

Approved March 31, 1987
Date

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation

The meeting was called to order by Senator Fred A. Kerr at
Chairperson

11:00 a.m./p.m. on March 26, 1987 in room 519-S of the Capitol.

All members were present except:
Senator Parrish

Committee staff present:
Tom Severn, Research
Chris Courtwright, Research
Don Hayward, Revisor's Office
Sue Pettet, Secretary to the Committee

Conferees appearing before the committee:
Rep. Gene Shore
Tom Bell- Kansas Hospital Assoc.
Roger John, Great Plains Health Alliance
Kerry Wedel, Ks. Water Office
Neale Peterson - Mayor of Fairway, Ks.

Chairman Kerr called the meeting to order and said that the agenda for the day was to have hearings on H.B. 2188 and 2271.

HOUSE BILL 2188

Rep. Gene Shore testified in support of H.B. 2188. (Attachment 1) He explained that H.B. 2188 provides that the mill levy for county hospitals may be increased to as much as six mills without an election. The current limit is two mills. He said that he feels that the rural counties which have such hospitals are wanting to keep hospitals in their county and are willing to pay the extra cost of maintaining the hospital.

Tom Bell of the Kansas Hospital Association introduced Mr. Roger John, area director for the Great Plains Health Alliance.

Mr. John introduced several colleagues that were with him; Mr. David James, Administrator of Stanton Co. Hospital, Shannon Dimmet, Board of Trustees, and Mr. Curtis Ericksen, President of C.E.O. Alliance in Phillipsburg.

Roger John testified in support of H.B. 2188. (Attachment 2) He stated that Great Plains Health Alliance is an organization that operates small rural hospitals. The Alliance operates 24 hospitals throughout Kansas ranging in size from 13 to 49 beds. Seventeen of these hospitals are county, sixteen of which rely on county taxation to supplement their budgets. He said that from 1981 to 1985 community hospitals in Kansas suffered a drop in admissions of nearly 30%. From 1981 to 1986, hospitals operated by Great Plains Health Alliance experienced a decline of nearly 41%.

He said these conditions, along with increased pressure to reduce medical costs have challenged the hospitals to reduce expenditures and staffing drastically. House Bill 2188 would allow the Board of County Commissioners the freedom to levy up to six mills in support of their hospitals without an election, yet would allow an election under a protest provision if the citizens of the county wished to vote on the issue.

HOUSE BILL 2271

Kerry Wedel testified in support of H.B. 2271. (Attachment 3) He stated that flooding has been a recurring problem in the Kansas City metropolitan area. He explained that the area is composed of several major drainage basins which encompass more than 100 local jurisdictions in portions of Kansas and Missouri.

He explained that this proposal is patterned after legislation in Missouri,

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Assessment and Taxation,
room 519-S, Statehouse, at 11:00 a.m./~~a.m.~~^{p.m.} on March 26, 19 87

and it would authorize an optional 1/10 of a cent county sales tax for flood control improvements.

Neale Peterson testified in support of H.B. 2271. (Attachment 4) He said that as chairman of two Kansas City area Stormwater Management Committees he is very aware of the seriousness of the local environmental problems facing the region.

He explained that MARC is a committee of the Mid-America Regional Council, a bi-state association of local governments in the Kansas City area. MARC is attempting to begin regional efforts to solve our most serious stormwater problems.

He said that House Bill 2271 would provide counties on the Kansas side of our region the option of raising their share of a regional stormwater fund through a 1/10 of a cent sales tax. The sales tax bill would provide a tool for counties should they choose to use it.

COMMITTEE DISCUSSION ON H.B. 2188

Senator Hayden offered a motion to recommend H.B. 2188 favorably for passage. Senator Allen seconded.

There was extensive committee discussion. Some members expressed concern about raising the lid so much and forcing people to carry a petition in order to bring about an election in the event that the commissioners did increase the mill levy. It was pointed out that many people are reluctant or sign such a petition in rural towns. Concern was expressed regarding small hospitals desperately trying to stay open.

Committee discussion was still active when adjournment time approached. Chairman Kerr said that the motion to pass the bill favorably would be subject to consideration when committee discussion could continue at a future meeting.

Senator Thiessen made a motion to accept the minutes of the March 25, 1987 meeting. Senator Karr seconded. Motion carried.

Meeting adjourned.

GENE L. SHORE

ASSESSMENT AND TAXATION COMMITTEE: Testimony for March 26, 1987

PROPONENT FOR HB 2188.

HB-2188 PROVIDES THAT THE MILL LEVY FOR RURAL HOSPITALS MAY BE AS MUCH AS 6 MILLS WITHOUT AN ELECTION. THE CURRENT LIMIT IS 2 MILLS. THERE IS LITTLE DOUBT OUR RURAL HOSPITALS ARE INCREASINGLY IN FINANCIAL JEOPARDY BECAUSE OF LOW USAGE AND SHORTER STAYS. IN MANY INSTANCES OUR SMALL RURAL HOSPITALS SERVE AS A FIRST AID STATION FOR A PERSON WITH A SERIOUS ILLNESS, AS WELL AS A CONVALESCENCE CENTER IN A HOME TOWN SETTING. THUS OUR SMALL RURAL HOSPITALS ARE COLLECTING PAYMENTS FOR EMERGENCY CARE OR FOR RESIDENTS OF LONG TERM CARE UNITS WHILE THE LARGER HOSPITALS COLLECT THE LION'S SHARE OF THE PROCEEDS FOR HOSPITAL STAYS.

IN TODAY'S ENVIRONMENT OF COST EFFECTIVENESS, LOGIC WOULD SAY "CLOSE THE SMALL HOSPITAL AND CONCENTRATE THE MONEY IN LARGER MORE COST EFFECTIVE HOSPITALS." IN REALITY, RURAL COMMUNITIES SEE THE NEED FOR THEIR HOSPITALS AND ARE WILLING TO PAY THE EXTRA COST OF MAINTAINING A HOSPITAL. PEOPLE SEE THEIR LOCAL HOSPITAL MUCH AS THEY SEE THEIR SCHOOL. I'LL GIVE YOU THREE REASONS WHY THIS IS TRUE. IF A PERSON HAS A HEART ATTACK OR A SERIOUS ACCIDENT, IMMEDIATE CARE IS ESSENTIAL AND FIRST CARE IS ALL IMPORTANT IN DETERMINING LIFE OR DEATH. A SECOND REASON IS THAT A HOSPITAL AND CORRESPONDING LONG TERM CARE UNIT EMPLOY A CONSIDERABLE NUMBER OF PEOPLE IN SMALL COMMUNITIES, CONTRIBUTING GREATLY TO ECONOMIC STABILITY OF THAT COMMUNITY. THE COMMUNITIES HAVE A GREAT DEAL INVESTED IN THE PHYSICAL FACILITIES AND MANY TIMES THEY ARE OPERATED IN CONJUNCTION WITH THE LONG TERM CARE UNIT THUS MAKING IMMEDIATE HOSPITAL SERVICES AVAILABLE IF NEEDED.

SOME HOSPITALS IN MY AREA ARE CURRENTLY AT 10 MILLS AND 14 MILLS FOR HOSPITAL SUPPORT APPROVED BY VOTERS. THIS BILL WAS REQUESTED BY COUNTY COMMISSIONERS IN 3 COUNTIES WHICH I REPRESENT. I SEE HB-2188 AS A MEANS OF SAVING, NOT ONLY THE RURAL HOSPITALS, BUT THE COST OF HOLDING AN ELECTION. I HAVE ATTACHED A LETTER FROM COMMISSIONERS AND ONE ADMINISTRATOR DAVID JAMES, STANTON COUNTY ADMINISTRATOR WILL TESTIFY. I ASK FAVORABLE ACTION AND PASSAGE OF HB-2188.

— Sen. A & T
3/26/87

Att. 1

Office of
COUNTY CLERK OF STANTON COUNTY
JOHNSON, KANSAS

February 17, 1987

Rep. Eugene L. Shore
124th District, Room 156-E
State Capitol
Topeka, KS 66612

Re: Proposed Increase in Mill Levies for
Stanton County Hospital

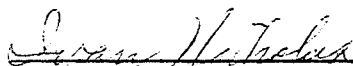
Dear Representative Gene:

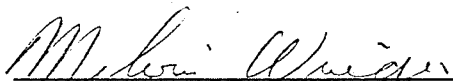
As County Commissioners of Stanton County, we write to you in support of proposed legislation that would increase the mill levies for the maintenance of our Stanton County Hospital. We understand the state proposed legislation would increase the mill levy for not only Stanton County, but for Morton and Grant County. We feel that it is necessary to have the mill levy statutorily increased in order to permit us to continue to operate our hospital. Presently, the mill levy, as authorized by law to be levied for our hospital, approaches the point of being inadequate for its financial needs. We see our hospital as an essential institution in our county and communities and, therefore, strongly support the passage of the proposed legislation.


If there are any specific facts that you would like for us to address, please contact any one of us or a board member of Stanton County Hospital.

We thank you in advance for this cooperation and trust that you will inform other legislators of our support of this matter.

Sincerely yours,


Ivan Nicholas, Chairman


Melvin Winger, Commissioner


Russell Batterton,
Commissioner



STEVENS COUNTY HOSPITAL

1006 S. Jackson, Box 10, Hugoton, Kansas 67951

February 17, 1987

Eugene L. Shore
Representative 124th District
House of Representative
State House
Topeka, Kansas 66612

Dear Representative Shore:

In reference to your letter pertaining to HB 2188. I am in agreement that this is the best way to handle the need for additional tax levi for the operation of our rural Health Care Facilities.

Sorry that I cannot be in attendance in support of this bill. We are entertaining a doctor who is looking at Hugoton and making plans to set up a practice in the future.

Sincerely,

Carlyle Kiehne, Administrator
Stevens County Hospital

CK:ba

TESTIMONY H.B. 2188

Mr. Chairman, my name is Roger John. I am an Area Director for Great Plains Health Alliance representing its hospitals which include three hospitals in Representative Eugene Shore's 124th District; they are Stanton County Hospital in Johnson City, The Bob Wilson Memorial Hospital in Ulysses and the Satanta District Hospital in Satanta. Great Plains Health Alliance is an organization that operates small rural hospitals. We operate 24 hospitals throughout Kansas ranging in acute bed size from 13 to 49 beds, many of which have attached long term care units. Seventeen of our hospitals are county hospitals, 16 of which rely on county taxation to supplement their budgets. In many respects our hospitals are representative of the small community hospitals in Kansas.

We depend upon taxation and community support to keep our hospitals open, not because we do not give quality, cost effective care; we compete favorably with any type of hospital on these two counts. We simply are not admitting the number of patients we were just four or five years ago. From 1981 to 1985, community hospitals in Kansas experienced a drop in admissions of nearly 30%. From 1981 to 1986, hospitals operated by Great Plains Health Alliance experienced a decline in admissions of nearly 41%; 16% of that decline occurred in the last two years. With increased pressure on the national level to reduce medical costs and under current third party payment systems we can only anticipate a continued downward trend in admissions to our hospitals and with it, reductions in revenue with which our hospitals must continue to operate.

These conditions have challenged our hospitals to reduce expenditures and they have met these challenges by reducing staffing and other expenditures literally to the bone. These reductions, in most cases, however, have not

offset the loss in revenues from declining admission rates. To these hospitals, taxation has become a major source of funding for operations, and it is the last major source of revenue available to continue to provide health care in our communities. In most cases we are seeing the reserves of our hospitals become depleted. Many of our smaller hospitals are operating on a "hand to mouth" basis with little or no reserves for major equipment repair or replacement, for start up costs of new services, or for contingencies which may arise during the year. Neither are there funds for wage and salary increases necessary to stay competitive with other hospitals and industries in attracting health care professionals. The future for our hospitals without adequate taxation, will result in the provision of less than quality health care, closure and ultimately a loss of access to health care in the community.

Out of the 17 county hospitals we operate, 3 are receiving less than 2 mills, 7 are receiving 2 mills, and 7 are receiving more than 2 mills; ranging from 4 to 11 mills. Five years ago, all but a few of our hospitals could operate adequately with supplemental taxation of two mills or less. Few of our hospitals found it necessary to request more than 2 mills in tax support. This is no longer the case in today's environment. In 1985 and 1986, 12 hospitals in Kansas requested their counties to approve tax support in excess of 2 mills. We believe there will be more in 1987 and ensuing years.

As you are aware there are vast differences in the tangible valuation of the counties in Kansas. Of the county hospitals we operate, one mill currently ranges in value from approximately \$23,900 to \$165,400. On a statewide basis this range is much larger, yet it would seem hospitals most dependent on taxation are receiving less from each mill. Of our hospitals receiving more than 2 mills, the value of one mill ranges from \$23,900 to \$32,300. Six mills in Cheyenne County at \$23,900 per mill (\$143,400) is worth less than 1 mill in Grant County (\$165,400).

According to the Kansas Government Journal, over the past three years county tangible valuation has also fluctuated considerably, most of it downward. As a result of the change in valuation over these years, the change in the value of one mill ranged from a 1.2% increase to one of our county hospitals to a whopping 53.8% decrease in another.

Never before in the history of health care have we seen hospital revenues drop so rapidly and never before have Kansas hospitals been so dependent on taxation for their livelihood. We see no end to this dependency and realize the potential for losing some hospitals. We believe, however, that protection of the access to health care for all Kansans is a primary concern for all of us and that counties may best preserve their access to health care by coming to terms with their health care needs through more flexible and timely processes. House Bill 2188 would allow the Board of County Commissioners the freedom to levy up to 6 mills in support of their hospitals without an election, yet would allow an election under a protest provision if the citizens of the county wished to vote on the issue.

We believe H.B. 2188 is a positive step toward ensuring access to quality health care to our counties through the strengthening of our small rural hospitals. We would urge your favorable passage of this bill.



Great Plains Health Alliance

INTER-OFFICE CORRESPONDENCE

To GPHA Staff Date February 18, 1987
From Curtis C. Erickson Subject

The attached comparative information sheet indicates the admissions to our hospitals for 1981 - 1984 - 1986. The reason for using these three years are:

- 1981 is the last year of cost reimbursement
- 1984 is the first full year of the Prospective Payment System
- 1986 current year

A summary of the information on a total basis indicates that for our 24 Kansas Hospitals the changes in admissions are:

Table with 4 columns: Year, Admissions, Change, Percentage. Rows show 1981 to 1986 (40.5% decrease), 1984 to 1986 (15.9% decrease), and 1981 to 1984 (29.2% decrease).

I have also listed the assessed tangible valuation for our counties for the years 1983 and 1986.

This information is being used as we contact legislators regarding HB 2188 which is discussed on Page 4 of your KHA Legislative Report, Vol. 6, #5, 2-13-87.

Roger John and others will testify on Friday 2-20-87 and I have called various committee members.

Curtis C. Erickson
CCE

kh

	<u>1981</u>	<u>Admissions</u> <u>1984</u>	<u>1986</u>	<u>1983</u> <u>Assessed</u> <u>Tangible</u> <u>Valuation</u>	<u>1986</u> <u>Assessed</u> <u>Tangible</u> <u>Valuation</u>	<u>%</u> <u>Change</u>
Anderson	1213	938	703	39,901,931	36,591,171	- 8.3
Bob Wilson	1788	1388	1039	175,169,680	165,448,022	- 5.5
Cheyenne	296	242	130	25,735,154	23,914,479	- 7.0
Ellinwood	578	249	175			
Greeley	481	288	252	38,063,711	35,187,730	- 7.6
Greenwood	1774	1320	1063	53,389.101	44,802,373	-16.1
Grisell	401	241	161			
Lane	212	116	42	39,450,906	32,305,152	-18.1
Lincoln	351	352	285	28,956,291	27,282,404	- 5.8
Lindsborg	985	744	532			
Medicine Lodge	1813	1005	887			
Minneola	409	355	274			
Mitchell	2408	1330	1206	35,734,980	35,888,322	+ .4
Ottawa	811	563	379	37,194,877	36,272,252	- 2.5
Phillips	1458	1335	1177	52,559,131	44,557,711	-15.2
Rawlins	1167	408	497	30,358,391	30,034,351	- 1.0
Republic	1705	1200	1030	37,641,138	36,110,230	- 4.1
Sabetha	685	601	474			
Satanta	641	606	350			
Scott	951	624	673	37,350,207	35,537,025	- 4.9
Smith	787	711	835	29,128,708	28,400,091	- 2.5
Stanton	451	295	317	60,435,329	61,168,628	+ 1.2
Trego	711	676	638	57,522,061	26,549,530	-53.8
Wichita	289	238	188	31,305,455	31,191,544	- .4
	<u>22,365</u>	<u>15,825</u>	<u>13,307</u>			

Presentation to the
Senate Assessment and Taxation Committee
March 26, 1987

H.B. 2271

Testimony of the Kansas Water Office on House Bill 2271 - an act concerning stormwater management and flood control.

Flooding has been a recurring problem in the Kansas City metropolitan area. Two of the most severe floods in recent years occurred in 1977 and 1984. In 1977, a storm caused flash flooding in the Kansas City area resulting in an estimated \$100 million in property damage and 25 deaths. Flooding along Brush Creek alone caused over \$66 million in damages and 12 deaths. In 1984, flooding occurred along Indian Creek resulting in extensive property damage. Brush Creek and Indian Creek are located in the Blue River drainage basin. Heavy rains and flooding in September of 1986 also resulted in property damage in the Kansas City area.

The Kansas City metropolitan area is composed of several major drainage basins which encompass more than 100 local jurisdictions as well as portions of two states. Thus, flood problems in this region are often intergovernmental in scope. Figure 1 shows a map of the Kansas City region.

In 1985, the Missouri Legislature passed Senate Bill No. 26 proposing an interstate compact to address stormwater management and flood control problems in the Kansas City metropolitan area.

In response to the Missouri legislation, the 1986 Kansas Legislature passed House Concurrent Resolution 5048 which directed the Kansas Water Office to initiate interstate

negotiations with the State of Missouri to address stormwater and flood control problems in the Kansas City metropolitan area.

Joseph Harkins, Director of the Kansas Water Office and Frederick Brunner, Director of the Missouri Department of Natural Resources, were appointed by their governors to represent their respective states in the negotiations. It was agreed by both state negotiators that input and consensus from the local communities should be acquired through the Mid-America Regional Council. The Mid-America Regional Council is a bi-state planning agency for the Kansas City region and represents local cities and counties.

After reviewing various alternatives for intergovernmental stormwater management including a regional district approach used in the Denver, Colorado region, a special committee of the Mid-America Regional Council proposed an intergovernmental agreement utilizing the existing Mid-America Regional Council board as the coordinating body to plan and implement intergovernmental stormwater and flood control projects in the Kansas City metropolitan region. The agreement would be executed through existing interlocal agreement statutes in Kansas and Missouri. Counties participating in the agreement would be assessed an annual contribution for planning and construction of regional stormwater and flood control projects.

An important part of the intergovernmental agreement proposal is the authorization of an optional 1/10 of a cent

county sales tax in Kansas and Missouri. H.B. 2271 would provide counties involved in the interlocal agreement an optional means of generating funds for the planning and construction of intergovernmental stormwater and flood control projects. A key component of the proposed agreement is the provision that funds generated within a participating county would be spent on projects benefiting that county within a five-year period.

This intergovernmental agreement concept was endorsed by resolution of the Mid-America Regional Council Board. The appointed state negotiators have also pledged their support for the Mid-America Regional Council proposal.

The Kansas Water Office recommends the favorable passage of H.B. 2271 to facilitate intergovernmental stormwater management and flood control in the Kansas City metropolitan region.

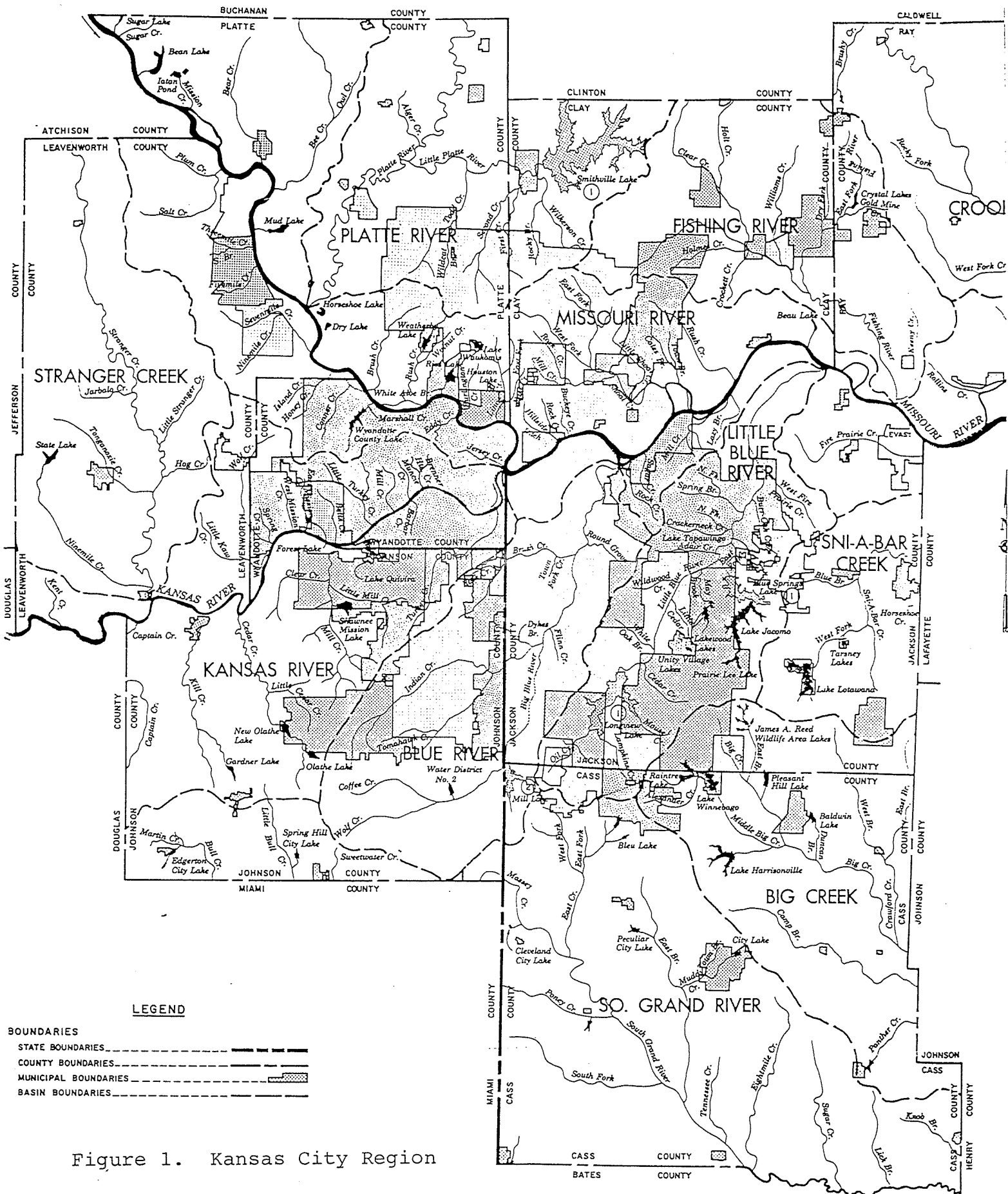


Figure 1. Kansas City Region

CITY OF FAIRWAY

5252 BELINDER ROAD
SHAWNEE MISSION, KANSAS 66205

NEALE R. PETERSON, MAYOR

Mr. Chairman
Members of the Kansas Senate Assessment and Taxation Committee

RE: HB2271

My name is Neale Peterson. I am Mayor of Fairway in Johnson County and serve as chairman of two Kansas City area Stormwater Management Committees. One is a committee of the Mid-America Regional Council (MARC), a bi-state association of local governments in the Kansas City area. The second committee is the Johnson County Stormwater Management Committee.

Local governments in the Kansas City metropolitan area have identified stormwater and flooding as one of the most serious environmental problems facing our region. Our cities and counties also recognize that flood waters have no regard for political boundaries, particularly the state line.

Last year, the Kansas legislature directed the Kansas Water Office to work with MARC and the State of Missouri on a solution to interjurisdictional stormwater problems facing the Kansas City area.

Working through MARC, local governments in our area are attempting to begin regional efforts to solve our most serious interjurisdictional stormwater problems. Part of our efforts involve identifying the most appropriate and equitable means of financing stormwater improvements.

Local governments in the Kansas City area have demonstrated their commitment to addressing stormwater problems by jointly funding an \$80,000 study to identify interjurisdictional stormwater problem areas.

House Bill 2271 before your committee this morning would provide counties on the Kansas side of our region the option of raising their share of a regional stormwater fund through a one-tenth of one cent sales tax. I want to emphasize that the way the MARC committee has outlined this regional stormwater effort, local governments would make the decision for their own community as to how their share of the total fund would be raised. The sales tax bill would provide a tool for counties should they choose to use it.

The MARC Board of Directors representing the 8 counties and 4 largest cities in the Kansas City metropolitan area have gone on record supporting this concept. The two Kansas City's in our area have passed resolutions of support, and other cities and counties are now considering similar resolutions of support.

I would be happy to answer questions regarding the Kansas City metropolitan area's progress in dealing with interjurisdictional stormwater problems and how this sales tax bill relates to those efforts.