have found it impossible even to maintain the existing level of services without periodically taking concrete, visible steps to raise tax rates or, in some jurisdictions, to take the equally visible step of raising assessed valuation. The centralizing force represented by this simple fact about tax structure probably has been far more powerful than have all the economic analyses of efficiency or externalities and all the academic debates about the proper structure of federalism.

The horizontal structure of government—especially at the local level—also has been powerfully affected by tax structure. The real property tax is ideally suited to finance small and overlapping local governments. Jurisdiction is simple to establish and because the tax is an automatic lien on the property, its collection is certain except in those cases where the tax makes up an unusually high proportion of the value of the property. This means that small units of government are able to survive even though they lack the administrative capacity to administer other kinds of taxes and lack the support to obtain funds from higher levels of government. Some of these units are relics of a rural past, but others have been created largely or partly to take advantage of concentrations of taxable wealth. The existence of such tax enclaves fragments the tax base available to local units of government and reduces their ability, as a group, to provide local services. This gives further impetus to the trend toward fiscal centralization.

The latest chapter in the story is provided by Proposition 13 and its consequences. Not only did Proposition 13 in California reduce the ability of local governments to raise revenue, but it imposed an overall limit upon property tax rates that required the intervention of the state government to “ration” the available property tax revenues among the various local governments having jurisdiction over a parcel of property. The state legislature responded to the

problem by enacting temporary measures which allocated state aid and property taxes according to a variety of formulas and imposed a variety of limitations upon the fiscal independence of local governments. Special districts fared the worst, as the legislature allocated an arbitrary sum and assigned counties the task of allocating it. Since that time the Post Commission has issued a report recommending that the state assume the full costs of welfare, health costs and, to the extent feasible, major costs of the court system. The commission also recommended that the major share of school funding be assumed by the state. The commission underscored the growing pressure for reorganization and restructuring of local government, which may turn out to be among the most important consequences of Proposition 13.

Proposition 13 has been the inspiration for a large number of tax limit proposals in other states. Although it is far too early to appraise the impact and direction of this movement, it is clear that many of the proposals, if adopted, will have major effects upon the structure of state and local governments. These include not only changes in the powers and functions of local governments but also structural changes within state governments. The establishment of joint legislative budget committees or the employment of ceilings related to price indexes, personal income, state product or projected revenues will all result in changes in the decisionmaking process and shifts in the balance of political power.

It is widely admitted that many local governments are too small to deal with many of the problems of a modern economy. Externalities in both the public and private sectors make it impossible or inequitable for local governments to attempt to solve many kinds of problems or to provide certain kinds of services. Suggested approaches to solving these problems include consolidation of government and various kinds of cooperative measures, such as consolidation of specific departments, councils of government, contracting for services and mutual aid pacts. Other approaches usually initiated by state or federal government include transfer of functions to higher levels of government, grant-in-aid programs and the mandating of services or standards.

Often, arguments for or against modifications in government structure revolve around questions of cost, efficiency and equity in the provision of services. These arguments often seem to favor major horizontal consolidation or vertical concentrations of the decisionmaking power. Countering this are arguments involving questions of local democracy and citizen participation. At one time these arguments were advanced largely by those opposed to change,

who wanted to preserve existing units of government and existing functions and privileges. More recently, similar arguments have been advanced in support of new citizen participation structures within existing governmental units. Often these demands come from the poor or disadvantaged who are seeking a role in the system.

The analyst cannot settle all of these questions, but in view of their importance and the impact that tax structure has upon governmental structure, it appears that for the analyst to ignore these questions is to do a disservice.

2. *Public Acceptability.* A government exists only so long as its legitimacy is widely accepted. Recent events in Iran illustrate once again that even an established government with an abundance of modern arms and the support of powerful allies cannot continue to exist once it becomes obvious that public support is lacking. Because taxation is one of the most unpopular functions performed by governments, it would seem to follow that one of the first questions to be asked about a revenue source should be, "How acceptable is it to the taxpayers?" Although knowledge of what makes a tax more or less acceptable is limited, it appears that most people favor taxes which seem to be fair and which can be uniformly administered. If so, it would seem that tax policymakers should pay more attention to polls which measure people's attitudes toward taxes. In addition, concern about administrative feasibility should emphasize uniformity and fairness of administration rather than the cost of administration. The historical record shows that certain taxes rarely are enforced fairly or accurately. The erosion of the personal property tax base over time and the almost universal failure to assess real property accurately are prime examples. To state that the tax could be enforced if the unit of government had the will, facilities and staff is not a sufficient answer to the problem when more than one hundred years of history shows that it rarely has been done.

APPLYING THE CRITERIA

To agree that political criteria should be considered when appraising a tax system would be an important and desirable step toward solving problems of fiscal squeeze, but that alone provides limited guidance to the revenue analyst. It is necessary to develop methods of appraising various revenue sources on the basis of these criteria and to determine the weights or priorities to be accorded the various economic and political criteria.

Unfortunately, the literature relating revenue systems to the structure of government is not a rich one. There are many scattered

references to the connections between finance and government structure. For example, it is often pointed out that constitutional debt or tax limits have encouraged overlapping special districts or school districts. There are many references in the literature of urban finance to the desire to minimize tax burdens as one of the factors promoting urban sprawl as well as many references to the multiplicity of governments in urban areas. For the most part, however, these have been incidental references, and generally the emphasis has been upon designing revenue systems for existing governmental structures. Of course, there are some exceptions. The tax-base sharing arrangement in the twin city area of Minnesota was adopted with structural considerations in mind, and governmental structure has been considered in grant-in-aid programs. Probably the outstanding example of the latter was the use of fiscal powers to encourage the consolidation of school districts. At the federal level, structural questions are often debated when grant programs are under consideration, but there is not much evidence that the results have been positive. On balance, the results of federal grant programs probably have been to fragment governmental structure and further to confuse the taxpayer who wants to understand state and local finance. Structural questions often have been cited as a reason for the adoption of revenue sharing. It is unfortunate that this act was passed only after a political alliance was put together in such a way as to insure that the formula would help to perpetuate rather than reduce fragmentation of government.

There are at least two reasons for the failure to give more attention to government structure as a dependent variable. One is that the scholarly literature is not well developed, and the other is that the frame of reference of most revenue studies has not been one in which it appeared appropriate to consider government structure.

Because the scholarly literature has not been developed, we lack the intellectual frame of reference to analyze the relationships. The very words "government structure," for example, are vague and poorly defined. In writing this paper I have found myself using the term to refer to such diverse concepts as the internal decisionmaking and administrative mechanism within a unit of government or branch of government and also to the intergovernmental structure represented by the existence of hundreds of local governments in a metropolitan area. There is a great need for a Musgrave-like *Political Theory of Public Finance* that would provide the concepts and framework for discussion and research.

In the realm of applied tax studies, the frame of reference often does not permit the analyst to consider questions of government

structure. If one is appointed or employed by the legislative branch of a municipal government to study financial problems of the municipality, there is little scope for considering innovations in the organization of the municipal government and even less opportunity seriously to consider measures which would lead to consolidation or elimination of the municipality itself. Studies of municipal finance by state governments would seem to be a more appropriate occasion for such considerations. However, the attention span of state officials when the problems of local governments are concerned often is not very long. Local problems are considered when bankruptcy threatens a city or a Proposition 13 creates a crisis, but concern rapidly shifts back to the state's fiscal problems.

The information needed to apply the "citizens attitude" criteria to tax policy questions is more readily available than is information about the connection between revenue and government structure. Established survey research groups have included questions about taxation in many national and local surveys. The periodic studies undertaken by the Advisory Commission on Intergovernmental Relations are the most widely quoted. Oddly, however, these appear to have been given little attention by tax analysts. Perhaps economists see themselves as educators, who should influence public opinion rather than tailor their recommendations to fit existing public opinion.

One of the crucial steps in appraising a revenue system is the assigning of priorities or weights to the various criteria utilized. In the present and foreseeable future this remains a judgmental rather than a technical process. This means that not only will final conclusions be affected by the values of the person or persons making the judgment but that the priorities will depend upon the situation in the place and at the time that the judgment is made. It is, therefore, not possible to specify just how much weight should be given to political criteria or to rank the various political and economic criteria. In my own opinion, however, political criteria often deserve a high priority. There is ample evidence that public confidence in government is eroding and that the fiscal squeeze in many areas is more political than economic. In these circumstances it would seem to be folly to recommend an unpopular tax because of a minor point of equity when a less unpopular tax is readily available. Similarly, it is unwise to ignore the effects that a revenue system has upon the structure of government. A reappraisal of priorities would, in my opinion, often have a major impact upon how we view particular taxes. For example:

1. *The Property Tax.* The reader is undoubtedly aware of the debate over the degree of regressivity, if any, of the property tax.

Concern with the vertical equity of the tax in many situations may be less appropriate than concern with the horizontal equity and the closely related question of public attitudes toward the tax. When assessment/sales ratio studies show that coefficients of dispersion in many jurisdictions are 30 percent or higher and apparently rising, there is much cause for concern on both economic and political grounds. Such inequities cannot be corrected or offset by other taxes or low-income credits. To say that the tax can be administered well if resources and political will are present is to hide the important question. If we rule out totalitarian methods, political will somehow must involve the feelings and desires of the governed. I suggested a few years ago that perhaps the property tax survives only because it is poorly and corruptly administered. One of the economists present when I read the paper suggested that such a statement was immoral. Immoral or not, it is a regrettable but tenable hypothesis. The passage of Proposition 13 in a state generally considered to have good property tax administration unfortunately lends support to the hypothesis.

In appraising the property tax one also must consider that it has been consistently voted the least popular tax in opinion polls. We have little knowledge of the extent to which that unpopularity is related to poor administration and to taxpayer misunderstanding of the tax, but research into these questions would be more useful, from a policy viewpoint, than further analysis of the burden of a hypothetical, perfectly administered property tax. Pending further findings in the area I would suggest that the principal "advantage" of the property tax is that it permits fragmented, overlapping units of local government to raise a great deal of money and to retain a considerable degree of fiscal independence. To the extent that we want to continue such a local government structure, the property tax plays a useful role. Otherwise, we should be giving attention to taxes that will support reorganized urban or regional governments and to methods of delivery of intergovernmental grants which will facilitate and encourage the kinds of intergovernmental structures and relationships we desire to see develop. Revenue matters should not be considered isolated from these questions.

2. *The Sales Tax.* The sales tax usually fares poorly in tax studies. It has been cited as the prime example of a regressive tax, and that reputation has spread widely. In my contacts with legislators I am often startled at the frequency with which persons of all political persuasion and of all degrees of economic literacy condemn the tax as regressive. Perhaps it is time for a reappraisal of the importance

of that fact. Concern about the regressivity of the tax originated in the 1930s when the tax was widely adopted by states. At that time the country was in the midst of a major depression. Redistributive transfer payments were small, and the imposition of a tax upon the absolute necessities of life (which make up the bulk of the taxable retail sales) was a serious matter. It was entirely appropriate to be very concerned about the burden the tax imposed on the very poorest. Today the situation is different. There are many well financed programs which redistribute income, and federal taxes now dwarf state and local taxes as instruments of social policy. Much public unrest centers around doubts about government's ability to administer the laws which have been passed—including the tax laws. It seems strange that we so often dismiss as unworthy the tax that is consistently voted the least unpopular in public opinion polls, that is cheap to administer and raises the fewest doubts that everybody is paying his share. Several years ago Professor Kenneth Galbraith defended the sales tax as a lucrative source of revenue that could provide revenue for social programs which would benefit the poor. Today one could add that the sales tax can be a useful tool to maintain the strength and integrity of state and local government, which may, in the long run, benefit rich and poor alike.

The principal disadvantage of the sales tax, as a locally imposed, state administered source of revenue, is that the existence of large shopping centers in small suburban municipalities creates inequities in the distribution of the tax. It would require only a little ingenuity, however, to overcome this disadvantage. One possibility would be to develop a regional tax-base sharing scheme similar to the property tax-base sharing scheme utilized in Minnesota. Another possibility would be to make the tax available only to large metropolitan or regional governments and to use the tax as an instrument that would encourage governmental reorganization according to a well thought out plan balancing equity, efficiency and participation.

3. *Grants-in-Aid.* The application of political criteria to intergovernmental fiscal programs may be the most promising approach of all. This is because the framework in which policy is made may be more favorable for consideration of political issues. Because the "superior" government normally takes the initiative, it is in a position to consider structural effects of the program. The school consolidation programs are prime examples. However, unless the issues are well articulated and carefully researched, the results may be mindless overcentralization or equally mindless protection of the status quo. Because this is a very complex issue and one that receives attention

in other chapters in this volume, no attempt is made to develop it further here.

CONCLUSIONS

Economists have been influential in the formation of revenue policy not only because of the analytical methods they have developed, but also because of the role they have played in formulating the criteria for judging a revenue system.

At the present time the major reasons for the fiscal squeeze facing municipalities are political rather than economic. Resources are heavily concentrated in the metropolitan areas of America, but fragmented government structure and political alienation place resources beyond the reach of the municipal governments which have the greatest need. Political mechanisms do balance the expenditure = revenue equation but only after a great deal of conflict and confusion.

It has been suggested in this paper that a proper revenue balance can be achieved only if greater attention is given to political criteria for appraising revenue sources. Specifically, it was suggested that much more weight should be given to the effect of a revenue source upon the structure of government and to the acceptability of the revenue source to the taxpayers. Instead of considering the political system as an independent variable to which the tax system must conform, it was suggested that the political system be considered a dependent variable that is greatly affected by the revenue sources used. For example, the property tax helps perpetuate fragmented local government, and intergovernmental grants can transform both the structure and function of governmental systems.

NOTES

1. Edward Banfield, *Political Influence, A New Theory of Urban Politics* (New York: The Free Press, 1965), p. 357.
2. A study of decision-making in the Illinois Constitutional Convention concluded that it is reasonable to describe the decisionmaking process involved in writing the finance article as rational. There was a general consensus concerning the objectives, and the process of arriving at the outcome was systematic and relatively efficient. Decisions about the much more controversial revenue article were made in an entirely different manner. Compromise and ambiguity, rather than systematic thought and clarity, made it possible to make a social choice. Joyce D. Fishbane and Glenn W. Fisher, *Politics of the Purse: Revenue and Finance in the Sixth Illinois Constitutional Convention* (Urbana: University of Illinois Press, 1974), p. 199.

3. George F. Break, *Agenda for Local Tax Reform* (Berkeley: Institute of Governmental Studies, University of California, 1970), pp. 7-35.
4. District of Columbia Tax Revision Commission, *Financing an Urban Government* (Washington, D.C., 1978), pp. 11-14.
5. Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, (Modern Library Edition), p. 778.
6. This statement requires some modification as regards the property tax. Because the assessed value of a piece of property is legally established by a highly visible administrative act, reappraisal may focus attention upon the base rather than the rate. This, however, only reinforces the main point, since the result is often the postponement of reappraisal which reduces the "effective" elasticity of the property tax.
7. Glenn W. Fisher, "Property Taxation and the Political System," in *Property Taxation, Land Use and Public Policy*, ed. by Arthur D. Lynn, Jr. (Madison: The University of Wisconsin Press, 1976), pp. 5-22.
8. The International Association of Assessing Officers have recently published a handbook for assessors based on information collected as part of a major study of assessment. This handbook summarizes much current knowledge regarding the practices and appraisal of the assessment process. International Association of Assessing Officers, *Improving Real Property Assessment: A Reference Manual* (Chicago: International Association of Assessing Officers, 1978), p. 444.
9. Aaron Wildavsky, "Political Implications of Budgeting Reform," *Public Administration Review*, Vol. 21 (Autumn, 1961), pp. 183-90.
10. For a concise summary, see Jacob Citrin, "The Alienated Voter," *Taxes and Spending* (Oct./Nov. 1978).
11. U.S. Bureau of the Census, 1977 Census of Governments, *Taxable Property Values and Assessment/Sales Price Ratios* (Washington, D.C.: U.S. Government Printing Office, 1979), p. 21.
12. Advisory Commission on Intergovernmental Relations, *Changing Public Attitudes on Government and Taxes, 1977* (Washington, D.C.: U.S. Government Printing Office, 1977), p. 11.



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A2

SUBJECT: Proposed Study of Capital Finance and Infrastructure

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This proposed study of capital finance and infrastructure was reviewed by the Subcommittee, and their suggestions have been incorporated.

I. Problem Definition

Preliminary assessment suggests that the following problems deserve further study:

- A. Limitations on Capital Finance. Constitutional and statutory limitations on capital finance severely restrict state government's ability to achieve state purposes directly through capital improvements. First, the Kansas Constitution prohibits capital expenditures for certain purposes, such as certain economic development or public transportation projects, among others. Second, the "pay-as-you-go" philosophy which underpins state limitations further restricts the resources available for capital financing by state government.
- B. Limited Resources Available for Capital Finance. State limitations on capital finance coupled with a "pay-as-you-go" philosophy severely restrict the resources available to finance capital improvements for state purposes. The withdrawal or outright elimination of federal assistance formerly available for capital improvements further exacerbates the current funding situation. As a result, recent funding priorities have favored maintenance of existing capital investments over new construction or acquisition of new capital assets. Consequently, officially identified needs for capital improvements far surpass the state's capacity to finance those needs, and a sizable backlog of capital needs exists for a wide array of state purposes, including state facilities, highways, water supply, recreation, wildlife habitat, and soil conservation, among others (the attached paper suggests Kansas' problem may parallel that of other states).

C. Inadequate Planning and Budgeting for Capital Improvements. Unclear assignment of authority, inconsistent procedures, and lack of expertise in overall capital finance hamper state government's ability to plan for and budget capital improvements. Procedures for assessing existing capital resources or the need for new capital improvements vary from agency to agency. Capital improvements are often planned with little concern for the limited resources available or for the source of financing. Needs for capital improvements compete directly with those for agency operations and more often than not receive secondary priority. Management of capital resources, for example, in assigning priority to preventive maintenance, is also uneven across agencies.

II. Study Approach

A. Historical review of existing policy. This section would review the evolution of state policy concerning capital finance with emphasis on major constitutional and statutory provisions and changes in these. Provisions covered would include:

1. Constitutional limitations on public debt (Art. 11, Sec. 6-8)
2. Constitutional prohibitions on internal improvements (Art. 11, Sec. 9)
3. Statutory funds dedicated to capital improvements (highway funds, educational buildings fund, state institutions buildings fund).
4. Revenue bond authority lodged in certain state agencies.

The evolution of federal tax policy relevant to capital finance would also be reviewed.

B. Assess existing state authority for capital finance. This section would review existing state authority for capital finance, including dedicated state funds and authority for the issuance of revenue bonds and full faith and credit bonds. Existing authority would be assessed in terms of the capacity for capital finance and the extent to which authority has been exercised, that is, actual capital expenditures have resulted.

Past expenditures on capital improvements would be measured against certain standards, for example, as a portion of state expenditures and of personal income and on a per capita basis. Also assessed would be the impact of Kansas' approach to capital finance, that is, a "pay-as-you-go" philosophy, and the more recent funding priority assigned to maintenance of existing capital investments over new capital improvements.

C. Federal assistance available for capital finance. This section would review federal assistance which has been available to finance capital improvements for state purposes over the past 20 years if data is available. This review would assess:

1. Purposes for which federal assistance has been available;
2. Extent of and trends in federal assistance;
3. Future prospects for federal assistance.

D. State Planning and Budgeting for Capital Improvements

This section would review existing procedures for planning and budgeting of capital improvements for state purposes. These procedures would be assessed in terms of: 1) how existing capital resources and the need for capital improvements are assessed; 2) how priorities for capital improvements are established for example, among new projects and between maintenance and new construction; 3) how sources of finance and considerations of available resources guide planning for capital improvements; 4) how funding for preventive maintenance is allocated.

E. State Plans Requiring Capital Finance

A variety of state plans project the capital finance needs of state agencies and for state purposes. These include: 1) Five year Capital Improvement Plans for state facilities (eg., Board of Regent's institutions, institutions under the Department of Social and Rehabilitation Services and Corrections, and other state facilities; 2) State Highway Plan (5 year plan); 3) State Water Plan; 4) State Comprehensive Outdoor Recreation Plan; and 5) other plans. National projections of Kansas' infrastructure needs and finance requirements would also be reviewed.

These plans would be assessed in terms of their requirements for capital finance, the sources of finance projected, and the extent to which existing financing capacity meets projected requirements.

III. Policy Choices

A. Revise constitutional limitations on capital finance.

A revision of existing constitutional provisions might enhance the ability of state government to achieve certain state purposes such as economic development directly and to manage the state's capital resources.

B. Adopt "pay-as-you-use" approach to capital finance.

"Pay-as-you-use" would represent a departure from existing Kansas practice which is largely "pay-as-you-go". A pay-as-you-use approach would entail underwriting capital improvements through debt financing; these debts would be retired as capital assets are used

and depreciated. This approach would allow an immediate infusion of capital and allow state government to undertake projects currently backlogged under a pay-as-you-go philosophy.

C. Improve capital planning and budgeting process.

This approach would provide added capacity in state government for the planning and budgeting of capital improvements. Added capacity would likely require expertise for assessing existing capital resources, evaluating needs for capital improvements, and planning and managing capital finance. Added capacity may also require clearer assignment of authority for overseeing capital planning and budgeting in state government.

D. Create Capital Development Authority.

A capital development agency has been used by other states to improve planning, budgeting, and finance of state facilities. Such agencies commonly house staff expertise in capital finance, have authority to coordinate planning and budgeting of capital improvements, and authorization to issue revenue bonds.

THE KANSAS ECONOMY

B1

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OVERVIEW OF THE PROBLEM

This overview of the evolution, current status, and outlook of the economic and demographic environment provides the basis for identification of the problems, issues, and choices associated with the future of the Kansas economy. The bottom line would seem to be that the state economy is not well positioned to go forward strongly in the next decade, and this represents the challenge for the state and its communities for the remainder of this century.

The structure of the Kansas economy has changed over this half century from being predominantly agricultural to a mixed form somewhat parallel to the national industrial structure. The trend is clearly one of long transition out of farming to other forms of economic activity, so that today, farming produces about 8 percent of the state product and manufacturing 20 percent. These figures would have been reversed forty years ago.

Over time Kansas farms have become fewer, larger, and more capital intensive. This has been in response to the imperative to become more efficient in the light of real price decline and increasing costs. Today one percent of the State's farms produce near 50 percent of the state's agricultural product. Important consequences follow from this. First, the larger capital intensive farms are more vulnerable to the general business cycle; and second, farming employs fewer and fewer people. This labor displacement has not been offset however by new industry. Employment growth in the non farming sector has been chronically inadequate to provide alternative basic industry job opportunities for Kansans. Hence employment in the key sectors of agriculture, manufacturing, and oil and gas is 24 percent of the state total compared with about 30 percent for the nation.

There have been significant demographic consequences to this great change in the economic structure.

(1) Kansas population has declined from 2.27 percent of the US population in 1890 to 1.04 percent in 1980. It is projected to be 0.93 percent in 2000, and could be .75 percent in 2030.

(2) Kansas has had one of the slowest population growth rates in the nation.

(3) The state has experienced net outmigration every census decade since 1890; the net outflow was around 130,000 for 1960-70 and 25,000 for 1970-80. For the period 1980-84, net outmigration is estimated to be about 6,000. The predominant groups of outmigrants have been young adults and persons with higher education and skill levels.

(4) The state average age is above the US average and the state has a substantially higher proportion of persons over 65. The state ranks 9th among states in the proportion of population that is 65 years and over. This aging of the Kansas population will continue.

(5) Although the state still has a higher rural population (33 percent) than the US (26 percent), there has been a significant redistribution within the state to regions of employment opportunity (much of which has been concentrated in the area roughly bounded by Interstates 35, 135, and 70).

Turning to current economic conditions, the state economy fell further, started to recover later, and has grown more slowly than the national economy, in relation to the most recent 1980-82 recession. The industrial structure is now such that Kansas can no longer be considered recession proof, and indeed the last recession has illustrated how vulnerable the state economy is to the business cycle.

Total employment in Kansas returned to its 1979 peak level only in the second half of 1984, in contrast to the nation where the 1979 level had been exceeded significantly by that time. Again the rate of business formation in Kansas in recent years has been well below the national rate; it has been significantly below that of the contiguous states of Oklahoma and Colorado, and about the same as Missouri and Nebraska. Furthermore virtually all sectors of the state economy has been effected but the primary impact has been in manufacturing, construction, and services.

A number of economic factors underlie this relatively weak economic performance in recent years. These include factors beyond our influence, including the strength of the dollar, the chronic cost-price squeeze in agriculture, and weakening oil prices in world markets. Factors however, within our influence include inadequate overall employment growth, inadequate growth

in education and skill intensive sectors, and inadequate growth in those sectors that are expected to expand strongly in the next decade.

Key considerations affecting the future vitality of the state economy include:

- (1) the likelihood of continued depressed agricultural prices due to chronic oversupply;
- (2) the likelihood of long-term diminution of the state's mining industry as depletion outstrips discovery, and as world prices erode, also due to oversupply;
- (3) the likelihood of modest growth potential for the general aviation industry; and
- (4) the secondary impact on the service sector of this expected relative weakness in the above core sectors.

The state economic problem can therefore be summarized as follows. The state economy is highly dependent today on a set of industries that have served us well in the past. While these sectors will remain important in an absolute sense, their future outlook has limits, so that continued reliance on them alone will reinforce the negative trends and erosion now evident in our economic base.

At the same time the US economy is undergoing significant and dynamic change that is technologically based. Kansas does not have a natural comparative advantage in these sectors, as it had for the great industries of the past. Consequently, the state has not been attractive to this "new industry" to the extent necessary to establish a strong economic base from which to grow and provide opportunities for Kansans in the years ahead.

In essence, from an economic perspective, there is a more limited future for our historical major industries relative to the past, the current industrial structure is under represented with future growth sectors, and the problem is compounded seemingly by a lack of comparative advantage that would attract industry naturally to the state. From a demographic perspective, if the present economic trends continue, the state population will experience modest growth, a decline in relative size, a continuation of the "brain drain" and aging, and further redistribution from rural to urban areas.

APPROACH OF THE STUDY

The study will identify and analyze of the following key dimensions of the state economy to provide the basis for discussion of relevant policy choices affecting the future.

1. Past Economic Growth

Identify past trends in production, employment and income, and changes in the industrial structure. Analyse the nature and characteristics of the current structure, interrelations between the Kansas economy and the external environment, and the potential of the current structure for growth. Assess the dependence of the state's economic welfare on its major industrial sectors?

2. Current Economic Performance

Identify the historical relationship between the Kansas economy and the national business cycle, and factors underlying the greater sensitivity and slower recovery from the most recent recession. What factors underlie the sustained weakness of key sectors? What are the compounding national and international factors? What is the linkage between long term structural change and the current economic 'sluggishness' of the state economy?

3. Demographic Change

Identify and analyse the significant demographic changes that have occurred in the state population; particularly with respect to its size, growth, distribution, composition. What is the linkage between demographic change and economic trends? What are the potential consequences of this demographic change on the economic and social development of Kansans?

4. Prospects and Constraints

What is the realistic future of the state's major industries on the basis of existing trends? Which industries are expected to grow nationally in the coming decades and to what extent are such industries represented in the state's industrial structure? To what extent does Kansas have a natural comparative advantage with respect to

future growth sectors? What are the consequences of existing and potential economic trends for the state population? What are the potential implications of these demographic changes on the quality of economic and social life in Kansas?

POLICY CHOICES

The following policy choices will be assessed. This will involve the identification and analysis of the various factors and dimensions associated with these choices and an assessment of the pros and cons of each choice. The objective will be to develop the basis for informed public discussion of the economic development issue.

1. Is economic development a desirable goal for Kansans? Will a continuation of existing economic trends provide an acceptable level of economic and social well-being for Kansans or does Kansas need to pursue economic development actively? Neither option is cost-free; what are the costs associated with laissez-faire and proactive approaches respectively, and the potential outcomes?
2. What form of economic development is feasible, and given that framework, desirable? Will the state be better off in the year 2000 with an economic structure largely based on an enhancement and extension of our existing sectoral strengths, for example, through diversification into new agricultural products and greater value-added in processing? Or should the future economy have a reduced dependency on our traditional sectors and instead largely comprise a larger share of the new industries now evolving nationally?
3. What strategy will result in optimum economic development for Kansas? Should the primary focus be on sustaining existing largely small scale industry and nurturing spin-off home-spun entrepreneurship, or should it be on attracting new industry to the state? If new industry, should the focus be on US or foreign sources of capital? Should the state concentrate limited resources on enhancing existing growth areas, on the basis of cost effectiveness, or should the state foster a regional approach?
4. What level of resource commitment will be necessary to achieve a significant improvement

over trend? Can this be done through fine-tuning of existing financial incentives, tax structure and levels, education and training systems, regulatory conditions, etc, or will it be necessary for the state to make a sustained, bold initiative? What is the fiscal capacity and what options exist for the state to generate an adequate resource commitment? Should the funds be public, or can a public-private mix be developed to fund development?

5. What is the appropriate balance of state effort between economic and social development? To what extent should the state concentrate new resources on economic development initiatives in the short term, anticipating long term benefit to social development as a result?
6. What is the appropriate role and organization for economic development with respect to higher education, state associations, business sector, etc? Should it be the same as now, with greater cooperation and commitment? Or would new mechanisms and arrangements be more productive (e.g. form a bipartisan Council of Economic Progress).



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Business Research
Economic Research
Community Development
and Social Policy
Policy Analysis

November 18, 1985

B2

MEMORANDUM

TO: Members of Subcommittee on the Kansas Economy
and Agriculture and Agriculturally Related Problems

FROM: Charles E. Krider, Douglas A. Houston *Dat*

RE: Study of Kansas Rural Communities

This study will examine the economic situation of rural counties in Kansas and prospects for the future. We will focus on current economic and demographic trends and what they imply for the ability of rural counties to grow and adapt to changing conditions. In particular, the impact on rural Kansas of ongoing and likely future changes in agriculture and in federal deregulation policies will be assessed. Policy options for the state will be examined.

I. PROBLEM DEFINITION

A. The Farm Economy

There has been a long-term trend in the United States to replace labor with capital in the production of agricultural products. The proportion of Kansans employed in agriculture has declined steadily throughout the century to approximately 5 percent at the present time. There has also been a change in the system for providing farms with supplies and in distributing farm products. The result is that small communities which serve an economic function of providing services to the agricultural sector of the economy and homes for farm workers have lost much of their economic function. Additionally, federal farm policies are undergoing changes which, coupled with the growing importance of export markets, are likely to make farm-based communities more susceptible to open market influences. The current problems of agriculture have resulted in substantial declines in the value of farmland and in the serious deterioration of the banks which have relied upon agricultural loans.

B. Federal Deregulation

If a rural area has been receiving services under regulation at prices less than the incremental cost of providing them, then moves to open the entire market will push upward on prices and, perhaps, reduce frequency and quality of services. The loss of these "cross subsidies" in transport, telephone service and other sectors can raise the cost of living and doing business in many rural areas. On the other hand, deregulated competitive markets often lead to increased innovation in service provision and downward pressure on prices due to more alert management. Financial market price and geographic deregulation, although causing stress to local institutions, may be generally beneficial to small, remote users of capital markets. Deregulation effects typically are a "mixed bag," and current trends and future projection must be carefully examined in the context of other changes in rural communities.

C. Economic Trends in Rural Communities

The economic status of rural communities can be measured in three dimensions: personal incomes, employment patterns, and business formations. There has been a substantial decline both in farm income and farm employment. Moreover, it appears that business formations in rural communities has not occurred to replace agriculture. It is important to know in what areas and industries employment is growing (and declining) and to estimate what the prospects may be.

D. Demographic Trends Affecting Rural Communities

Many rural counties in Kansas are experiencing population declines or, at best, population stagnation. On balance, there has been net outmigration of persons from counties that have relied heavily on agriculture. The result has been an increase in the proportion of individuals 65 and older and a corresponding decrease in the proportion of population of younger persons. These demographic trends are primarily caused by the decline of agriculture as a source of employment. While seen as negative trends with respect to these communities, it is important to note that the growth of the state economy may well be enhanced by this mobility. The transfer of labor and other resources from agriculture to other sectors has been identified by researchers as one of the key elements in increased productivity per worker.

E. Increasing Unit Costs to Provide Basic Service

Rural communities are finding the cost of health, utilities, school, and other local government service provisions rising for several reasons. First, declining population with a larger proportion of elderly places strains on many basic services, especially health. Second, many deregulations also increase base costs, such as telephone local access charges. Third, the declining fortunes of farming negatively affects local government revenues, thus limiting their service-generating capacity. Fourth, the federal government budget trimming activities will further limit revenue inflows. One response to these problems has been service

curtailment; another has greater "privilization" or contracting out of some government services. More private prisons, hospitals, garbage collection, fire protection, and (possibly) postal service may be anticipated in response to these problems.

II. METHODOLOGY

The basic approach will be to project the outlook for rural communities if current economic, demographic, and political trends continue. Questions to be asked include:

- What successes are rural counties having in diversifying their economies to offset declines in agriculture?
- What are the demographic trends in rural counties? Which counties are expanding or declining and why?
- What are the effects of ongoing and anticipated federal deregulations on rural counties? Is the cost of doing business in rural areas rising relative to urban areas as a result of deregulation? Is the quality of these deregulated services declining or improving?
- In what activities will various rural communities have a "comparative advantage" over other locales?
- In what industries is employment expanding (decreasing) in rural communities?
- To what extent are population declines and deregulation causing increases in unit costs of basic services?

III. POLICY CHOICES

- A. A full list of policy choices is not possible before the research is completed. However, we expect to consider:
1. Whether an economic development option makes sense for rural counties.
 2. Whether a regional center concept for economic development should be pursued.
 3. Which state policies in various areas (education, highways, job training) might be used to counter adverse trends in rural communities.
 4. Which state policies might offset undesirable consequences of federal deregulation or mitigate the difficulty during the transition period.
- B. In examining these and other policy choices, a number of constraints interrelationships, and value judgments necessarily come into play and will be considered:

1. Promotion of rural communities requires scarce governmental funds that could be applied elsewhere. Unless these areas begin to grow economically, the level of rural subsidization may increase and significantly diminish our ability to pursue other goals.
2. If policies promoting rural communities cannot lead to growth levels comparable to growth in other regions, then the slowing of population and resource transfers from these rural communities may impede economic growth for the state.
3. The significant structural changes ongoing in rural Kansas (more competitive agricultural markets, more cost-based service provision, etc.), while clearly forcing some difficult times, may also portend a number of future opportunities. In particular, if agriculture becomes more open to market forces, the demand for higher quality, flexible support services may grow. One may wish to consider how this transition may be facilitated.
4. Policies can soften (in the short-term) the harsh realities of sweeping structural changes in the United States and world economies. They cannot alter these trends. Thus, protective policies that ignores economic reality will be unlikely to succeed in the long-term. On the other hand, policies that seek to engage our rural communities more quickly in the emerging economic order may prove successful in the long run but can cause considerable near term difficulty.

CEK/DAH:dm



WICHITA STATE UNIVERSITY

COLLEGE OF HEALTH RELATED PROFESSIONS
DEPT. OF HEALTH ADMINISTRATION AND EDUCATION
WICHITA, KANSAS 67208

WALTER J. WENTZ, Ph.D.
CHAIRMAN
PHONE (316) 689-3626

October 23, 1985
Revised November 13, 1985

SUBJECT: Proposed Study of Preventive Health Care

FROM: Maurice Penner
Assistant Professor of Health Care Administration
College of Health Professions
Wichita State University

The brief statement of problem definition, study approach, and policy choices outlined below incorporates the actions taken and suggestions made at the November 1 meeting of the Subcommittee on Mental and Physical Well Being.

A. Problem Definition

To a large extent, health is a direct result of how we live. Well over half of today's costs for health care could be eliminated by changes in lifestyle choices. All of us pay for these decisions -- in added costs for health insurance, tax supported health programs for the indigent, and lost productivity. Existing health policy encourages citizens to insure themselves against the costs of treatment. Public programs, such as Medicaid, cover many of the poor without insurance. However, current health care policy focuses largely on providing treatment, not on preventing the need for it. Preliminary assessment suggests that certain preventable health problems deserve further attention and study by the Commission.

- a. The number of teenage pregnancies remains high -- both in the nation and in Kansas. Kansas ranks ninth nationally in the proportion of births to teenage mothers with 5451 births to 14-19 year old mothers in 1982. Almost 20% were second births. The forecast is that four of every ten fourteen year olds will become pregnant before they turn twenty, and half of the teenagers bearing children will be unmarried.

Causes include higher levels of sexual intercourse at earlier ages, reinforcement for sexual activity through the media, lack of countervailing messages regarding the consequences of teen sex, and lack of information regarding sexuality and family planning.

While almost everyone urges acting to curb this problem, the issue of governmental involvement is controversial. What is the role of schools and other public agencies? How can the family's role be strengthened?

- b. Lack of prenatal care for teenage mothers results from several factors. The third who do not receive adequate care often "deny" they are pregnant. It is unpleasant to face this fact. They also cannot afford private care and do not know about the public programs and the need for professional care, and this lack of knowledge is also found among older mothers who are poor. Overcoming these factors is not easy and requires additional resources which may not be available.
- c. Early childhood health problems can affect school performance and long-term productivity. Crime may also be affected. Studies of serious and violent offenders find they have higher rates of vision, hearing, language processing and neurological impairment. If these problems were detected and treated early, better behavior and school performance should result. For example, schools do routine tests for vision but fail to find many who have reading-related vision problems. Other screening needs include central nervous system problems and developmental delays. Many children are already receiving careful attention from their family doctors, but the needs of others go unnoticed. The issue is the school's role vs. the family's responsibility in screening for these problems.
- d. Cigarette smoking, drug/alcohol abuse, lack of a sensible diet and needed exercise, non-use of seat belts -- all of these could be discouraged through education and economic incentives. The costs for these lifestyle behaviors are enormous in terms of treatment for heart disease, cancer, diabetes and debilitating injuries not to mention the lost productivity due to deaths. Also, mental well-being deteriorates in families stressed by these behaviors -- especially for the children growing up in families damaged by alcohol/drug abuse. Unresolved issues include the role of the public and private sectors, and the amounts and sources of funding for these efforts.
- e. The number of elderly under care in nursing homes continues to grow. Taxes pay for half of the nursing home beds as most of the elderly cannot afford more than a few months of this care. While a fourth could have remained at home longer, they lacked affordable services necessary for remaining at home e.g., homemaker, home health aides, and other needed services. Friends and family members already provide much of this care but are not always available. The issue is government's role and the potential for substituting it for the care of friends and family.

B. Study Approach

1. Problem in Kansas context. What is the nature and extent of these problems in Kansas compared to other states? What are the relevant trends? Has teen pregnancy worsened? Is progress occurring in reducing the proportion of mothers not receiving adequate prenatal care? Are Kansas schools improving their screening for early childhood health problems? Are Kansas educational institutions teaching our youth how to attain and maintain their physical and mental health? Are other organizations, such as employers and health insurers, acting to promote their members' wellness? Are elderly Kansans entering nursing homes due to the lack of available and affordable home care services?
2. Historical context. Where has Kansas been as a state concerning these issues? What state actions have shaped existing public policy in this issue area? Kansas was an early leader in using state government to protect public health against infectious disease and in humanizing the treatment of the mentally ill. What state actions have shaped public policy in preventing teen pregnancy, promoting prenatal care for high risk mothers, promoting early childhood health and adult lifestyles that foster wellness, assisting the elderly in their desire to avoid or postpone going to the nursing home.
3. Assessment of current policy. What is current public policy at the state and local levels regarding the school's role in teen pregnancy, outreach for prenatal care, screening for early childhood health problems and promoting physical and mental health? How are local governments dealing with growing numbers of elderly needing home care, and how has state government assisted in this effort? Has current policy resulted in unintended and undesirable consequences?
4. Impact of federal actions. How has the federal government influenced state policy in this issue area? What is the federal impact on current policy? What impact can be expected in the future? Will limits on federally assisted family planning programs increase the number of undesired pregnancies and births, reduce financial resources for providing prenatal care to poor mothers, or increase requirements on school districts that may hinder efforts at promoting child and adult health. Do federal programs, such as Medicare, restrict the use of home care services by elderly in need of such services?
5. Allocation of resources. How have resources been historically allocated for dealing with these problems? What are current allocations by state and local governments and school districts? What is the role of private for-profit and not-for-profit organizations such as insurance companies and community based service groups? How have volunteers been used to stretch limited financial resources and reach more persons in need? How can non-governmental resources be better used to attack these problems?

C. Policy Choices

Policy choices will affirm the priority of preventive health care. Special attention will be focused on strengthening existing institutions, especially the schools and other educational institutions, and supporting volunteer efforts. All choices will emphasize incentives for staying healthy, both physically and mentally, and for preventing future physical and mental health problems and reducing their costs. These choices are not meant to be inclusive; rather, they illustrate the range of available choices.

1) Expand preventive health care, for example:

- prenatal care outreach for teens
- home health monitoring and support for high risk newborns
- home care services to those at risk for nursing home placement

2) Encourage institution-based health assessments and education, for example:

- school-based sex education and counseling
- child health assessments in schools
- workplace screening and education for physical and mental health problems and risk factors
- community screening for high risk, asymptomatic disease (e.g., hypertension, glaucoma, etc.)

3) Encourage health insurance plans to provide:

- reimbursement for health checks
- differential insurance rates for healthy lifestyles
- health education and promotion programs

4) Enhance volunteer efforts in preventing future health problems and costs, for example:

- prenatal care outreach and counseling
- home care services for new mothers and persons at risk for nursing home placements
- school and community-based education efforts

**Special
Commission On
A Public Agenda
For Kansas**

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November 27, 1985

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Sid Warner
Cimarron

H. Edward Flentje
Coordinator

SUBJECT: Proposed Study of Educational Governance
and Finance

FROM: H. Edward Flentje



This proposal was developed from the actions taken by the Subcommittee on Education. An earlier draft of the proposal was circulated to members of the Subcommittee, as well as to others knowledgeable of educational governance and finance in Kansas, and their comments and suggestions have been incorporated into this proposal.

I. Problem Definition

Preliminary assessment suggests that the following problems (issues) of educational governance and finance present obstacles to the future of education in Kansas and deserve further study:

A. Incoherent structure for governing and coordinating 64 post-secondary schools. The 19 community colleges are constitutionally subject to the "general supervision" of an elected Kansas Board of Education, a state agency whose primary obligations are with elementary and secondary education. Vocational education at the post-secondary level, which is carried out principally by 16 area schools, is similarly under the supervision of the state Board of Education except that the Kansas Technical Institute and the Vocational-Technical Institute (at Pittsburg State University) are governed by an appointed Board of Regents, the state agency whose primary obligations are the six state universities. Post-secondary vocational education is governed locally but receives no local tax support for program operations. No state agency coordinates the plans and program capabilities of the state-aided municipal university except that the Kansas legislature has from time to time adopted program limitations as a condition of state aid. The plans of the 23 private colleges and universities within Kansas are not currently considered nor integrated with overall planning for other segments of public post-secondary education. In response to federal initiative a permanent Legislative Educational Planning Committee composed of legislators was established by statute to "plan for post-secondary education in Kansas" but more often than not this body acts as a referee among competing educational interests. Similarly, in the absence of effective governance and coordination, the Kansas legislature often ends up arbitrating conflicts within post-secondary education.

- B. Is Kansas receiving full value on its investment in education? State taxes currently provide over \$1 billion annually for educational purposes; local taxpayers fund another \$700 million; and students contribute over \$100 million. The magnitude of this annual investment prompts questions as to whether Kansas is receiving full value on its investment in education. What should the state expect for this level of expenditure in education? What should local educational agencies expect of the state? Are all educational purposes receiving adequate attention? Is the state's financial effort adequate or inadequate to address future educational demands? Are there too many (or too few) schools? Too many (or too few) vocational schools? Too many (or too few) community colleges? Too many (or too few) universities? How does the state assure that these questions are being addressed?
- C. Lack of inter-institutional cooperation. The current governance structure does not encourage cooperation or sharing of scarce resources among institutions. Cooperation between state universities and other segments of post-secondary education is limited. Local governance and the absence of a stable regional funding base discourage cooperation among community colleges and post-secondary vocational schools. Also, current funding procedures encourage statewide competition for students among these institutions. Numerous proposals have been made to institute a broader geographic base for governing and financing these colleges and schools in order to coordinate their services and avoid unnecessary duplication, but action on these proposals has been stalled. Similarly, a lack of interlocal cooperation at the elementary and secondary level makes specialized educational services less available in sparsely populated areas of Kansas.
- D. Inconsistent state policies toward vocational education. Current funding procedures discourage adequate attention to vocational education at the elementary and secondary level. Vocational education at the secondary level is often neither recognized nor well articulated with programs at post-secondary institutions. In certain instances duplicate programs are being offered at both levels. Problems in coordination also result from state and local governance which varies from control by two state boards, by local community college boards, by local school boards, or by fused local boards -- depending on the school or area of the state.
- E. Inadequate articulation among the various segments of education. Course credits gained at one post-secondary school may not be accepted at another. Substantial sums are currently being spent at the six public universities on remedial education to prepare high school graduates for college level work.

II. Plan of Study

- A. Review the contributions (instruction, research, and service) currently being made by the various segments of education including:
 - 6 state universities
 - 1 state technical institute
 - 1 municipal university
 - 16 area vocational schools
 - 19 community colleges
 - 23 private colleges and universities
 - 304 public schools
 - private schools
- B. Review recent studies of educational governance and finance in Kansas.
- C. Assess Kansas' financial effort in providing for educational purposes in comparison to past effort and in comparison to other states. Indices to be used would include educational finance as a portion of Kansas personal income, as a portion of state general revenues, on a per capita basis, and on a per student basis.
- D. Review projections of future demands for educational services.
- E. Assess existing state policies as to the clarity of educational purpose assigned to various segments of education. And assess existing procedures for planning, coordination, and integration among the various segments of education in terms of barriers to more effective coordination.
- F. Request advice from representatives of the various segments of education concerning issues of educational governance and finance and interview selected representatives.

III. Policy Choices

The primary purpose of this study would be to secure an independent assessment of educational governance and finance in Kansas and an authoritative statement of policy advice on this subject for Kansas policy makers. Policy choices will emerge from the study and include possible revision of the education article of the Kansas Constitution as well as other options to improve governance and assure a solid financial base for education in Kansas. Given the numerous proposals for change in educational governance and finance, there will be no lack of alternatives to be considered.

**Special
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For Kansas**

1845 Fairmount, Box 61
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November 22, 1985

Rep. Mike Hayden
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Sid Warner
Cimarron

TO: Members of Subcommittee on The Kansas Economy and
Agriculture and Agriculturally Related Problems:

Michael L. Johnston, Chair

Marvin Barkis

James D. Braden

Phillip Finley

John Lee

John E. Moore

FROM: H. Edward Flentje

SUBJECT: Subcommittee meeting of November 26



A meeting of the subcommittee is scheduled for November 26 at 10:00 a.m. in Room 522s of the State Capitol.

The subcommittee's assignment from the full Commission are: 1) to formulate a definition of the problem(s) for further study in each issue area; 2) to identify policy choices for further study; 3) to identify a researcher who could conduct further study of the issue; and 4) to report back to the full Commission at the December meeting.

I have enclosed a proposed "Study of Kansas Rural Communities" by Professors Charles E. Krider and Douglas A. Houston from the School of Business at the University of Kansas. Both are associated with KU's Institute for Public Policy and Business Research. The focus of this proposal is upon the "future of rural communities" rather than "agriculture and agriculturally related problems." This revised focus is one I recommend and understand the subcommittee to desire. This proposal should provide the background needed for the subcommittee's assignment in one area of jurisdiction.

On the Kansas economy, Professor Tony Redwood of KU has drafted a proposed study on this issue which he is sending to you directly. His proposal builds on his past work on this subject, his earlier presentation to the subcommittee, and the subcommittee's guidance on the matter.

If you have questions, please do not hesitate to give me a call.

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enclosures

H. Edward Flentje
Coordinator

**Special
Commission On
A Public Agenda
For Kansas**

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Rep. Mike Hayden
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H. Edward Flentje
Coordinator

February 5, 1986

TO: Members of the Special Commission on a Public
Agenda For Kansas

FROM: H. Edward Flentje, Coordinator

SUBJECT: Study of Educational Governance and Finance

I wanted to inform you of a change in the plans laid out at our December meeting. With the concurrence of Chairman Hayden and Vice-Chairman Johnston, I have asked Dr. Herman Lujan, Vice President of Minority Affairs and Professor of Political Science at the University of Washington, to take over the study of educational governance and finance, and he has agreed to do so. For those of you unacquainted with Herman he came to the University of Kansas as professor of political science in the mid-1960s. While at the University of Kansas he served as Chairman of the Department of Political Science and later as Director of the Institute for Social and Environmental Studies. Herman was the key force behind Kansas 2000. Herman also organized the Kansas Division of State Planning and Research and served as its first Director in 1974-5. He left Kansas in 1978 to accept his current position at the University of Washington. In short, Herman has an exceptional track record in conducting public policy research, and I am delighted that he is willing to take on this assignment for the Commission particularly given such short notice and tight deadlines.

If you have questions about this matter, do not hesitate to call.

Thank you.



**Special
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A Public Agenda
For Kansas**

1845 Fairmount, Box 61
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February 10, 1986

Rep. Mike Hayden
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Sid Warner
Cimarron

TO: Members of the Special Commission
on a Public Agenda for Kansas

FROM: H. Edward Flentje
Coordinator

SUBJECT: Committee meetings of March 13

Chairmen Hayden, Johnston, and Bennett have called their respective committee meetings for March 13 at the following times:

Sen. Robert G. Frey Liberal	527-S	9:30 ⁻¹¹	Committee on the Economy and Small Cities (Johnston Subcom #2)
John Lee Hutchinson	529-S	9:30 ⁻¹¹	Committee on Health and Education (Hayden Subcom #3)
John E. Moore Wichita	531-N	10:00 ^{-11³⁰}	Committee on State and Local Finance (Bennett Subcom #1) and Capital Finance

The meetings will be held in the State Capitol, but because of legislative business I will have to provide the exact locations to you a week in advance of the meeting. The purpose of these meetings is to hear progress reports on the studies being completed. I hope to provide materials in advance of the meeting.

If you have questions, please let me know.

H.E.F.

HEF/jt



H. Edward Flentje
Coordinator

Statement to
Legislative Commission on Kansas Economic Development

by
H. Edward Flentje
February 26, 1986

Mr. Chairman, members of the Commission, I thank you for the invitation to testify today on the internal improvements prohibition in the Kansas Constitution. I am taking the liberty of commenting also on the public debt provisions in the state constitution as they are in my view relevant to your work.

As most of you are aware, I am currently conducting a study of capital finance and infrastructure for the Special Commission on a Public Agenda for Kansas. My comments today are based on preliminary findings and conclusions from that study. The views expressed and recommendations made, however, are strictly my own and do not represent the Special Commission or its committees.

Let me begin by stating my recommendations to you:

First, I recommend that you initiate the steps necessary to eliminate the internal improvements prohibition from the Kansas Constitution. This prohibition is a nineteenth century idea which has deterred growth in Kansas for most of the twentieth century. Kansas electors should be given the opportunity to abandon this idea in order that state government may prepare for the twenty-first century.

Second, I also recommend that the public debt provisions in the constitution be revised in a way that protects the Kansas taxpayer but also allows state government to take advantage of its fiscal strength and achieve state purposes more effectively through debt financing. These debt provisions have retarded state initiative in economic development during key periods of the state's history. With time they have become meaningless except as a means to challenge and delay implementation of legislative acts. They should be modernized to enhance state government capacity for financing public infrastructure.

Let me explain the logic of these recommendations by first reviewing briefly how these constitutional provisions came into being and then assessing their impact on development in Kansas.

Our state constitution was written by the Wyandotte Convention in less than four weeks, 20 working days to be exact. As you might imagine, we borrowed heavily from other states. Our internal improvements and debt provisions were lifted with little change primarily from Wisconsin and secondarily from Iowa -- states whose constitutions were adopted in the 1840s. Debate and action on these provisions took our convention delegates less than 30 minutes by my estimate.

My point here is simply this: The constitutional language under consideration here was molded not by careful consideration at the Wyandotte Convention but by national fervor over state debt defaults and debt repudiations resulting from excessive debt financing of internal improvements by state governments in the 1820-40 period. The roots of this debt fiasco are tangled but may be found in financial vacuum left by Andrew Jackson's curtailment of federal aid for internal improvements and his derailment of the U.S. bank which was a stable source of financing such improvements. Encouraged by early successes in state financing of internal improvements, such as New York's underwriting of the Erie Canal, state governments moved into this vacuum often with grandiose plans for road, canals, and financing, piled up monumental debts in a few short years, and then crashed in the depression of 1837. Nine states defaulted on their debts; four repudiated all or part of their debts; and others secured downward adjustments in debt payments. Many states raised taxes to meet their obligations, and debt service became the major component of state expenditures in a number of states. From this point in time on limitations on state debt or on state participation in internal improvements or both were written into every state constitution.

So much for the early history, what has been the impact of these provisions on development in Kansas? My own conclusions are that the internal improvements prohibition and the state debt limits have 1) required that the initiative for economic development in Kansas be with local government rather than state government; 2) forced the bulk of responsibility for developing public infrastructure essential to growth upon local government; and 3) deterred economic growth in Kansas by blocking for several years major state initiatives, such as, state highways, state financing of water resource development, and state assistance in rail service, among others.

First, concerning economic development, the internal improvements prohibition has created an ironic situation in which local governments in Kansas have been authorized by the state to do what the state is precluded from doing. This pattern was established early in statehood as local communities took the initiative with state authority to aid railroad development and provide incentives to a variety of private endeavors. Today, state law provides local governments with an array of tools to aid private enterprise, for example, in acquiring land and capital -- two essential ingredients for economic development. State government, however, continues to be constrained from taking any substantial initiative of direct assistance to industry and has become at best a weak economic development partner with local government. These constitutional constraints will become even more serious handicaps as economic competition grows nationally and internationally and as major development projects require closer cooperation between government and business. While other states are experimenting with a host of industrial incentives, Kansas competes with a shackle on one foot.

One more point concerning economic development: Freeing the state to become an active partner in economic development is particularly

important outside the major metropolitan areas in my judgment. The urban centers, for example, Wichita, Overland Park, and Lenexa, which have developed a capacity to promote economic growth and have economic conditions on their side, can survive, possibly even prevail, economically without state initiative. The second-level cities, the Winfields, Coffeyvilles, Great Bends, Concordias, Colbys, and others like them, are struggling economically against long-term, adverse trends and are in particular need of a strengthened state capacity for economic development.

Second, the internal improvements prohibition aided by state debt limits has made state government less than an equal partner in developing public infrastructure essential for economic growth. For nearly 60 years, that is, until the internal improvements prohibition was first amended in 1920, state government was precluded from aiding in the construction of Kansas roads. For nearly 100 years the state could not assist in providing flood protection, water supply, or sewers. As a result early in statehood the initiative for public infrastructure fell to local communities and mostly remains there yet today. Local government in Kansas spends roughly nine dollars on infrastructure for every dollar spent by state government.

This local focus in infrastructure has retarded the development of projects which are regional in nature, that is, beyond the scope of one local jurisdiction but not of compelling statewide significance. For example, since 1972 laws have been on the books authorizing revenue bond financing of resort facilities at state parks, but no projects have moved forward. In 1974, state lawmakers authorized a southeast Kansas road to be financed by tolls and if necessary through the state highway and state freeway funds; but no road appeared. Actually, four years passed before the Kansas Supreme Court cleared the project from constitutional objections concerning state debt limits. In 1978 Governor Bennett proposed the development of a recreational corridor on the Arkansas River from Hutchinson to Wichita, but protests from local landowners stalled the project in the legislature. In these projects as well as many others, the state constitution has been a drag on state government's ability to move forward on public improvements of regional importance.

Third, the process of amending the internal improvements prohibition has slowed state government's ability to respond when compelling need arises and has thereby deterred economic growth. While documenting the precise economic losses incurred would be difficult, the awkward, time-consuming steps needed for Kansas to build state highways or to finance regional water supply illustrate the problem. In road-building, for example, Kansas trailed most states in planning and constructing state highways. Our first amendment to the internal improvements provision in 1920 must in retrospect be described as ill-conceived and short-sighted; it limited state participation to financial aid for county roads and wrote a rigid funding formula into the constitution. Another eight years were required to generate the political support for a more carefully drafted amendment which authorized a state system of highways and taxes to fund them. Kansas achieved in 1928 what most states had in

place a decade earlier and a few had in place more than two decades earlier.

In the case of water, Kansas had suffered through 90 years of too much or too little water when the 1951 floods devastated property and caused loss of life throughout much of the state. This natural disaster helped bring about the realization that state government should have a stake in water. After seven more years of planning, persuading, and politicking, water resource development became the second major exemption to the internal improvements prohibition. Fifteen years after the constitutional amendment, state officials signed the first agreement making a long-term financial commitment with the federal government in return for regional water supplies. One hundred eleven years had passed before Kansas made its first financial commitment to water development.

In sum, the internal improvements provision of the Kansas Constitution was originally intended to prohibit state government from direct involvement in economic development projects, and this intent has largely been fulfilled. If Kansas is to change this situation and take the initiative in stimulating economic growth, the internal improvements prohibition should be repealed. State initiative in development has also been stunted historically by the constitutional limits on state debt. While these limits have now become nearly meaningless as a result of court rulings, they should be updated to protect taxpayers and yet allow Kansas to finance infrastructure when appropriate through debt financing.

1970 ILLINOIS CONSTITUTION

Article IX, Section 9

Section 9. State Debt

(a) No State debt shall be incurred except as provided in this Section. For the purpose of this Section, "State debt" means bonds or other evidences of indebtedness which are secured by the full faith and credit of the State or are required to be repaid, directly or indirectly, from tax revenue and which are incurred by the State, any department, authority, public corporation or quasi-public corporation of the State, any State college or university, or any other public agency created by the State, but not by units of local government, or school districts.

(b) State debt for specific purposes may be incurred or the payment of State or other debt guaranteed in such amounts as may be provided either in a law passed by the vote of three-fifths of the members elected to each house of the General Assembly or in a law approved by a majority of the electors voting on the question at the next general election following passage. Any law providing for

the incurring or guaranteeing of debt shall set forth the specific purposes and the manner of repayment.

(c) State debt in anticipation of revenues to be collected in a fiscal year may be incurred by law in an amount not exceeding 5% of the State's appropriations for that fiscal year. Such debt shall be retired from the revenues realized in that fiscal year.

(d) State debt may be incurred by law in an amount not exceeding 15% of the State's appropriations for that fiscal year to meet deficits caused by emergencies or failures of revenue. Such law shall provide that the debt be repaid within one year of the date it is incurred.

(e) State debt may be incurred by law to refund outstanding State debt if the refunding debt matures within the term of the outstanding State debt.

(f) The State, departments, authorities, public corporations and quasi-public corporations of the State, the State colleges and universities and other public agencies created by the State, may issue bonds or other evidences of indebtedness which are not secured by the full faith and credit or tax revenue of the State nor required to be repaid, directly or indirectly, from tax revenue, for such purposes and in such amounts as may be authorized by law.

March 7, 1986

TO: Members of the Subcommittee on Preventive Health
and Education

FROM: Maurice Penner

SUBJECT: Progress Report on Preventive Health Study

This report includes a brief statement of each health problem, existing policy and policy choices under consideration. I have discussed the policy choices with state and local health officials and selected professors in the field. They generally agree that the choices will have positive impact on these problems.

Prenatal Care

Lack of prenatal care is most severe for teenage mothers. The third who do not receive adequate care often "deny" they are pregnant. It is unpleasant to face this fact. They also cannot afford private care and do not know about the public programs and the need for professional care, and this lack of knowledge is also found among older mothers who are poor. Transportation and child care needs may also reduce the number of prenatal care visits made by the poor. Lack of prenatal care often results in additional costs and long term damage to the baby. A normal delivery costs Medicaid \$700; however, more than three percent of its births result in neonatal intensive care at a average cost of \$15,000 per case. Medicaid pays for nearly 200 of these cases each year, two-thirds of which are preventable through prenatal care and the patient's cooperation. Overcoming these

problems is not easy and requires additional resources which may not be available given federal actions aimed at deficit reduction.

Existing Policy:

1) Kansas provides no state funds for maternal and child health programs provided by local health departments. These programs receive federal funds through the state. These funds are used for prenatal care, outreach, counseling and nutrition for high risk pregnant women (young and low income). Medicaid clients can receive prenatal care from a physician from state and federal funds. Not helped are those without health insurance coverage and not eligible for Medicaid or meeting similar income guidelines. Some will not seek out care or continue it without a home visit by an outreach worker, even with insurance or Medicaid. The Kansas Department of Health and Environment has notified local health departments of a likely 13 percent reduction in federal funds for 1987.

2) Pregnant women ineligible for governmental programs are sometimes able to obtain prenatal care at hospital-sponsored clinics. Fees are charged based on ability to pay. Those receiving these services are far less likely to bear children needing costly neonatal intensive care.

3) There is no state policy requiring schools to refer pregnant students for prenatal care and counseling nor on following up to remind them to use these needed services. These girls seldom hear information on this need from movies, television and radio.

4) The Medicaid program reimburses physicians up to \$111 for prenatal care, an amount far below the customary charge. As a result, some physicians will not accept Medicaid clients. In several areas of Kansas, no physicians offer obstetrical services to anyone due to sharp rises for malpractice insurance for this care.

5) Medicaid refers its pregnant clients to physicians for prenatal care but does not make additional efforts to assure clients make the needed doctor's visits or comply with recommendations to cut out cigarettes and alcohol. There are nearly 8,000 Medicaid reimbursed births each year and one-third do not meet recommended guidelines on the number of physician visits.

Policy Choices:

1) Increase state support for prenatal care programs serving those not eligible for Medicaid and without resources to purchase care from a private physician. Also, increase volunteer efforts for reaching those needing prenatal care, as federal cutbacks will make it impossible to maintain current outreach efforts.

2) Use state resources to assist hospital-based clinics that provide prenatal care based on ability to pay.

3) Require schools to establish procedures for insuring that all pregnant students (and recent ex-students) are referred for prenatal care and counseling, and are followed-up with reminders to continue this care. This measure will reach a high risk group for inadequate care.

4) Provide state funds to local health departments to use nurse practitioners or physician assistants for providing prenatal care in underserved areas. The quality of their care has been shown to be excellent.

5) Require SRS to monitor the use of prenatal care services by its pregnant clients. Offer pregnant clients a small cash bonus if they comply with recommended physician visits and orders if pilot testing determines this to be cost effective.

Child Health

Early childhood health problems can affect school performance and long-term productivity. Crime may also be affected. Studies of serious and violent offenders find they have higher rates of vision, hearing, language processing and neurological impairment. If these problems were detected and treated early, better behavior and school performance should result. Many children are already receiving careful attention from their family doctors, but the needs of others go unnoticed.

Existing Policy:

1) Kansas requires school districts to offer preschool health assessments in order to receive federal funds for special education. The assessments uncover health problems and likely special education needs. Some districts offer assessments in one location, one time per

year; others offer them at several times and locations reaching a higher proportion of the district's preschoolers. Kansas has no policy that requires school districts to offer health assessments to new students, and few do so.

2) Kansas requires schools to perform vision and hearing screening for all students at specified times. The quality of these screenings varies considerably as the screening methods are locally determined. For example, some districts test only for near sightedness while others screen for several visual problems. Not discovering far sightedness in a young child may result in serious reading problems. Similar problems exist for hearing screenings not performed in a sound proof area.

3) Kansas requires all schools to have "a program in health and hygiene." Schools vary considerably in the extensiveness of these programs. School health education has been shown effective in increasing health knowledge and changing health attitudes and behavior. For example, dental education can reduce cavities among school children; classroom discussion on the danger of tobacco use has caused a drop in the number of junior high students who take up the habit.

4) There is no state policy prohibiting student use of tobacco on school premises. It is illegal for minors to purchase tobacco before age 18, or alcohol before age 21.

Policy Choices:

1) Require school districts to offer preschool health assessments in several locations and times each year, and require extensive publicity as is practiced by many of the districts.

2) Require Kansas schools to assess new students for possible health problems. Nurse-based screenings have been shown effective in detecting health problems common to school age children. All but 10,000 of Kansas' 439,000 school children are in school districts now receiving school nursing services.

3) Upgrade vision and hearing screening requirements in Kansas schools so that these problems will be detected early.

4) Require Kansas schools to offer comprehensive health education from kindergarten through twelfth grade. A comprehensive program includes information on risk factors, drug/alcohol abuse, parenthood and sex education, and other matters.

5) Prohibit student tobacco use on the building and grounds of all public schools in the state.

Teenage Pregnancy

The number of teenage pregnancies remains high -- both in the nation and in Kansas. Kansas ranks ninth nationally in the proportion of births to teenage mothers with 5,451 births to 14-19 year old

mothers in 1982. Almost 20 percent were second births. The forecast is that 40 percent of female fourteen year olds will become pregnant before they turn twenty, and half of the teenagers bearing children will be unmarried. Welfare dependency often results. A recent study found that a 50 percent reduction in teen births would reduce welfare expenditures by 25 percent within five years.

Existing Policy:

1) Teenage parents are financially responsible for their offspring under state law. However, they are usually unable to provide financial support for their children while they are minors. The state's child support program does attempt to collect support from teen fathers, if a court order has been issued; however, few have regular wages or attachable assets, thus few collections are made while the fathers are teenagers. The father may later be required to pay support; however, this may not occur without the active* intervention of the mother. Parents of teen parents are not responsible for grandchild support under Kansas law; however, the teen mother's parents often provide some support.

2) Teenagers are indirectly encouraged to have sexual relations by the entertainment media and by sexually oriented advertisements. The consequences of sex are seldom discussed; nor is information provided on the need for family planning and where to obtain it.

3) There is no state policy requiring sex education in Kansas schools. Local school districts vary considerable on the amount of

sex education and on information about the consequences of teen parenthood.

4) Federal regulations require the Aid for Dependent Children (ADC) program to offer family planning services to ADC clients. ADC adolescents and other minors in state custody rarely use these services.

Policy Choices

1) Require parents be financially responsible for the support of their minor children's children. Transfer this responsibility to their children when they reach age 18. This measure would give parents financial incentives for more closely monitoring their children's behavior, and would shift public and mother's parents' child support costs to all responsible parties.

2) Mount a media campaign to counteract the media's encouragement and romanticization of teen sex. Information should focus on the consequences of teen sex (pregnancy, sexual diseases, cervical cancer, and emotional and financial responsibilities of parenthood) and on where to obtain family planning services. Family planning does not solve the problems resulting from teen sex, but its use would reduce some of the impact on those who cannot be discouraged and on society.

3) Require Kansas schools to provide sex education as part of a comprehensive school health curriculum. This requirement would insure that teens are informed about sex, its consequences and their responsibility for avoiding pregnancy or supporting a family.

4) Require SRS to counsel teens (on ADC or in state custody), about family planning needs. Also, pilot test the use of cash awards for ADC female children who do not become pregnant. If this measure reduces teen pregnancy among those at high risk for future welfare dependency, the savings would soon offset the cost of the awards.

Health Promotion

Cigarette smoking, drug/alcohol abuse, lack of a sensible diet and needed exercise, non-use of seat belts -- all of these could be discouraged through education and economic incentives. The costs for these lifestyle behaviors are enormous in terms of treatment for heart disease, cancer, diabetes and debilitating injuries not to mention the lost productivity due to deaths. Also, mental well-being deteriorates in families stressed by these behaviors -- especially for the children growing up in families damaged by alcohol/drug abuse.

Existing Policy:

1) Health insurance is primarily offered in group plans through employers. Tobacco use has been shown to result in higher health care costs; however, smokers pay no more for their health insurance than non-smokers. While many employers have requested lower insurance rates for their non-smokers; Kansas insurers have been reluctant to experiment with such a plan. These plans are gaining popularity in other parts of the nation. In Kansas, discounts are currently offered to non-smokers for auto, life and homeowners' insurance.

2) Health promotion programs are increasingly offered by employers, especially larger ones, to contain health care costs, reduce absenteeism and improve morale. Small employers find it difficult to research and plan these programs. The Kansas Department of Health and Environment has been training local health departments for planning and marketing health promotion programs. However, local departments seldom have the resources to devote much staff time on this effort.

3) Kansas has no law requiring seat belt use, except for children under age five. Twenty-two states have required seat belt use for at least all front seat passengers and the vehicle's driver. The U.S. Department of Transportation will require air bags or automatic seat belts if states with two-third's of the nation's population do not enact a mandatory seat belt law meeting certain standards. Automobile insurance policies do offer insurance discounts for cars having passive restraints (air bags or automatic seat belts). The number of these vehicles will gradually increase if the U.S. Department of Transportation requires more cars to be so equipped.

Policy Choices:

1) Require firms selling employers group health insurance (or HMO coverage) to offer employers the option of a discount for non-smoking employees. A recent study found that several plans offered a discount of 6-10 percent for non-smokers in other states.

2) Provide financial assistance to local health departments offering health promotion planning and services to small employers, schools and for senior citizens' groups.

3) Enact a mandatory seat belt law. Seat belt use averages 10-15 percent in states without a seat belt law. Regular use of seat belts reduces the chance of death or injury by 50 percent. States requiring seat belt use report compliance at 40-50 percent.

Unnecessary Use of Nursing Homes

The number of elderly under care in nursing homes continues to grow. Taxes pay for half of the nursing home beds as most of the elderly cannot afford more than a few months of this care; when their funds are exhausted, Medicaid pays the bill. While a fourth could have remained at home longer, they lacked affordable services necessary for remaining at home, e.g., homemaker, home health aides, home delivered meals, and other needed services. In most cases, they did not know about home care services and if it is feasible to remain at home.

Existing Policy:

1) Although Medicaid nursing home placements must be reviewed, before admission, Kansas has no general requirement to review, before admission, the need for or alternatives to nursing home care. These reviews are offered to non-Medicaid persons if they request it and can pay a small fee. Few reviews are performed by request.

2) There is no state policy that guarantees home care services to those ineligible for Medicaid's home care program. A single person may receive as little as \$400 income per month and still be ineligible for Medicaid's home care program. Health insurance and Medicare coverage is generally limited to those needing skilled nursing at home. Those who cannot afford home care will be on Medicaid soon after placement in a nursing home. Most aging programs use federal, state, or local funds to provide home care services to elderly unable to afford this care. However, funds are not sufficient for the demand. Some elderly do go to nursing homes due to inability to purchase these services.

3) Long term care insurance is a new insurance product that U.S. consumers are just learning about. It may cover nursing home or home care services with deductibles, co-payments, exclusions, and maximum coverage varying between plans. Several insurance companies are planning to offer policies that pay for nursing home care under limited conditions. Senior citizen organizations may be offering more comprehensive plans to these members in the near future. Long term care insurance can share the risks for this catastrophic cost, as only one in four elderly person ever lives in a nursing home.

4) There is no overall state policy regarding the use of volunteers; however, several state agencies use federal and state resources to establish and maintain volunteer networks. Volunteers are active in caring for the aged and will be increasingly needed as our aged population grows. However their use is limited by the number of volunteers, their training, and the elderly's knowledge of the potential for this aid.

Policy Choices:

1) Require pre-admission screening and a discussion of home care options, before a patient can consent to placement in a Kansas nursing home. Learning about options may convince some to delay or even prevent placement in a nursing home. This measure will not block admission for those wanting it.

2) Increase state support for those not able to purchase needed home care services. This could range from substantial financial support for programs that collect fees based on ability to pay, to an expansion of Medicaid's home care program that would now include clients likely to go on Medicaid soon after placement in a nursing home.

3) Require the Insurance Commissioner to provide information forums on long term care insurance plans. If the costs and benefits are adequately explained, middle-aged and elderly Kansans may avoid future welfare dependency by insuring against this loss.

4) Use state resources to increase the use of volunteers or "low cost" caregivers through a variety of measures: 1) setting up "volunteer banks" where the volunteer earns future hours of long term care for themselves or their families; 2) using state funds to pay for senior companions who earn tax-free stipends that are a third lower than the minimum wage, or to establish employment exchanges for low cost senior workers; and 3) encourage Kansas schools to establish volunteer programs for helping shut-ins, such as snow removal and lawn care.

BASIC GOVERNANCE AND FINANCE ISSUES

Introduction

This preliminary report includes an overview of two central aspects of the Kansas educational system: governance issues important to understanding the state role in education at the level of the common schools, the community colleges, and the higher education system, as well as a review of related finance issues. The discussion set forth in this preliminary report is designed to indicate to the committee the current status of the investigation and a preliminary assessment of central concerns and issues.

AN OVERVIEW OF FINANCIAL ISSUES

The following factors are basic to an understanding of the financing of education in Kansas.

At the elementary and secondary education level, these are the central characteristics:

1. The percentage of school revenues from local funds in Kansas is higher than a comparable percentage for the United States as a whole, indicating that local effort is above average.

2. Kansas ranks lower in the percentage of revenues coming from local funds than her sister states of Nebraska, Missouri, Colorado, and Iowa.
3. Current federal cutbacks, while they will affect elementary and secondary funding, should not be critical as those funds currently provide only 4.6 percent of total revenue based on the 1984-85 school year.
4. Kansas state support, 45.1 percent of total revenue, reflects substantial state investment in elementary and secondary education, implying that stability of such support is the current critical financial issue, especially in view of the modest Kansas potential for increased tax revenue and shifts in other sources of revenue such as federal funding.

At the community college level, the basic financial issues include:

1. The limitations of the ad valorem tax, since it is the primary source of revenue.
2. The appropriate level of tuition in relation to other costs and the need for improved services.
3. The stability of state funding in view of reductions in other funding sources such as federal aid.

With regard to higher education the following factors are central:

1. Kansas ranks twenty-third nationally in collective financial actions and only one comparative state ranks higher, Iowa.
2. Students in Kansas rank thirty-sixth nationally in dollars spent for tuition and, when compared to personal disposable income, Kansans could afford to pay more for tuition.
3. The number of FTE per high school graduates is increasing, indicating that Kansas does a good job in preparing students for higher education.
4. Based on a representative state and local tax system Kansas ranks 41st in its potential tax revenue/student. A states tax capacity is its ability to obtain revenues for public purposes from various taxes. It assumes that all state-local systems apply identical tax rates to their respective tax bases. If the tax capacity per capita is multiplied by the number of high school graduates per 1,000 population and the number of full time equivalent public students per high school graduate, the result is a potential tax revenue per student figure. Based on this calculation Kansas could potentially raise \$33,777 per student. (See Table 12)
5. Kansas places a fairly high value on education, using 10.7 percent of tax revenues for higher education, thereby ranking sixteenth nationally in this factor.

6. The basic financial issue is maintaining a higher education system in the face of decreasing high school graduates.

For all of education in Kansas, the following summary factors are important:

1. The number of high school graduates is decreasing.
2. Kansas is slightly higher than the national average in potential to obtain tax revenues.
3. Kansas ranks in the lower one-third nationally in terms of how much of its tax capacity is actually used.
4. Kansas ranks in the middle nationally in tax dollars collected per person.
5. Kansas places a fairly high values on education, using 10.7 percent of tax revenue for higher education alone and ranking sixteenth on this factor.
6. Kansas falls in the middle ground nationally in state and local appropriations for education.
7. Kansas ranks thirty-sixth nationally in dollars spent for tuition and, when compared to personal disposable income, Kansans could afford to pay more for tuition.

From these facts several perspectives emerge which are important to projecting the future of education financing in Kansas.

1. Determining the state role in each level of education and prioritizing where new state revenues would go among these levels.
2. While recognizing the good effort put forth by the state of Kansas in the support of education, determining the increment of new effort in terms of increased tax revenues that the state should be willing to provide given its priorities in #1 above.
3. Paying particular attention to the potential for increased tuition and determining, therefore, the degree to which tuition increases should serve as the primary source for new revenue.
4. Determining which financial strategy is appropriate to maintain a quality higher education system in the face of decreasing enrollments, with serious consideration given to the ability to pay more for tuition.

While these ideas are preliminary, they are put forth with the intention of promoting discussion and trying to clarify the constraints and opportunities which the committee sees in this overview.

AN OVERVIEW OF GOVERNANCE ISSUES

Since the governance of elementary and secondary schools falls under the purview of the State Board of Education and its ten elected members, the governance issue with regard to the common schools is a matter of long tradition and poses no serious questions of a policy type. However, the role of vocational education in the educational system does pose questions. Currently vocational education at the post-secondary level is under the supervision of the State Board of Education except for the Kansas Technical Institute in Salina and the Vocational-Technical Institute at Pittsburg State University. These two institutions are governed by the Board of Regents. Thus, there are two entities that coordinate the actions of vocational education. The Board of Education exerts some control over area vocational schools, but they are governed by local school districts, community college boards or an area board. Although post-secondary vocational education is governed locally, they receive no local tax support for program operations. With the decline in federal funds, they are primarily dependent upon the state for funding. Of concern is whether or not they receive enough direction from the state, and whether they are responsive to the current needs of the community and the state for vocational education.

With regard to community colleges, their curricula are usually considered to be college paralleled with an emphasis on vocational, technical, adult, continuing, and general education. Community colleges also provide some college preparatory instruction and therefore are a multi-faceted segment of the Kansas educational system.

Community colleges have district-wide taxing authority and fall under the authority of local boards of trustees. They are, however, supervised by the State Board of Education. Because of the dependency on district-wide taxing authority, some thought should be given to the governance of the community colleges. Coordination seems to be the necessary policy ingredient; accordingly, a Board of Community Colleges could be created and individual community colleges would be held responsible to such a board. The board could be made up of representatives from each of the community colleges and it could either stand alone or report to a broader coordinating board for all of higher education. A second alternative could be to divide the state into post-secondary education regions which would be governed by regionally elected boards. Each board would have a chief administrative officer and each regional board would report to a state board as discussed above. Regions could be defined according to equitable property tax bases.

There are several other significant policy issues with regard to higher education. These include:

1. The scope and mission of Wichita State University. As an urban university in the state's largest metropolitan area, WSU has a unique urban base and the development of advanced degrees within that setting needs to be addressed.
2. Liberal arts and technological education are issues because of the need to maintain a balance between the demands for highly

technological training in current society and the importance of the development of the liberal arts generally. Because liberal arts involve lifelong learning and technological education is often more job-specific, the issue of their balance in higher educational institutions should be seriously considered. Clearly in the funding formulae that are used such distinctions should somehow be considered.

3. A comprehensive plan for higher education would appear appropriate to the Kansas system of education. Each institution within the Regent's system has a unique role and serves particular populations with its programs. A comprehensive plan would allow clarification of the roles of the vocational technical schools, the community colleges and the state universities. It would also be of assistance in helping to clarify the roles of the Regent's institutions. Because in Kansas there is no single state agency responsible for comprehensive planning, some discussion should occur with regard to potential for a Coordinating Board to carry out this function. A number of states have higher education coordinating boards which take on planning and assessment functions but leave the authority for operation of the system to existing board of regents.
4. The role of private higher education in Kansas is significant, since Kansas has 22 private colleges. One college, St. John's College of Winfield is closing its doors due to debt problems and declining enrollment. A reduction in federal financial aid will further threaten these schools in the coming year.

At issue is how private colleges can survive financially and what their role should be in the system of post-secondary education. The private colleges may have potential with regard to a lead role in dealing with the issue of the liberal arts education raised above. Moreover, they can deal with the value and ethical dimensions of education which often are in conflict with the mission of public institutions. It is expected that requests by the Independent College Association to the legislature for an increase in tuition grant money will likely continue in the face of a less than optimistic economy. If the state is to, in any way, become involved with higher education then it must clarify the role that it foresees for private institutions in the total Kansas educational system.

5. By some means Washburn University must be coordinated with the rest of the system of higher education. Whether or not Washburn is included under the State Board of Regents will be an issue that will continue to confront Kansans. The board already governs six universities and the addition of Washburn to the system raises long-term financial questions which would imply further stretching of scarce dollars among seven rather than six institutions. However, the state already spends millions of dollars to support Washburn.

Accordingly, one alternative is to include Washburn within the Regent's system realizing, however, that a financial resolution

would have to be generated which would not threaten the funding of the other members of the system governed by the State Board of Regents. A second alternative would be to make Washburn University a branch of one of the major institutions, possibly the University of Kansas, upon admission to the state system. As a branch facility, it could provide programs without duplicating core programs available at the Lawrence campus. The proximity of the two schools makes this an alternative that is probably worth exploration. A third alternative is for the governance and financing of Washburn to remain as it is. Each of these alternatives should be assessed in terms of its advantages and disadvantages statewide as well as in the Topeka area.

6. Institutions of higher education contribute to economic development in a number of ways. They train talented individuals to support the economy. They provide research and other kinds of support to the business sector. Higher education's role in economic development needs some reformulation and redirection.

In this regard, colleges and universities should explore the opportunities they have to provide support to the business sector including small business and agri-business. This may mean developing curriculum that is responsive to the skill requirements of local businesses. Efforts at off-campus extended education should be clearly explored, particularly with the current revolution in telecommunication techniques. In addition, local business, local

educational institutions and government need to become partners in research and development. Coordinating research and development efforts would not only share the costs of program development but would also pool ideas.

The Redwood Report provides specific recommendations that are now under legislative consideration. Other states are experimenting with different programs to enhance the universities role in economic development. There are many possibilities for furthering economic development via the state educational system and these will be explored as will their relationship to educational governance and finance.

One option may be for the state to authorize a local county-wide levy in those counties in which state universities are located for the purpose of funding programs from these universities that encourage economic development of the communities involved. This funding source would encourage university contributions to economic development and would come from those more directly benefiting from that development. In this way, programs designed to provide local benefit would serve as a means to provide new resources for funding state university programs.

7. The necessity of new financial resources is not inseparable from the policy issues raised here. Clearly the Kansas tax base is limited; however, there remains an opportunity for new sources of funding. Tuition increases are one such example of an opportunity.

8. Where does elementary and secondary education stand financially? Should Kansas increase, decrease or maintain the state commitment to elementary and secondary education? Clearly some stability in that regard is required if elementary and secondary schools are to adapt to changing enrollments and changing economic situations.
9. There is a question as to whether the State Board of Education should be elected or appointed. While currently elected, there are those who feel that appointment might allow a situation in which knowledgeable individuals would be appointed based on the contribution they could make and not be affected in that regard by their party affiliation. Clearly this is a fundamental policy issue because of the critical role the State Board of Education currently plays in the governance of both elementary and secondary education on the one hand and the community colleges on the other.

This listing of governance issues is, by no means, designed to be exhaustive but rather is designed to raise the central issues of concern at this phase of its analysis.

Summary

The governance and financial issues posed in this report are offered here as the basis for discussion. The research team is desirous of guidance as it tries to substantiate the questions raised here and bring some focus into its final report.

TABLE 12

Potential Tax Revenues
Per Student

	Dollars Per Student	Index
1. Alaska	\$126,767	324
2. District of Columbia	106,454	272
3. Nevada	71,285	182
4. Connecticut	70,132	179
5. New Jersey	56,783	145
6. Wyoming	55,649	142
7. New Hampshire	52,283	134
8. Florida	50,483	129
9. Massachusetts	50,219	129
10. Texas	48,950	125
11. Louisiana	48,729	125
12. Pennsylvania	47,734	122
13. Hawaii	45,427	116
14. Oklahoma	44,726	114
15. New York	44,247	113
16. Georgia	43,155	110
17. Missouri	42,237	108
18. Montana	41,885	107
19. Maine	41,707	107
20. Kentucky	40,698	104
21. Ohio	40,224	103
22. New Mexico	39,466	101
23. West Virginia	39,287	101
24. Colorado	39,234	100
25. Arkansas	38,772	99
26. Vermont	38,389	98
27. South Dakota	38,171	98
28. Delaware	37,079	95
29. Rhode Island	36,493	93
30. Indiana	36,443	93
31. Idaho	36,152	93
32. South Carolina	36,124	92
33. Tennessee	35,963	92
34. Illinois	35,526	91
35. California	35,240	90
36. Maryland	34,727	89
37. Washington	34,030	87
38. Virginia	33,924	87
39. Nebraska	33,900	87
40. Oregon	33,792	86
41. Kansas	33,377	85
42. Iowa	33,214	85
43. Michigan	32,193	82

44. Minnesota	30,973	79
45. North Dakota	30,190	77
46. Utah	29,371	75
47. Alabama	26,990	69
48. Arizona	25,971	66
49. North Carolina	24,877	64
50. Wisconsin	24,619	63
51. Mississippi	23,806	61
UNITED STATES	39,080	100

MAR 10 1986

**Special
Commission On
A Public Agenda
For Kansas**

1845 Fairmount, Box 61
Wichita, Kansas 67208
(316) 689-3737

March 7, 1986

Rep. Mike Hayden
Chairman
Atwood

Sen. Michael L. Johnston
Vice-Chairman
Parsons

Sen. Neil H. Arasmith
Phillipsburg

Rep. Marvin Wm. Barkis
Louisburg

Robert F. Bennett
Prairie Village

Rex R. Borgen
Beloit

Rep. James D. Braden
Clay Center

Archie R. Dykes
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Kathlien Edmiston
Wichita

Phillip Finley
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Sen. Robert G. Frey
Liberal

John Lee
Hutchinson

Jack McGlothlin
Pittsburg

John E. Moore
Wichita

Keith Shumway
Ottawa

Sid Warner
Cimarron

H. Edward Flentje
Coordinator

TO: Members of the Special Commission
on a Public Agenda for Kansas

FROM: H. Edward Flentje
Coordinator

SUBJECT: Committee meetings of March 13

The committee meetings for March 13 are scheduled as follows:

9:30 Committee of Health and Education
Room 529, State Capitol

10:00 Committee on State and Local Finance
and Capital Finance
Room 531, State Capitol

With the concurrence of Senator Johnston and Representative Braden, the Committee on the Kansas Economy and Small Cities is being rescheduled to coordinate more closely with the work the newly created Legislative Commission on Kansas Economic Development, on which Senator Johnston, Rep. Braden, and Rep. Barkis also serve. In essence, the future is becoming the present. The work of Professors Redwood and Krider and their time is being channeled into the Legislative Commission. This Legislative Commission is scheduled to arrive at tentative conclusions and recommendations by March 19. The meeting of Committee on the Kansas Economy and Small Cities will be rescheduled for late March or early April in order to have the benefit of these conclusions and recommendations. I will inform you of the exact time and location as soon as possible. I would also encourage each member of this Committee to attend one of the other committee meetings on March 13 if your time permits.

Enclosed you should find progress reports from Professors Fisher, Flentje, Penner, and Lujan. They will each be available to present and discuss their respective reports. If you have questions concerning these matters, please let me know.

I look forward to seeing you next week.

H.E.F.

enclosures





March 7, 1986

TO: Subcommittee on Finance
FROM: H. Edward Flentje
SUBJECT: Study of Capital Finance and Public Infrastructure

As a progress report on the study of capital finance and public infrastructure I am submitting documents within the following outline:

- I. Review of Existing Policy
 - A. "Capital Finance Policy in Kansas"
 - B. "Policy Chronology of Capital Finance in Kansas"
 - C. "Outstanding Public Debt in Kansas, 1861-1984"
- II. Basis for Evaluating Existing Policy
 - A. "Criteria for Assessing Capital Planning and Budgeting"
 - B. "Capital Expenditure Trends in Kansas" (to be provided at meeting)
- III. Policy Choices in Capital Finance and Infrastructure

H. Edward Flentje

Dated 3/7/86

Capital Finance Policy in Kansas

The principal means by which Kansas finances capital improvements and public infrastructure may be summarized as follows:

1. "Pay as we go." The historic admonition of Governor John St. John (1881) that Kansas should avoid debts and "pay as we go" captures a dominant strain of capital finance in Kansas. The severe debt limitations and ban on "internal improvements" in the Kansas Constitution reflect this philosophy. Under a pure pay as we go policy state government would finance capital improvements from current general revenues available to the state. While there are important exceptions, Kansas has followed this policy for extended periods of state history particularly during the first 60 years of statehood. Present day examples of pay as we go include paying from general revenue funds for the purchase of water storage in federal reservoirs, for capital improvements at state correctional institutions, and for major maintenance projects at state universities.
2. Delegate debt financing of capital improvements to local government. Given the severe constitutional limitations on capital finance and a strict pay as we go philosophy, state government has delegated to local government that which the state

was precluded from doing directly. Beginning early in statehood, lawmakers focused state attention somewhat narrowly on the facility requirements of state institutions and delegated responsibility, as well as liberal debt financing authority, for the bulk of public infrastructure -- roads, water supply, and sanitation -- to local governments. Today, state statutes grant hundreds of authorizations for debt financing to local units and require minimal supervision of local debt issuance. As a result, local governments in Kansas are estimated to spend nine dollars on infrastructure for every dollar spent by state government.

3. Pay as we go with special purpose capital improvement funds.

Kansas survived with a strict pay as we go philosophy as long as the state faced no major demands for capital improvements. When new capital projects competed with budgetary requests for the on-going operation of state government, capital improvements could be more easily deferred and often were. To protect capital improvement requests from the annual competition for current revenues under a strict pay as we go philosophy, special purpose capital improvement funds have been authorized, the most prominent being the road and highway fund. In 1928 Kansas electors adopted a constitutional amendment which authorized special taxes on motor vehicles and motor fuels and dedicated these revenues to road and highway purposes. This change made roads and highways state government's major contribution to public infrastructure in Kansas. Since 1928, two other special purpose capital improvement funds supported by state levies on property have been authorized,

the Educational Building Fund for Regent's institutions (1941) and the State Institutions Building Fund for state institutions (1953) for the mentally ill or retarded, handicapped, and children. In sum, these capital improvement funds constitute a revision of a strict pay as we go policy. Capital improvements continue to be funded from a current revenues, that is, on a pay as we go basis, but these revenues are set aside, dedicated to capital improvement purposes, and thereby protected from competition with other state purposes.

4. Authorize state agencies to finance capital improvements with bonded debt backed by anticipated revenues. The state constitution severely limited state government's ability to finance capital improvements through the issuance of debt. The constitutional concept of debt was that debt backed by the taxing power of the state, historically meaning debt backed by state's power to tax property. As a result for the first 70 years of statehood less than \$1 million in capital improvements were underwritten through state debt. Kansas lawmakers first sought to escape state debt limits in the early 1930s when the federal government offered to loan the state funds for road building purposes. The State Highway Commission was authorized to borrow federal funds and enter into long term obligations with the federal government for their repayment from revenues anticipated to be received into the highway fund. The Kansas Supreme Court sanctioned this legislative action and ruled that the debt incurred was not state debt as envisioned in the constitution, in

other words, debt backed by the property tax. Within another 20 years revenue debt was similarly authorized for the construction of student dormitories on campuses of Regent's institutions (1949) and for the building of armories throughout the state (1953). Today, the state has incurred revenue debt to construct highways, higher education facilities (including housing, sewerage treatment, student unions, stadiums, recreation complexes, clinical facilities, field houses, libraries, parking, and classroom buildings), fish hatcheries, and office buildings. Statutes authorize revenue debt financing for certain other state facilities, such as resorts at state parks, but this authority has not been exercised. Kansas state government has over \$300 million in revenue debt currently outstanding and spends roughly \$25 million each year to service this debt.

5. Create independent authorities to undertake capital improvements through debt financing. In 1953 the Kansas legislature created the Kansas Turnpike Authority as "a body politic and corporate" and authorized the Authority to issue revenue debt for the purpose of constructing turnpike facilities within Kansas. After the Kansas Supreme Court cleared the Authority from constitutional objections in 1954, the Authority issued \$160 million in revenue bonds to finance construction of a 236 mile toll road from Kansas City by Topeka and Wichita to the Oklahoma border. Repayment of this debt was secured solely from tolls and income from the turnpike. In 1957 the Authority financed the construction of the 18th Street Expressway through an additional \$19.5 million in

revenue bonds which were secured by toll revenues from the expressway and the State Highway Fund. Kansas lawmakers have authorized other toll roads under the auspices of the Authority to be constructed through debt financing secured by toll revenues and by the State Highway Fund and the State Freeway Fund, but no further road projects have been undertaken.

6. Rely on federal assistance to underwrite capital improvements for state purposes. Kansas has historically sought to maximize federal assistance available for capital improvements. Literally at the dawn of statehood federal grants of land and land proceeds were committed to the construction of facilities at state institutions. In the twentieth century federal assistance to roads and highways began in the 1920s and continues at a high level today. The construction of federal water projects in Kansas began in earnest in the 1940s, and since 1958 the State of Kansas has committed to participating in the construction of nine federal reservoirs, incurring a state obligation to repay a minimum of \$25 million up to a maximum of \$70 million. New federal water projects are now on hold. A substantial portion of federal general revenue sharing available to Kansas was dedicated to capital construction at state universities during the 1970s, but this program is now gone. In 1984 the state lawmakers agreed to act as conduit for \$18 million in federal loans to rehabilitate Kyle Railways and conditionally guaranteed to repay 50 percent of any defaults on the loans. With a few important exceptions federal assistance available to undertake capital improvements for state purposes is on the decline.

H. Edward Flentje
Dated 3/7/86

Policy Chronology on Capital Finance in Kansas

- 1859 Wyandotte Convention adopts state constitution with strict limits on state debt and prohibition on state participation in internal improvements.
- 1871 Kansas Supreme Court rules that while state government is prohibited from participating in internal improvements, the state may delegate to local units of government the authority to undertake internal improvements.
- 1920 Voters adopt constitutional amendment exempting state aid for the construction of county roads and highways from the internal improvements prohibition and limiting the form of such aid.
- 1928 Voters adopt constitutional amendment exempting the construction, reconstruction, and maintenance of a state system of highways from the internal improvements prohibition, and authorizing special taxes on motor vehicles and fuels for road and highway purposes.
- 1933 Lawmakers authorize Kansas Highway Commission to borrow federal funds in order to undertake expanded highway improvements; in 1934 the Kansas Supreme Court rules this borrowing is not subject to constitutional limitations on state debt.
- 1941 Lawmakers authorize Educational Building Fund supported with a levy on property dedicated to construction, reconstruction, equipment and repair of building and grounds of Regents institutions (authorization based on constitutional amendment adopted in 1918).
- 1949 Kansas Supreme Court rules debt financing of college dormitories does not violate debt limitations and is not prohibited by internal improvements provision in state constitution.
- 1952 Voters adopt constitutional amendment authorizing State Institutions Building Fund; levy enacted in 1953 and dedicated to construction, reconstruction, equipment and repair of building and grounds of State institutions for mentally ill and retarded, handicapped, and juveniles.
- 1953 Lawmakers create Kansas Turnpike Authority and authorize debt financing of Kansas turnpike.
- 1953 Kansas Supreme Court rules debt financing of armories throughout the state does not violate debt limitations in state constitution.
- 1958 Voters adopt constitutional amendment exempting flood control works and works for the conservation or development of water resources from internal improvements prohibition.
- 1985 Lawmakers authorize Secretary of Administration to finance certain fixtures and equipment of state agencies through certificates of participation.

DRAFT
3/7/86

TABLE 1
Outstanding Public Debt in Kansas
1861 to 1984

Year	<u>Total Debt (in thousands)</u>		<u>Debt per capita</u>	
	State	Local	State	Local
1861	\$ 181	N.A.	\$ 1.30	N.A.
1872	1,342	\$ 10,749	3.68	\$ 29.48
1880	1,066	13,999	1.07	14.05
1890	800	36,492	.56	25.57
1900	692	32,399	.47	22.03
1913	529	47,417	.31	28.04
1920	0	72,097	.00	40.75
1930	24,500	137,464	13.02	73.08
1940	14,000(est.)	100,276	7.77	55.68
1950	5,500	110,617	2.87	58.06
1960	202,331	534,546	92.87	245.36
1970	223,600	938,300	99.42	417.19
1980	438,100	2,838,500	185.32	1,200.72
1984	356,100	5,204,100	145.35	2,124.12

Sources: James Ernest Boyle, The Financial History of Kansas; Summary History of Kansas Finance, 1861-1937; Kenneth E. Beasley, State Supervision of Municipal Debt in Kansas; and U.S. Census.

H. Edward Flentje
Dated 3/7/86

Criteria for Assessing Capital Planning and Budgeting

A. The planning process should:

1. provide a consistent time frame for capital improvement plans
2. assess the impact of social and economic change on demand for facilities
3. inventory current assets/facilities
4. conduct on-going assessment of the condition of existing assets/facilities, for example:
 - how are facilities valued?
 - how are facilities depreciated?
5. provide advice on whether to replace, rehabilitate, maintain, or abandon facilities

B. The budgeting process should:

1. be coordinated with capital planning
2. assess projects for operating budget impact (short-term and long-term)
3. set priorities for competing projects using for example:
 - project evaluation/cost-benefit analysis
 - needs assessment
 - net present value
 - funding availability
4. evaluate alternative funding: federal, local, other?

C. Principals of capital finance (current best practice):

1. Whenever possible the beneficiaries of a public facility should pay for its development and operation. Payments should be related to the level of use.
2. The cost of a public capital project should be amortized over the life of the project and maintenance and operating costs should not be deferred.
3. The operating and maintenance expenses associated with a project -- operating a classroom building, maintaining a bridge, or repairing and upgrading a hospital -- should be explicitly considered when designing the financing package.
4. Fiscal and administrative responsibility for a public investment project should fall to those jurisdictions most affected by the project.

H. Edward Flentje
Dated 3/7/86

Policy Choices on Capital Finance in Kansas

A. Revise constitutional limitations on capital finance.

1. Repeal internal improvements prohibition (see attached testimony).
2. Update state debt provisions or repeal them (see attached debt provisions in 1970 Illinois constitution).

B. Adopt broader "pay as we use" policy for capital finance.

A pay as we go philosophy has dominated capital finance in Kansas historically. Moving toward pay as we use would expand revenue debt financing of capital improvements and shift financial burden of capital expenditures from current taxpayers to those who use facilities. Revenue debt financing would also allow state government to address the current backlog of capital projects and initiate, for example, new highway construction, purchase of water storage available in federal reservoirs, and systematic preventive maintenance of state facilities, among others.

C. Strengthen state capacity for planning and budgeting capital improvements.

Existing procedures for capital planning and budgeting are decentralized in various state agencies and uneven in quality. Neither the executive or legislative branches have staff capacity for independent review of capital improvements, and current process falls short of best practice in other states. Choices available would include:

1. Providing staff with capital finance and planning expertise to support both the chief executive and the legislature.
2. Creating a Capital Development Authority which would have: 1) authority for revenue debt financing of facilities at state institutions and for the coordination of planning and budgeting of improvements at these institutions; and 2) expertise for capital planning and budgeting, capital finance, and debt management.

C. Other Issues

1. Integration of Kansas turnpike with overall state transportation program.
2. Continued reliance on property taxes for capital improvements at state institutions.
3. Absence of dedicated revenues for improvement of state offices and correctional facilities.

Glenn W. Fisher
Wichita State University
March 13, 1986

Kansas State and Local Finance
Progress Report

I. State and local expenditure since 1962.

Figures 1.1, 1.2, 1.3, 1.4, 1.5

II. Centralization of revenue -- recent decentralization of expenditure.

Figure 1.6

III. Changing composition of revenue.

Figure 1.8

IV. Revenue and centralization -- Kansas and other states.

Figure 1.12 and 1.14

V. Global projections. (Projections of state-local revenue combined based on U.S. Census data.)

Assumptions:

1. Personal income will increase 6.5 percent per year
2. State and local expenditures will be 15.8 percent of personal income. (See Figure 1.15).
3. Elasticities:
 - General sales Tax = 1
 - Income tax (individual and corporate) = 1.8
 - Other Taxes = 1.
 - Current charges = 1
4. Other Assumptions:
 - Motor fuels and license tax - increases 2% per year.
 - Federal funds - stable at 1984 level minus general revenue sharing amount.
 - Miscellaneous general revenue - stable at 1984 level.
 - Property tax levies equal to difference between expenditure and other tax yield. (Property tax is the budget balancing revenue source.)

Results:

Figure 1.17

Significance:

1. Suggests that present revenue system is reasonably adequate to maintain present level of expenditure (relative to private sector).
2. Maintaining present revenue laws will result in major shift in sources of revenue. Income taxes will become much more important and sales taxes much less important.
3. There will be a reversal of the trend toward less dependence on the property tax. This tax will provide a somewhat larger percentage of total revenue than currently.

Warnings:

1. Projections are trend projections. Not expected to be accurate for specific years.
2. Overall or global. Assume revenues would be transferred from fund to fund or government to government as needed.
3. Do not take account of recent rapid fall in oil prices.
4. Assume no further erosion of tax base by exemptions.

VI. Tax capacity (Representative Tax System).

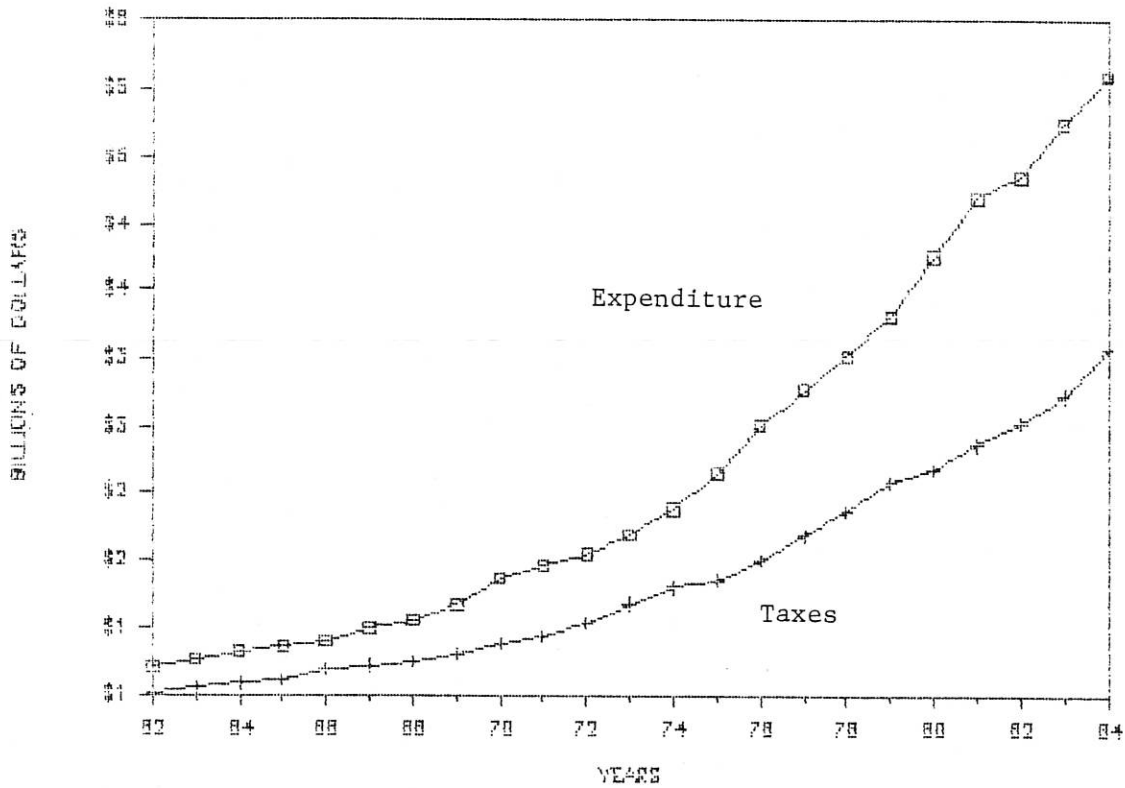
Figures X.1 and X.2

VII. Work in progress

1. More detailed projections:
 - State general fund revenues.
 - Highway taxes (?)
 - Local property taxes (Analysis of trends, results of reappraisal and classification.)
2. Local tax capacity:
 - Variation in tax base among local governments
 - Trends
3. Effect of possible federal changes.
 - Elimination of deductibility of state and local taxes.
 - Broadening the income tax base
 - Changes in treatment of housing (depreciation, etc.)
 - Reduction of federal funds.
4. Is the Kansas revenue system well balanced?

FIGURE 1.1

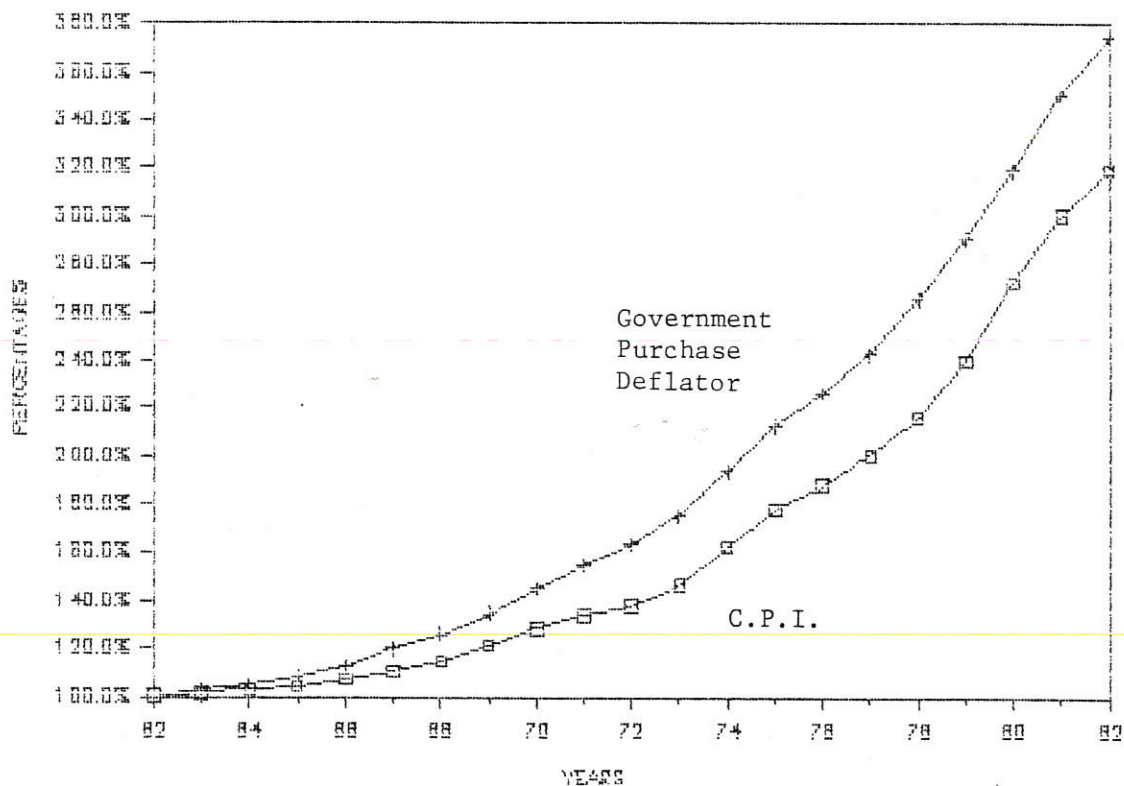
GROWTH IN KANSAS STATE AND LOCAL
GENERAL EXPENDITURE AND TAXES, 1962-84



SOURCE: U.S. Census of Governments: Governmental Finance in [various years]. General Expenditure does not include insurance trust or utility expenditure.

FIGURE 1.2

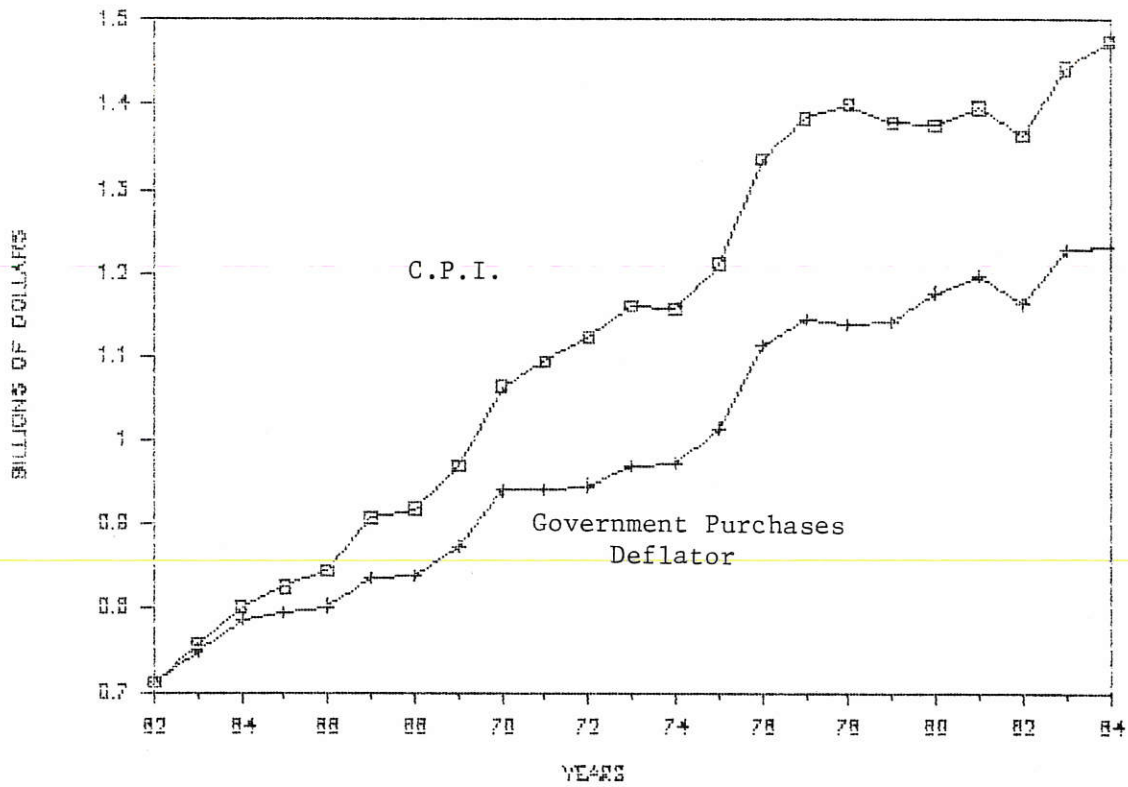
INDEXES OF INFLATION, 1962-84



SOURCE: The Consumer Price Index (CPI) is computed by U.S. Department of Labor. The Government Purchase Deflator is the Price Deflator -- State and Local Government. [Fixed Weight] Index computed by the U.S. Department of Commerce. Both have been converted to a 1962 base.

FIGURE 1.3

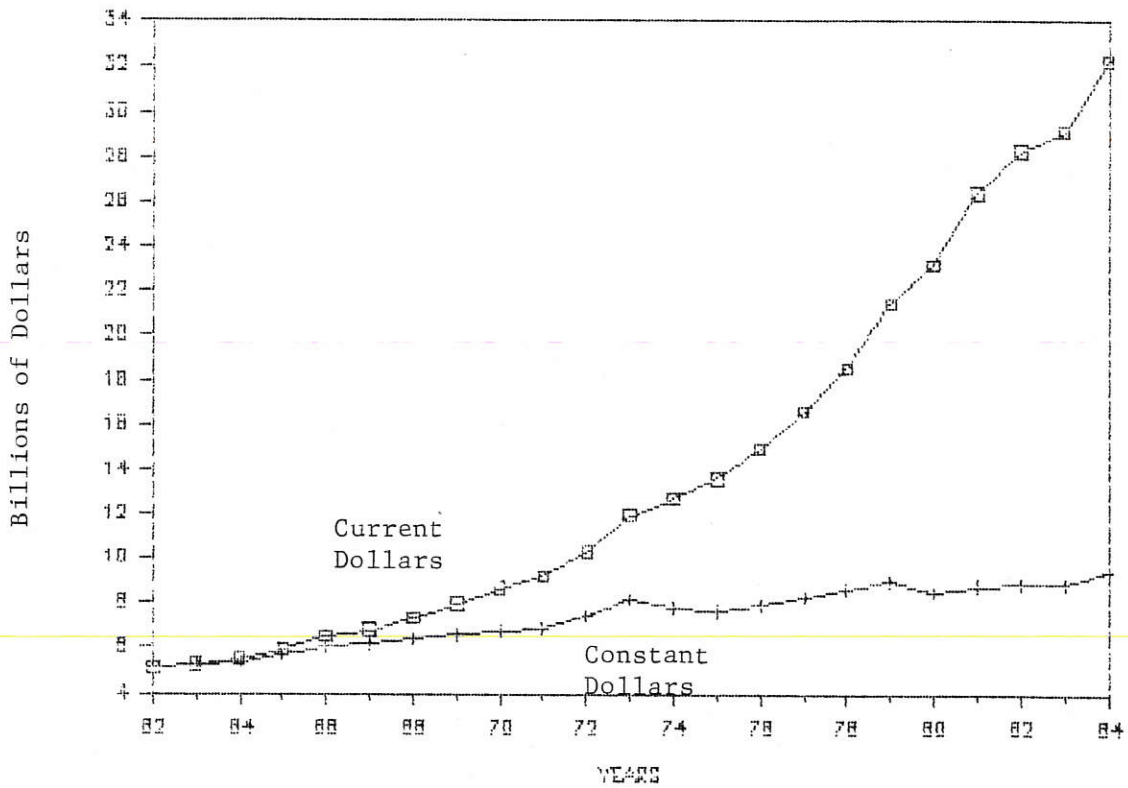
KANSAS STATE AND LOCAL EXPENDITURES,
CONSTANT DOLLARS, 1962-84



SOURCE: Computed from Figures 1.1 and 1.2.

FIGURE 1.4

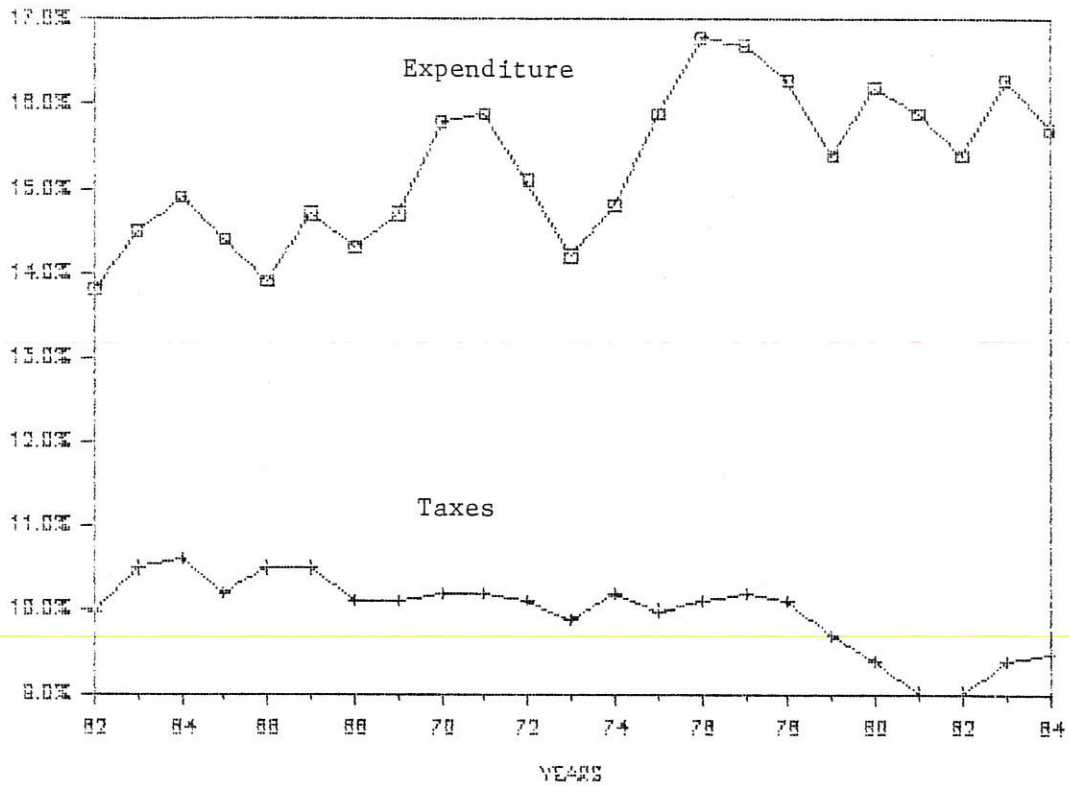
GROWTH IN KANSAS PERSONAL INCOME, 1962-84



SOURCE: U.S. Department of Commerce. Constant Dollar Income computed using Consumer Price Index, (1962 = 100).

FIGURE 1.5

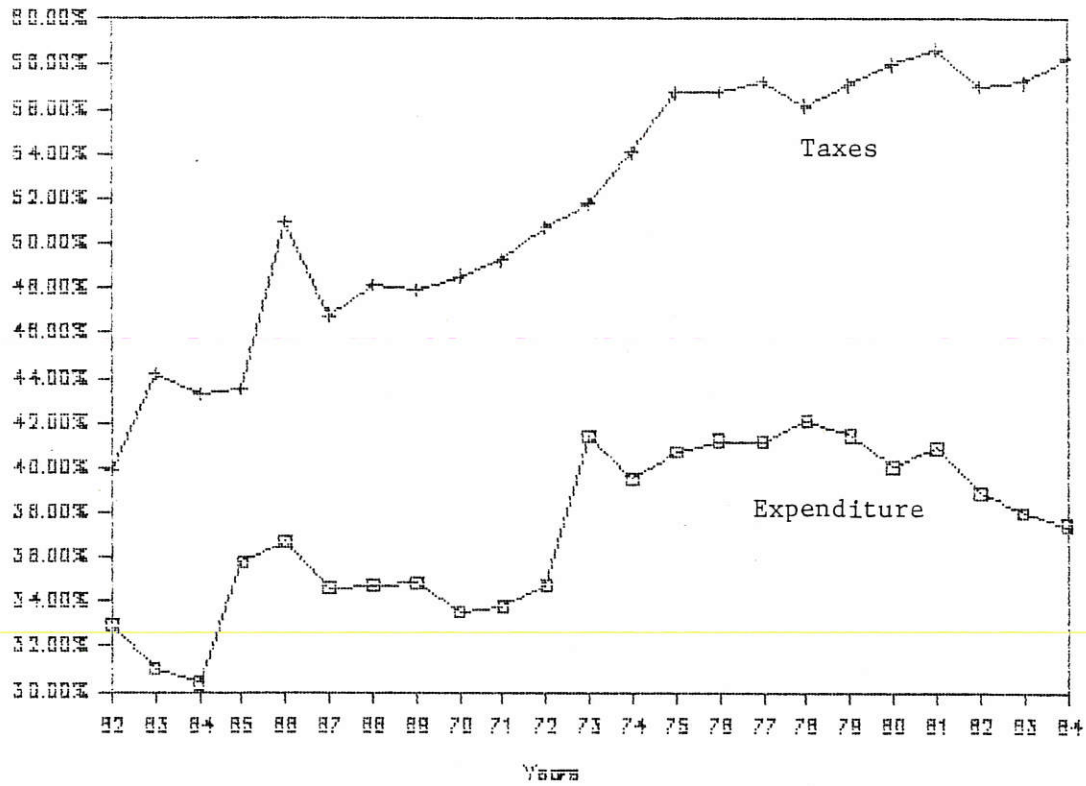
KANSAS STATE AND LOCAL EXPENDITURE AND TAXES
AS PERCENT OF PERSONAL INCOME, 1962-84



SOURCE: Computed from data in Figures 1.1 and 1.4.

FIGURE 1.6

CENTRALIZATION OF STATE EXPENDITURE AND TAXES
(State as Percent of State and Local)



SOURCE: U.S. Census of Governments, Governmental Finances in [various years].

FIGURE 1.8
KANSAS STATE AND LOCAL REVENUE BY MAJOR SOURCE
1962 AND 1984

	1962	1984	Percent Increase
From Federal Government	\$ 93,623	\$ 802,900	754.6
Property Taxes	290,789	1,140,800	292.3
State Sales and *			
Gross Receipts	145,061	662,300	356.6
Income Taxes	36,060	704,200	1,852.9
Other State Taxes	37,884	399,100	953.5
Local Non-property taxes	8,807	165,600	1,780.3
Charges and Miscellaneous	110,494	1,461,300	1,222.5
TOTAL	\$722,718	\$5,336,200	638.4

SOURCE: U.S. Census of Governments, Governmental Finance in [1962 and 1984].

* State Sales and Gross Receipts includes selective sales taxes such as those on alcohol, cigarettes and gasoline as well as the general sales tax.

FIGURE 1.12

PER CAPITA STATE AND LOCAL REVENUE BY MAJOR SOURCE, SELECTED STATES, 1984

	Total General Revenue	Intergovern- mental Revenue	Property Tax Revenue	General Sales and Gross Rcpts. Revenue	Individual & Corporate Income Tax	Other Taxes	Charges & Misc. General Revenue
United States	\$2,298.63	\$410.96	\$408.44	\$318.48	\$345.82	\$283.10	\$531.84
KANSAS	2,188.74	329.34	467.94	247.79	288.83	255.47	599.37
Colorado	2,341.71	365.07	445.48	422.22	267.89	203.67	637.38
Iowa	2,136.50	359.73	492.81	253.01	316.18	210.82	503.95
Missouri	1,723.17	325.62	233.84	341.03	240.74	196.84	385.10
Nebraska	2,199.58	348.57	506.97	267.15	231.15	226.80	618.94
Oklahoma	2,028.00	331.27	199.59	267.15	228.94	462.98	538.06

SOURCE: Computations based on Government Finance Spreadsheet Diskettes supplied by the U.S. Advisory Commission on Intergovernmental Relations, Washington, D.C., 1985. Prior calendar year income used to compute fiscal year expenditure.

FIGURE 1.14

CENTRALIZATION OF GENERAL REVENUE COLLECTIONS, SELECTED STATES, 1984
(State Revenues as Percent of State and Local)

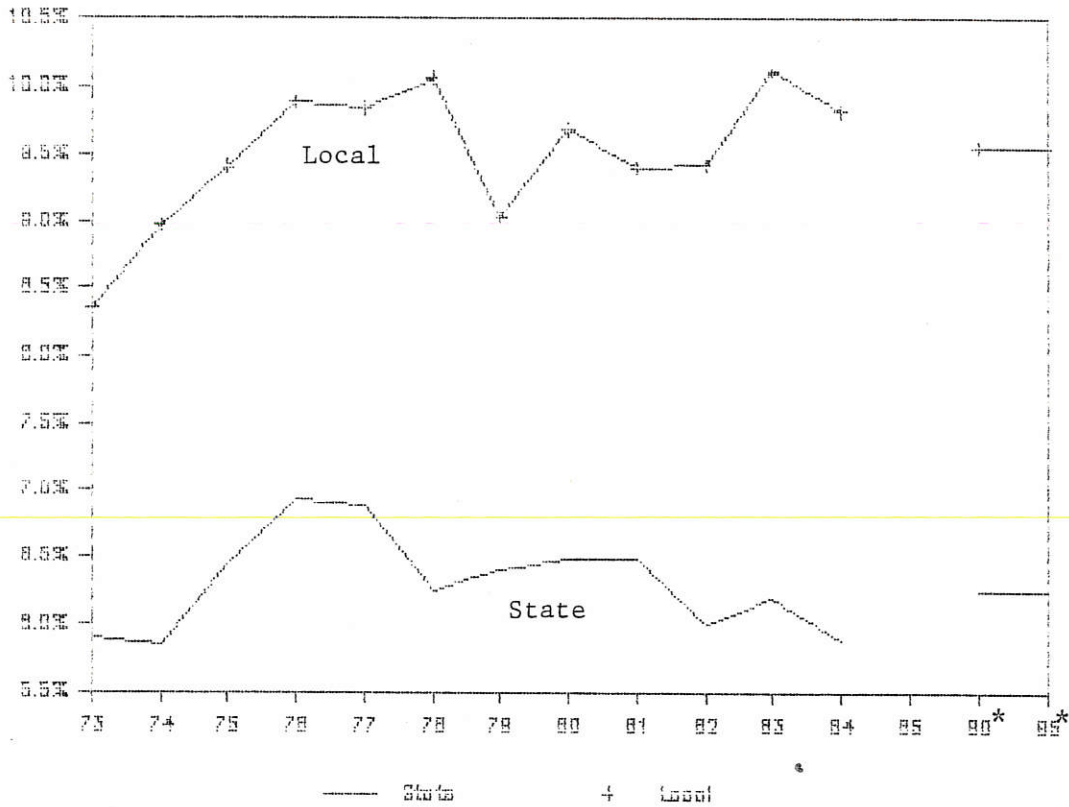
	Total General Revenue**	Intergovern- mental Revenue	Property Tax Revenue	General Sales and Gross Repts. Revenue	Individual & Corporate Income Tax	Other Taxes	Charges & Misc. General Revenue
United States	61.1	84.1	4.0	83.4	91.4	83.9	41.9
KANSAS	54.4	83.5	2.1	85.9	100.0	87.1	30.5
Colorado	51.5	80.9	0.4	59.0	100.0	74.8	37.6
Iowa	59.7	84.8	0.0	100.0	100.0	95.4	39.8
Missouri	58.7	78.5	0.5	77.8	88.7	65.9	37.9
Nebraska	54.5	88.8	0.3	87.3	100.0	87.9	35.8
Oklahoma	66.2	82.5	0.0	51.8	100.0	95.0	48.9

** State Intergovernmental payments to local governments are excluded to prevent duplication.

SOURCE: Computations based on Government Finance Spreadsheet Diskettes supplied by the U.S. Advisory Commission on Intergovernmental Relations, Washington, D.C., 1985. Prior calendar year income used to compute fiscal year expenditure.

FIGURE 1.15

EXPENDITURES AS PERCENT OF PERSONAL INCOME



* 1990 and 1995 projected for use in analyzing adequacy of tax system.

SOURCE: U.S. Census of Governments: Governmental Finance in [various years]. General Expenditure does not include insurance trust or utility expenditure.

FIGURE 1.17

Projected State and Local Revenues,
1990 and 1995

	1984	1990	1995	1984	1990	1995
	<u>Actual</u>			<u>Actual</u>		
From Federal Government	802.9	763.5	763.5	15.0	10.3	7.5
Tax Revenue:						
Property Taxes	1,140.8	1,673.1	2,315.0	21.4	22.5	22.7
General Sales Tax	604.1	834.1	1,091.5	11.3	11.2	10.7
Motor Fuels	143.4	161.5	178.3	2.7	2.2	1.7
Motor Vehicle License	73.7	83.0	91.6	1.4	1.1	0.9
Income Taxes	704.2	1,367.8	2,378.4	13.2	18.4	23.3
Other Taxes	405.8	592.1	811.3	7.6	8.0	8.0
Total Tax Revenue	3,072.0	4,711.6	6,866.1	57.6	63.3	67.3
Current Charges	754.4	1,100.9	1,508.4	14.1	14.8	14.8
Miscellaneous General Revenue	706.8	871.0	1,064.0	13.2	11.7	10.4
GRAND TOTAL	5,336.1	7,447.0	10,202.0	100.0	100.0	100.0

SOURCE: See text for assumptions.

FIGURE X.1

Kansas State and Local Tax Capacity and Effort, 1982

Tax	Tax Capacity	Tax Revenue	Capacity Minus Revenue	Capacity Index	Tax Effort Index
(Amounts in thousands)					
General Sales	\$ 633,005	\$ 511,455	\$121,550	100.9	80.8
Total Selective Sales	326,621	258,455	68,115	104.1	79.1
Total License Taxes	118,119	91,802	26,317	127.3	77.7
Personal Income Taxes	530,717	459,821	70,896	100.7	86.6
Corporate Income Taxes	159,040	122,548	36,492	106.0	77.1
Total Property Taxes	849,139	1,012,965	(163,826)	100.0	119.3
Estate and Gift Taxes	30,674	31,554	(880)	124.9	102.9
Total Severance Tax*	196,514	1,013	195,501	217.9	0.5
Total Taxes	\$2,843,829	\$2,489,664	\$354,165	106.3	87.5

* The Kansas severance tax was not in effect in fiscal year 1982. In fiscal year 1984, collections from this source were \$106,112,000. See text for fuller explanation.

SOURCE: Advisory Commission on Intergovernmental Relations 1982 Tax Capacity of the Fifty States, An Information Report, M-142 (Washington, D.C., May, 1985).

FIGURE X.2

Tax Effort and Capacity Indexes,
Kansas and Surrounding States, 1982

	Tax Capacity	Tax Effort
United States	100.0	100.0
KANSAS	106.3	87.5
Colorado	121.3	80.8
Iowa	96.0	105.4
Missouri	90.5	81.6
Nebraska	97.1	93.5
Oklahoma	126.0	78.3

SOURCE: Advisory Commission on Intergovernmental Relations, 1982 Tax Capacity of the Fifty States, An Information Report, M-142 (Washington, D.C., May, 1985).

DRAFT

MINUTES

Special Commission on a Public Agenda for Kansas
April 28 and 29, 1986

Present: Arasmith, Barkis, Bennett, Borgen, Braden, Edmiston, Finley, Hayden, Johnston, Lee, McGlothlin, Moore and Shumway

Absent: Dykes, Frey, and Warner

Braden moved approval of the minutes for the December 5, meeting. Motion passed unanimously.

First draft reports were presented by Professors Lujan, Fisher, Redwood, Krider and Houston, Penner, and Flentje.

Bennett moved that two reports be made by the Commission: a full report with an executive summary; and an executive summary of the full report. Motion passed unanimously.

Meeting adjourned at 12:30 p.m. on April 29.

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**Special
Commission On
A Public Agenda
For Kansas**

1845 Fairmount, Box 61
Wichita, Kansas 67208
(316) 689-3737

Rep. Mike Hayden
Chairman
Atwood

Sen. Michael L. Johnston
Vice-Chairman
Parsons

Sen. Neil H. Arasmith
Phillipsburg

Rep. Marvin Wm. Barkis
Louisburg

Robert F. Bennett
Prairie Village

Rex R. Borgen
Beloit

Rep. James D. Braden
Clay Center

Archie R. Dykes
Topeka

Kathlien Edmiston
Wichita

Phillip Finley
Colby

Sen. Robert G. Frey
Liberal

John Lee
Hutchinson

Jack McGlothlin
Pittsburg

John E. Moore
Wichita

Keith Shumway
Ottawa

Sid Warner
Cimarron

April 2, 1986

TO: Members of the Committee on The Kansas
Economy and Small Cities

FROM: H. Edward Flentje
Coordinator

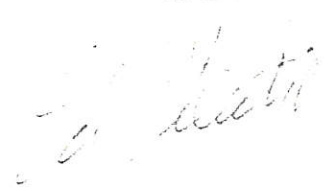
SUBJECT: Committee meeting of April 21

Chairman Johnston has called a meeting of the Committee on The Kansas Economy and Small Cities for April 21 at 9:00 a.m. The meeting will be held in Room 522S of the State Capitol.

H.E.F.

H. Edward Flentje
Coordinator

HEF/jt



**Special
Commission On
A Public Agenda
For Kansas**

1845 Fairmount, Box 61
Wichita, Kansas 67208
(316) 689-3737

Rep. Mike Hayden
Chairman
Atwood

April 2, 1986

Sen. Michael L. Johnston
Vice-Chairman
Parsons

Sen. Neil H. Arasmith
Phillipsburg

Rep. Marvin Wm. Barkis
Louisburg

Robert F. Bennett
Prairie Village

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Liberal

John Lee
Hutchinson

Jack McGlothlin
Pittsburg

John E. Moore
Wichita

Keith Shumway
Ottawa

Sid Warner
Cimarron

TO: Members of the Special Commission
on a Public Agenda for Kansas

FROM: H. Edward Flentje
Coordinator

SUBJECT: Commission meeting of April 28 and 29

Chairman Hayden has called a meeting of the full Commission for April 28 and 29, one week later than originally scheduled. These revised dates will avoid conflict with the final "veto session" of the legislature which is scheduled during the prior week. The meetings are scheduled in Room 519S from 9:30 a.m. to 5:00 p.m. on April 28 and from 8:30 a.m. to 12:00 noon on April 29.

The purpose of this meeting will be to review first drafts of the final reports.

H. Edward Flentje
Coordinator

H.E.F.

HEF/jt



**Special
Commission On
A Public Agenda
For Kansas**

1845 Fairmount, Box 61
Wichita, Kansas 67208
(316) 689-3737

March 14, 1986

Rep. Mike Hayden
Chairman
Atwood

Sen. Michael L. Johnston
Vice-Chairman
Parsons

Sen. Neil H. Arasmith
Phillipsburg

Rep. Marvin Wm. Barkis
Louisburg

Robert F. Bennett
Prairie Village

Rex R. Borgen
Beloit

Rep. James D. Braden
Clay Center

Archie R. Dykes
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Jack McGlothlin
Pittsburg

John E. Moore
Wichita

Keith Shumway
Ottawa

Sid Warner
Cimarron

William R. Bachman
Director, Division of
Administrative Services
State Capitol
Topeka, Kansas 66612-1587

Dear Bill:

Mike Hayden asked me to respond to your memo to him of March 11, 1986 concerning minutes of the Special Commission on a Public Agenda for Kansas. I believe you have minutes for all full commission meetings except for December 5. Enclosed are draft minutes for the December 5 meeting. Minutes are not being kept for the sub-committees of the Commission. If you have any questions concerning this matter please let me know.

Sincerely,



H. Edward Flentje
Coordinator

HEF/jt

enclosure

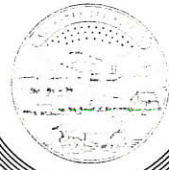
cc: Mike Hayden

H. Edward Flentje
Coordinator

*delivered
3/11/86*

KANSAS LEGISLATURE

Room 511-S, Statehouse
Topeka, Kansas 66612-1587
Phone: (913) 296-2391



Division of ADMINISTRATIVE SERVICES

WILLIAM R. BACHMAN
Director

MEMORANDUM

TO: Speaker Hayden, Chairman
Special Commission on a Public Agenda for Kansas

FROM: Legislative Administrative Services *Bill*

DATE: March 11, 1986

RE:

Our records indicate that the Special Committee on a Public Agenda for Kansas, or subcommittees thereof, met on the dates indicated below. Minutes of these meetings have not yet been filed with this office for public access. It would be helpful if the minutes can be filed as soon as possible.

Subcommittee on Agriculture and Agriculturally Related Problems	October 29 November 26
Subcommittee on State and Local Finance Capitol Finance and Infrastructure	October 30
Subcommittee on Education Mental and Physical Well Being	November 1
Full Commission	December 5

WRB:jc

**Special
Commission On
A Public Agenda
For Kansas**

1845 Fairmount, Box 61
Wichita, Kansas 67208
(316) 689-3737

Loretha

October 17, 1985

Rep. Mike Hayden
Chairman
Atwood

Sen. Michael L. Johnston
Vice-Chairman
Parsons

Sen. Neil H. Arasmith
Phillipsburg

Rep. Marvin Wm. Barkis
Louisburg

Robert F. Bennett
Prairie Village

Rex R. Borgen
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Rep. James D. Braden
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Jack McGlothlin
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John E. Moore
Wichita

Keith Shunway
Ottawa

Sid Warner
Cimarron

H. Edward Flentje
Coordinator

TO: Members of the Special Commission on a
Public Agenda for Kansas

FROM: H. Edward Flentje

The following meeting dates for subcommittees have been
established by the subcommittee chairs:

Subcommittee #1: 10:00 a.m., October 30
Room 522S, State Capitol

Jurisdiction: State and Local Finance
Capitol Finance and Infrastructure

Chair: Bennett

Membership: Arasmith
Borgen
Frey
Warner

Subcommittee #2: 10:00 a.m., October 29 ^{Nov. 26}
Room 522S, State Capitol

Jurisdiction: The Kansas Economy
Agriculture and Agriculturally Related
Problems

Chair: Johnston

Membership: Barkis
Braden
Finley
Lee
Moore

Members of the Special Commission
October 17, 1985
Page 2

Subcommittee #3: 10:00 a.m., November 1
Room 522S, State Capital

Jurisdiction: Education
Mental and Physical Well Being

Chair: Hayden

Membership: Dykes
Edmiston
McGlothlin
Shumway

I have identified potential researchers for three issue areas as follows:

State and Local Finance - Dr. Glenn Fisher, Regents
Professor of Urban
Affairs, Wichita State
University

The Kansas Economy - Dr. Tony Redwood, Professor of
Business, University of Kansas

Mental and Physical Well Being - Dr. Maurice Penner,
Assistant Professor
of Health Care
Administration,
Wichita State
University

These individuals will be available as resources to the subcommittees. I am working on identifying possible researchers for the other areas. We hope to have a research plan on each issue area available to subcommittee members prior to the upcoming meetings.

If you have questions on these matters, please let me know.

H.E.F.

bst

MEETING AGENDA

Special Commission on a Public Agenda for Kansas
9:30 a.m. June 5, 1986
State Capitol, Room 519-S

- I. Approval of Minutes
- II. Review Draft of Preface and Introduction
- III. Review Draft of Executive Summary
- IV. Review Drafts of Policy Reports

The Kansas Economy
Economic Prospects for Rural Communities
Kansas State and Local Finance
Capital Finance and Public Infrastructure
Educational Governance and Finance
Better Health for Kansans