

Approved On:

Minutes of the House Committee on Taxation. The meeting was called to order by E. C. Rolfs, Chairman, at 9:00 a.m. on January 14, 1988 in room 519 South at the Capitol of the State of Kansas.

All members of the Committee were present.

Committee staff present:

Tom Severn, Legislative Research
Chris Courtright, Legislative Research
Don Hayward, Reviser of Statutes
Millie Foose, Committee Secretary

Velma Paris, Shawnee County Commissioner, spoke in support of the amendment to K.S.A. 79-201. (Attachment 1) She spoke as a public official, community volunteer, and as a taxpayer.

Paul Klotz, Executive Director Mental Health Centers of Kansas, spoke in support of the amendment to K.S.A. 79-201.

Pat Hanrahan, Executive Director United Way of the Plains. of Wichita, was spokesman for this amendment, representing some 45 agencies across the state which provide services for people in need. (Attachment 2)

Kathy Champlin, representing United Community Services in Johnson County, spoke in favor of tax exemption for non-profit organizations. (Attachment 3)

Ward Katz. representing Jewish Federation of Greater Kansas City, spoke as a proponent for K.S.A. 79-201. (Attachment 4)

Rosemary Kutz, Executive Director Kaw Valley Girl Scout Council, explained the work their organization does and asked that the proposed legislation be approved. (Attachment 5)

Representative Michael O'Neal, of Hutchinson, spoke as a proponent of the proposed legislation.

Sam Evans, President of the National Council of Y.M.C.A. Mr. Evans lives in Salina and explained the work of the Y.M.C.A. and the other Kansas Community Service Agencies. (Attach. 6)

Charles Firth is president of Inter-State Federal Savings and Loan Association and a volunteer in community activities. He described the work the Salvation Army does in Kansas City and said that if the Salvation Army and other human service agencies have to pay property taxes, they will be forced to discontinue many of their valuable services. (Attachment 7)

Sydney Soderberg, vice-mayor of Salina, and a United Way Board Member, described the work of the United Way Agencies in Salina and emphasized that many services will have to be cut or eliminated if these organizations must pay property taxes. (Attachment 8)

John Butler, coach for the Y.M.C.A. Youth Sports Program and recipient of the 1986 Coach of the Year Award, emphasized the importance of the Y.M.C.A. to the children. (Attachment 9)

Jennifer Phelps, representing Junior League of Kansas City, described the work of her organization and also explained how their money is raised by their own efforts without help from taxpayers.

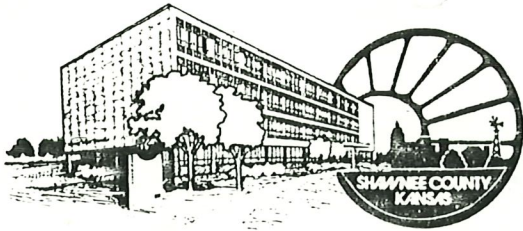
Yo Bestgen, Executive Director Kansas Association of Rehabilitation Facilities, submitted written testimony supporting the bill. (Attachment 10)

The minutes of the January 13 meeting were approved.

There being no further business, the meeting was adjourned.



E. C. Rolfs, Chairman



Shawnee County Board of Commissioners

Rm. 205, Courthouse Topeka, Kansas 66603-3970
(913) 291-4040

Winifred Kingman, 1st district
Velma Paris, 2nd district
Eric K. Rucker, 3rd district

M E M O R A N D U M

DATE: January 13, 1988

TO: Members of the House Assessment & Taxation Committee

FROM: Velma Paris, Shawnee County Commissioner *Velma Paris*

Thank you for allowing me to say a few words in support of the amendment to K.S.A. 79-201 which is under consideration.

I speak as a locally elected public official responsible to our citizens for providing quality local government; as a community volunteer who is familiar with the critical role played by the human services network in Topeka and Shawnee County; and, finally, as a taxpayer who is concerned that the taxes I pay be used effectively.

The trend of the past few years which is actually threatening the existence of this network is of great concern to me. A community's, or state's, or nation's health and vitality depends on more than a strong and profitable business climate. It also depends on the government's commitment to its citizens who are children or elderly, poor or disabled. I don't believe the public interest is well served by minimizing the importance of these human service agencies to our communities, or continuing to cause undue expenditure of their scarce funds and precious energy in a constant struggle to maintain their tax exempt status.

For this reason, I urge you to support the bill which is now being considered.

VP/jr

Testimony Before the House Taxation Committee
by Patrick J. Hanrahan
Topeka, Kansas January 15, 1988

Mr. Chairman and Honorable Members of the Taxation Committee. My name is Pat Hanrahan and I serve as President and Chief Professional Officer for the United Way of the Plains in Wichita. This year I also serve as President of the Kansas Association of United Way Executives. Today, however, I am here as a spokesman for Kansas Community Service Agencies. This group to date represents some 45 agencies across the state which provide services to people in need ranging from handicapped programs for victims of cerebral palsy to counseling for victims of sexual assault. The volunteers and professionals of these agencies are very much concerned with the Kansas Supreme Court's decision in the Lutheran Homes case and recent rulings by the Board of Tax Appeals.

As a result, agencies committed to serving the whole community are placed in a terrible dilemma: server only the poor or lose the traditional property tax exemption. The narrow definition of charity as almsgiving--as one who has, giving to one who has nothing--simply does not work in today's complex society. Indeed, agencies today must rely on fees for service, special event fund raising and government grants in addition to charitable donations in order to survive and meet the demand for service.

We believe that the legislature intended to correct the problem in 1986 with Senate bill 450. Today we are not asking you to change the law but only to further clarify and thus preserve the exemption of traditionally exempt community service organizations.

As much as the United Way in every community would like to fund all agencies' needs 100%; it is simply not possible. For example, in Sedgwick County the operating budgets of our thirty-five member agencies has increased 212% in the last ten years while United Way support in the same time has increased less than half that rate or just 86%. The result is that in 1978 United Way provided 30.51% of agencies' operating budgets--today we can provide just 18.24% of those budgets.

United Ways in Kansas and across the nation for many years have encouraged our member agencies to stretch our annual allocation to them by using realistic sliding fee scales based on a clients ability to pay. The birth of a retarded child--or a marriage in trouble--or a child on drugs--are problems that know no income guidelines. Agencies are dedicated to helping people in trouble whether rich or poor. However... the sliding fee scale guarantees that those who can afford to pay do so; so that charitably donated dollars are used to help those who cannot afford service. The principle is simple, sound and proven over many years in every state. Without the clarifying legislation we propose, I am concerned that even this time honored method will be in jeopardy. Sliding fees, memberships and product sales do produce income using an exempt property. That fact alone should not cause an agency to lose an exemption. Much more important is the fact that these funds are plowed back into services as subsidies for those who cannot pay. By utilizing these methods to produce income along with the charitable donations; agencies are operating at maximum efficiency to serve the most people as possible. A return to the strict definition of charitable giving as almsgiving would be detrimental to the tens of thousands of low and middle class individuals currently receiving help across the state.

The clarifying legislation we need to protect traditional agencies' exemptions is also good business for the state of Kansas. Across the state agencies work in close partnership with Social Rehabilitation Services (SRS) to provide quality services. In Sedgwick County alone SRS this year will funnel just over three million dollars (3,039,847) to United Way agencies to provide handicapped day care, foster care, parent/child counseling to name just a few services. Likewise, county, city and school districts work closely with charitable agencies. These programs do not fall under the strict definition of alms giving. They may not be programs just for the needy--but they certainly are needed programs for the community. For example who can find fault with a program that last year educated 5,811 children in grades K through 12 on avoiding incest, abuse, date rape and assault--or with an early prevention and intervention program to turn around first time juvenile offenders--saving a child from a life of useless crime and saving the state untold thousands of dollars eliminating a potential prison inmate in 5 or 10 years.

This working partnership can also be clearly seen at the county level. In Sedgwick County all mental retardation programs are contracted out to local charitable agencies. Max Field, Director of the Bureau of Human and Environmental Resources for Sedgwick County and the manager of M.R. programs for the county summed up this whole problem best; "It would be devastating to Sedgwick County programs if service was lost due to lost revenue caused by loss of the property tax exemptions."

We have a good system of charitable agencies in Kansas serving thousands of people each day. The agencies are partners with you in a common mission to help people. The clarifying legislation in the form of House

Bill 2651 is needed. Passage will not open the floodgates for new exemptions nor will it make it easier for fly-by-night operations to obtain exemption. Passage will insure that traditional charitable agencies can continue to provide quality services to the good people of Kansas.

Thank you for your time and consideration in this important matter. After our presentations this morning we would be happy to entertain any questions you might have.



United Community Services of Johnson County, Inc.
 5311 Johnson Drive, Mission, Kansas 66205
 913/432-8424

BOARD of DIRECTORS
 Executive Committee

- Gary McEachen
President
- James B. Lowe
1st Vice President
- Walda Johnson
2nd Vice President
- Fred J. Logan, Jr.
Secretary
- The Hon. Carol Sader
Treasurer
- Betty Keim
Past President
- Dr. William Murphy
- Janet Wiglesworth

MEMBERS

- Mary Birch
- Barbara Buehler
- Dr. Raj Chopra
- William Christian
- Craig Christie
- William Cleaver
- Robert Collins
- Dr. Gary Gordon
- Gerald Hay
- Asher C. Langworthy, Jr.
- Ruth McKenzie
- Judge G. Joseph Pierron
- Warren Robinson
- Elsie Smith
- Myrna Stringer
- Harold Washington
- James P. Way

COUNCIL of ADVISORS

- Robert Bennett
- The Hon. Richard Bond
- Dr. Charles Carlsen
- Kathie Champlin
- Ben Craig
- Anne Debus
- SuEllen Fried
- Adele Hall
- Dr. Robert Meneilly
- The Hon. Jan Meyers
- Dennis Moore
- Shirley Rose
- Roe Taliaferro
- Frank Taylor

Gina Pulliam
Executive Director

TO : Kansas House Committee on Taxation
 FROM: Kathie Champlin, UCS Legislative Committee
 DATE: January 14, 1988
 RE : **TAX EXEMPTION
 FOR NONPROFIT ORGANIZATIONS**

I'm Kathie Champlin representing United Community Services in Johnson County. I'm a volunteer and served as chairman of a legislative task force two years ago. Our purpose then was to stop the growing trend of taxing previously tax-exempt, nonprofit organizations. The result was SB 450, which passed. At one time during the 1986 session, consideration was given to "humanitarian" language similar to what is in today's bill. My understanding is that the conference committee dropped the humanitarian exemption language because they thought the original bill encompassed their intent without it.

Since that time, numerous agencies with long-standing records of community service have been put back on the tax rolls. Obviously further clarification is needed for the State Board of Tax Appeals to reflect legislators'



intent. That intent was to retain the historical tax exempt status of nonprofit charitable organizations.

The humanitarian service criteria for tax exemption is not a new concept in Kansas. It was the accepted approach until the 1973 court decision which switched from the humanitarian service concept to the alms-giving approach. This significantly narrowed the definition of charitable organizations.

It's generally agreed that the Legislature has the right to provide tax exemptions so long as they serve the public purpose. So here we are, once again, trying to get back on track.

United Community Services is aware of ten agencies in our county that are no longer considered charitable under the current interpretation. These agencies' recent property tax bills come to roughly \$15,000 per year. In addition, the Salvation Army in our area, with a \$10,000 annual tax price tag, is being forced to use its hard-earned funds to hire a lawyer and take its plight to court. These taxes are trifling additions to the county budget, but the loss of funds can devastate vital community programs.

For example, two years ago our YWCA came to the rescue when community leaders identified a

crying need: affordable kindergarten and after-school care for children of low to moderate income families. The Y had to renovate their building in order to accomplish what was asked of them, which was to serve five elementary schools. The city of Overland Park offered them Community Development Block Grant funds, but since HUD can't give to a "Christian" organization, the Y formed a new corporation in order to get these funds. Eventually their building was in place, and their day care was in place. But, because the building was under new ownership, the corporation had to re-apply for their usual and expected tax exemption. Guess what. They were denied because their building is not a "church." In our present laws, churches have the only specific allowable tax exemption for child care.

The result of all this is that 1,000 hours of after-school day care for 12 children will be cancelled. Because of this new \$5,000 annual tax assessment, we have 12 more latchkey children and a renovated building that is not being used at full capacity.

With the threat of new taxes on these agencies we have an amazing contradiction. At a time when we must look more and more to the private sector to provide unmet needs, we are

taxing the hands that feed us. Our state government should be courting social services agencies rather than stifling them. Government cannot provide the necessities of life to many of our needy citizens, and government cannot provide sufficient practical services, such as day care and family counseling, for the good of the community. Communities realize they must fill in the gaps with social service agencies, but they don't expect their efforts to be taxed.

The reality is that these human service organizations are out there scrambling for a limited amount of private donations, and their contributors are really miffed that part of their donations must go to pay taxes rather than to services for people.

As volunteers, we see our work as a partnership with government. We need to cooperate with each other in order to stretch the available resources. United Way agencies pick up where government leaves off.

With this bill we hope to stem what could be an epidemic of taxes on nonprofit agencies that are struggling with skimpy budgets and a long list of clients.

TESTIMONY OF WARD KATZ ON BEHALF OF
JEWISH FEDERATION OF GREATER KANSAS CITY AND
THE JEWISH COMMUNITY CAMPUS OF GREATER KANSAS CITY, INC.

My name is Ward Katz. I am involved in the real estate business in the Kansas City area and serve on the Board of Governors of the Jewish Federation of Greater Kansas City as well as the Board of Directors of the Jewish Community Campus of Greater Kansas City, Inc. The Jewish Federation is the major fundraising and social planning agency for Kansas City's Jewish community. It operates like the United Way in that it conducts one large fundraising campaign for the benefit of many Jewish charitable agencies.

The Jewish Community Campus corporation was recently created out of the desire to expand social services and education and enhance the effectiveness and economy of the Federation's beneficiary agencies by constructing a \$22 million dollar facility which will house all or parts of these agencies. There are more than thirty communities nationwide that have built similar facilities.

The new Campus, which is scheduled for completion in the Fall of 1988, will house in one building eight charitable agencies, namely: Jewish Federation of Greater Kansas City, the Hyman Brand Hebrew Academy (an accredited religious school serving K through 12), the Jewish Community Center of Greater Kansas City, Menorah Medical Center, Jewish Vocational Service, Jewish Family and Childrens Service, Jewish Community Foundation of Greater Kansas City, the Jewish Education Council and Jewish Community Relations Bureau. The building was designed to achieve sizeable economies of scale to allow the maximum amount to charitable dollars contributed to benefit directly those desiring our services, including the poor, sick, handicapped and those seeking educational, religious and cultural fulfillment.

In deciding to build the Campus facility, we were unaware that Johnson County would assess taxes against us, citing the Lutheran Home case, which we understand narrowly defines charity to distributing money to the poor. We have now paid under protest to Johnson County more than \$17,500.

While much of our activity is directed to meeting the needs of the poor and destitute, our agencies were set up originally to operate in a wider field of charitable endeavors which fall well within the Federal definitions of tax exempt organizations.

We support the adoption of K.S.A. 79-201b(9) because we do not believe the 1986 amendment went far enough in protecting the tax exemption of those charities which undertake obviously benevolent activities and whose counterparts in other states are tax exempt. The new legislation would return Kansas to the majority of states which define charity as including all humanitarian activities which are operated not for profit. The bill supplies sufficient tests to eliminate any chance of granting exemptions to sham organizations.

If this legislation is not passed, the financial impact on our social service agencies could be tragic. It could mean severe cutbacks in services provided by all resident agencies, which could be reflected in the reduction or elimination of programming for the developmentally disabled, reduced purchases of educational materials, and reduced help to the poor, elderly and disadvantaged. Right now the Campus is awaiting a determination of its case before the Kansas Board of Tax Appeals. Should it lose because of the Board's interpretation of existing law, the annual net property tax for our facility could exceed \$120,000 upon its completion.

We do not believe that the Kansas legislature ever intended to allow the situation to exist where well meaning individuals contribute to charities to further a humanitarian cause only to have those very same contributed dollars paid by charities to county assessors.

It is our belief that the new legislation that you are introducing will reaffirm the historic role of not for profit groups in the fabric of American cultural life, to provide valuable services to support, without the cost or fear of taxation, the well-being of our society.



Kaw Valley
Girl Scout Council
P.O. Box 4314
Topeka KS 66604
(913) 273-3100

January 14, 1988

Rosemary Kutz, Executive Director, Kaw Valley Girl Scout Council

Girl Scout Councils provide an informal education program for girls ages 5 through 17. Our mission is to foster in them the highest ideals of character, conduct, patriotism and service that their lives may be enriched and they may become happy and productive citizens. The education we provide, while informal, is nonetheless educational and the program is beneficial to the communities we serve -- preventing delinquency, building positive self-images in the girls, fostering intercultural understanding and interpersonal relationships, developing independence, and teaching them the value of serving others.

For years we have been exempt from paying taxes on real and personal property. About the time I went to work for the Girl Scouts eighteen months ago, I received a pile of tax bills. When I started to try to unravel why I was receiving them, it got very confusing. I'm not sure if it was reappraisal or a clerical error at the courthouse or what that generated these bills, but I'm caught in the middle.

In light of recent decisions by the Board of Tax Appeals we are concerned about what interpretation will be made of our program and the use of our property under the wording of the present law. Gary Smith, the Shawnee County Appraiser, has requested a hearing before the Board of Tax Appeals regarding some of the camp property of the Kaw Valley Girl Scout Council which has always been exempt. Gary tells me that he does not believe that he can recommend exemption in this matter and that it is really for the Board of Tax Appeals to decide. The problem seems to be that what is charitable, benevolent and educational use seems to be unclear in the current law. I want to emphasize that we want to comply with the law and that Gary Smith and David Cunningham at the Board of Tax Appeals have been helpful to me in figuring out the property in question and the legal process to request an exemption and to appear before the Board. We are now uncertain about what we used to believe was not a problem. The legal process of going before the Board is worrisome, time consuming and expensive. It is taking my time, the time of our Board of Directors, the time of the Appraiser and County Attorney, and the time of the Board of Tax Appeals. Additionally, I will probably have to hire an attorney for this legal proceeding. The expenditure of this time and money makes it more difficult to deliver our program to the girls -- which is what we are about.

I believe the legislation being proposed will benefit the Girl Scouts and other non-profit organizations providing charitable and benevolent services because it would clarify the basis for the property tax exemption. I want to thank you for your consideration last year when I testified before you and asked you to restore our sales tax exemption. It is clear to me that the Legislature supports our tax-exempt status. The language that is in this bill would make this clear in the property tax area. I ask you to support the bill.

TESTIMONY OF
THE YMCAs OF KANSAS
BEFORE THE TAXATION COMMITTEE
OF THE
KANSAS HOUSE OF REPRESENTATIVES'
HEARING REGARDING
HOUSE BILL NO. 2651
TO CONFIRM THE TAX EXEMPTION
OF TRADITIONAL COMMUNITY SERVICE AGENCIES
JANUARY 14, 1988
PRESENTED BY
SAM EVANS
VOLUNTEER, SALINA YMCA
AND
PRESIDENT OF THE NATIONAL COUNCIL
OF YOUNG MEN'S CHRISTIAN ASSOCIATIONS
OF THE UNITED STATES OF AMERICA

My name is Sam Evans. I am a partner with the Evans Grain Company in Salina, Kansas. Like my father before me, I serve on the board of the Salina YMCA. I am also President of the National Council of YMCAs of the USA.

Mr. Chairman, I thank you and the Committee for the opportunity to testify today on behalf of the more than 100,000 Kansans that are served by YMCAs across the state.

The issue before the committee today is far more than a tax issue. It is about the heart and soul of our communities. The ability of agencies like the YMCA to continue to meet community needs is seriously threatened by restrictive decisions of the Kansas Supreme Court and the Board of Tax Appeals. We have been left with a stark dilemma: serve only the poor or lose our traditional property tax exemption. If this narrow rule is allowed to stand, the quality of life in Kansas communities will be jeopardized. Kansas citizens will suffer as community service agencies close their doors, raise fees for service, and cut affordable programs.

An alliance of Kansas Community Service Agencies has proposed a solution to this problem in the form of House Bill No. 2651.

We urge your support of this legislation that will confirm the tax exemption of property used by community service organizations that have traditionally provided important human services.

I'd like to emphasize that this legislation does not open any floodgates by broadening the category of community service agencies that would qualify for tax exemption. It simply preserves the exemption of community groups that have traditionally been exempt. Under the revision, tax-exempt property would have to be "regularly and actually" used by

qualifying community service agencies to provide child care, family counseling, health and recreation activities, hospice care, and similar services that improve the physical, mental, social, cultural or spiritual welfare of the community, or provide relief to persons in distress.

The legislation also has sufficient safeguards to ensure that only legitimate community service agencies would qualify for exemption. A human service agency would have to demonstrate that its board of directors serves without pay; that its operations do not result in private gain for anyone; that no officer, director, or member has a financial interest in the property; that it is exempt from federal tax under section 501 (c)(3) of the Internal Revenue Code, and that contributions to the organization are exempt under Kansas income tax. All of those restrictions are ones that Kansas Community Service Agencies have always followed.

In his testimony, Wichita United Way Executive Pat Hanrahan provides more detail on the proposed legislation and how it would solve the problems faced by all community service agencies in Kansas. I would like to speak to you today from the perspective of a long-time YMCA volunteer.

I joined the Board of the Salina Family YMCA in 1969 because it was clear to me that the Y is a vital center of community life. Of the 40,000 people that live in Salina, 10,000 of them are Y members.

Almost 5000 youth -- three fourths of the kids in Salina -- participate every year in our sports, aquatics, camping and other programs. A youth membership costs \$25.00 a year; participation in any one of our youth sports leagues costs another \$5.00. Any youth who cannot pay gets a

full scholarship. In all of our youth programs, the emphasis is on character development and Christian values. The Salina Y also provides much-needed programs for families and adults. They come for exercise, child care, prenatal fitness, and our "aquacize" programs for seniors and the disabled.

Having served on the board of the YMCA for almost 20 years, I have seen what it takes to make all of this happen. It is not easy. It takes the support of the whole community: over 400 volunteer coaches and referees for our youth sports programs, \$2.6 million in capital contributions to fund a much-needed new facility; and over \$220,000 in annual contributions to subsidize programs, particularly youth programs, that will never pay their own way.

The people of Salina provide this extraordinary support because the YMCA is providing extraordinary service.

The same is true of the 16 other Ys across Kansas. They differ greatly, because the communities they serve differ. But there is a common denominator: everywhere the YMCA is an organization through which persons from all segments of the community can join together in the public interest, an organization with a commitment to Christian values, an organization responsive to community needs because it is community-controlled, and an organization that is making a difference in the lives of its members.

Confronted with the example of the Salina YMCA, or any one of dozens of similar YMCAs, members of the Board of Tax Appeals will probably say that these are not the kind of YMCAs they want to challenge. But the arguments they advance are not so discriminating. They argue that the YMCA and other tax-exempt community service agencies should exclusively serve the poor with free or heavily-subsidized services. In their view, providing health and fitness programs -- or child care, family counselling, or other

traditional community service human services -- to adults who can afford to pay is not an appropriate charitable activity and should be taxed.

This is not a prescription for taxing a few YMCAs on a portion of their revenue: It would tax every YMCA, as well as many other community groups that depend on fee-for-service income. And it is a standard that would pull the rug out from under the tens of thousands of middle and low-income Kansas families that depend on those groups for essential health and human services.

You have heard about the case of the Topeka YMCA. Last year, the Kansas Board of Tax Appeals voted to return all of the property of that Y to the tax rolls. This ruling was not triggered by any change in the Topeka YMCA's operations, which have been tax-exempt for 107 years.

What changed was the Board's criteria for tax exemption of community service agencies. Reversing decades of well-settled Kansas law, the Board relied on a 1973 Kansas Supreme Court decision to make its criteria for community service tax exemption more restrictive than that of any of the other 49 states. In effect, the Board ruled that the Y could receive an exemption only if it provides services for nothing, or next to nothing -- and only if it exclusively serves those who can't take care of themselves. The fact that 23 percent of the persons participating in the Topeka YMCA's programs receive full or partial scholarship was not sufficient, in the Board's view, to qualify the YMCA as a tax-exempt community service.

This case is now on appeal to the Third Judicial District Court of Shawnee County. I would hope that the court will recognize the dangers inherent in the tax collector's narrow view and will adhere to the traditional definition of Kansas law -- a definition that includes all the

broad, benevolent activities that extend into the Kansas middle classes where people for generations have banded together to help one another and to help those less fortunate than themselves.

This committee can significantly encourage that result by supporting House Bill No. 2651 to reaffirm the traditional tax exemption of community service agencies.

What is at stake here is nothing less than the tradition of voluntarism and community service that is so uniquely American. Taking ordinary people and modest resources, community service groups produce creative solutions to community problems that neither government nor business can address so effectively.

The Y has been a catalyst for this kind of social alchemy since it was first founded in the U.S. in 1851. Then, as now, the Y's mission was to put Christian values into practice through programs that build healthy body, mind, and spirit for all. Today, Kansas Ys pursue that mission through a broad range of programs: Indian Guides for fathers and sons, and fathers and daughters; youth employment; programs for youth at risk; job training; teen programs; leaders clubs; international education and more.

For adults and families, the YMCA is the place for family camp, wholesome recreation, cardiac rehabilitation, smoking cessation, and strengthening family relationships. Y programs for senior citizens include exercise and rehabilitation, volunteer social activities, and day care for the dependent elderly. We also have special programs, such as food drives for the needy, and recreation for the handicapped.

The YMCA in Kansas serves people of all ages, incomes, and abilities. Forty-four percent of them are under 18. A glance at a list of our ten most popular programs, based on the number of program registrations in 1986, demonstrates the diversity of our services:

Top Ten Programs in Kansas

1. Day camp	21,520 camper days
2. Child care, including preschool, school age and services for children of parents engaging in Y activities	15,843 registrations
3. General Exercise Classes	10,052 registrations
4. Sports leagues	8,769 registrations
5. Youth swim classes	8,391 registrations
6. Aquatic exercise	4,263 registrations
7. Youth basketball	4,093 registrations
8. Youth soccer	4,071 registrations
9. Senior citizen programs	3,819 registrations
10. Youth progressive gymnastics	3,714 registrations

Mr. Chairman, I am listing those programs in great detail because every dollar that Kansas YMCAs must pay in property tax is a dollar less to provide those important community services. In the end, the Y will have to cut back on those services or close its doors all together.

This means that people like Fritz Henderson will have to find a new place to exercise their muscles as a defense against the deteriorating effects of multiple sclerosis. Little girls like Ashley Henderson will have to look long and hard before they can find a swimming instructor like Pam Ritchey who spent extra time with Ashley to help her overcome a fear of

water. Single parents like Nancy Poliquin won't be able to take advantage of the generous scholarships that enabled Poliquin's five children to come to the Y every day after school. Boys like Chris Schmidt will have to find a new baseball coach who stresses self-worth and cooperation rather than competition. In short, thousands of Kansans will be left without a vital community center whose overriding Christian mission is to help people develop a feeling of self-worth and a sense of community.

While businesses sometimes provide similar services, the YMCAs benefit communities in ways that for-profit organizations never will. First and foremost, YMCAs operate solely for the benefit of their communities. No one owns a YMCA, except the community. No one profits from its operations, except the community.

The Y is run by a volunteer board of your friends and neighbors, none of whom make a cent for doing so. If a YMCA ends the year with an operating surplus, every dollar is plowed back into the community to expand YMCA programs. That's how we finance youth sports for so many thousands of youngsters and senior activities for several thousand of our elders -- through income generated in our adult health and fitness activities.

I might add, however, that overall, the earned income of Kansas YMCAs is far less than their expenses. Cumulatively, earned income accounts for only 74 percent of total expenses. Contributions, including United Way support, account for 21 percent and the rest is taken up by investment income, government grants and other miscellaneous sources. Far from reaping a surplus, the fees that Ys charge for some services are not even enough to pay all the bills.

Second, Kansas Ys serve everyone in the community, not just those who can afford the fees. All YMCAs offer financial assistance to persons unable to pay. Some YMCAs have established sliding fee scales, others determine appropriate financial assistance arrangements on an individual basis. Whatever the form, these policies reflect the YMCA's commitment to community service and affordability.

Community affordability is also a requirement for our federal income tax exemption. Under existing unrelated business income rules, the I.R.S. regularly audits YMCAs to see if they can demonstrate that their fitness programs serve a broad segment of the community. Mr. Chairman, no YMCA has ever failed this affordability test.

The third difference is that YMCAs are reliable, long-term providers of quality programs. We offer programs based on community need. For example, to carry out our mission of building body, mind, and spirit, the YMCA pioneered fitness more than a hundred years ago, when no one dreamed of making a profit on it. I make this point not to say that we were here first, but to emphasize our continuity of service and financial stability. Private entrepreneurs can enter or leave a market depending on how much money they make. The YMCA cannot. Our mission drives us to offer our programs in good times and bad.

Fourth, the YMCA motivates thousands of Kansans to give selflessly of their time and their money to improve the quality of life in their communities. The YMCA alone inspires more than 2,500 Kansans annually to contribute thousands of hours of volunteer service. An even greater number of Kansans support the YMCA with contributions, a total of more than 1.2 million dollars in 1986. Most of this support comes from middle

income families who are themselves involved with the YMCA, and who reach down in their pockets and reach out in their lives to make it possible for others to participate in the YMCA, too. If the YMCAs did as the members of the Board of Tax Appeals want them to, and exclusively serve the poor, their ability to mobilize this kind of broad-based community support would be greatly reduced.

Just as business could not fill the gap that would be left if the Y had to cut back on services, neither could the government. While government can and does sometimes provide services like those of the Y, government bureaucracies, as well-intentioned as they may be, are in the long run, less efficient, less diverse, and perhaps less caring. Ultimately, they are also more expensive, and the result is higher taxes for everyone.

Richard Cornuelle, a long-time observer of voluntary organizations, succinctly makes the point that the voluntary sector fills a need that business and government cannot. He writes:

Without the voluntary sector's complex enabling machinery, the human qualities most essential to building a good society -- caring, resourcefulness, creativity -- would have no ready outlets. So the third sector is not just a social convenience, it is an essential, integral and indispensable part of American society.

We must conserve this unique and valuable social resource with the same persistence, care, and commitment with which we preserve our natural resources. I fear, however, that our recent record in this regard is not a good one. We seem to be expecting the voluntary sector -- particularly human service organizations like YMCAs -- to do far more with less. Since 1981 federal government funding for social services has been cut by over \$100 billion. There has been a universal appeal to voluntary organizations to "take up the slack." Yet recent changes in the tax law significantly

reduce incentives for charitable giving. Now, tax assessors challenge the right of voluntary organizations to rely on fee-for-service income. One wonders how voluntary organizations are to fund their programs now and in the future.

More fundamentally, one fears that the narrow concept of charity would break the bond, the identity, between human service community service agencies and their communities. Communities across Kansas support their YMCAs because in a very real sense the YMCA is the community. Narrow the YMCA's role to only serve a part of that community and you risk severing the very relationships that keep the YMCA alive and working for all.

The lone dissenter from the Board of Tax Appeal's decision in the Topeka YMCA case summed up the situation in the practical way we like to approach our problems in Kansas.

This Board must interpret [the requirements for charitable tax exemption] so as to avoid an unreasonable result. Here we have a well established non-profit institution functioning in the private sector with the cooperation of the citizenry and performing a function, the absence of which undoubtedly would be filled by local units of government. To impair this working situation hardly seems reasonable and there is certainly no guarantee that placing these functions directly under the public sector would increase the efficiency or promote economy. I believe that the majority might well be making a poor trade to substitute direct taxation for indirect tax relief in the present case.

I urge this Committee, likewise, to recognize the important contribution voluntary organizations like YMCAs are making to all the people of this state and to support House Bill No. 2651 which will ensure their ability to carry on their important work.



Inter-State Federal Savings

AND LOAN ASSOCIATION



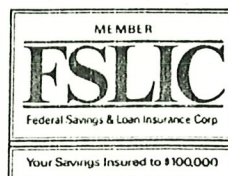
711 MINNESOTA AVENUE
KANSAS CITY, KANSAS 66101-2784
PHONE 371-1083

TESTIMONY BEFORE KANSAS HOUSE
OF REPRESENTATIVES ASSESSMENT & TAXATION COMMITTEE
THURSDAY JANUARY 14, 1988

My name is Charles Thomas Firth and I live and work in Kansas City, Kansas. I appreciate the opportunity to give you my views concerning tax exemption for non-profit social service agencies.

I am President of Inter-State Federal Savings and Loan Association - they pay my salary. The savings and loan also encourages my volunteer participation in community activities, and I am a member of the board of directors and a past president of the United Way of Wyandotte County. I also am a member of the Salvation Army advisory board and a past chairman of the Salvation Army advisory board in Kansas City, Kansas.

The Salvation Army performs many functions in our town. One function is to provide a day care center so that present and former welfare mothers and other working poor have a decent place to leave their children while they train for work and/or work and become contributing citizens of our community. Not all of the children enrolled in the day care center are children of such parents. Some of the parents are able to pay the full cost of the day care service, some pay part, and the rest depend



on S.R.S. to pay the full day care bill. Thus at our day care center S.R.S. children are not segregated from other children and the Salvation Army is able to operate more efficiently due to the economies of scale which take place with a larger number of children involved.

If the Salvation Army and the many other human service agencies in our county were forced to pay property taxes, they would also be forced to raise their charges and/or curtail or discontinue their valuable services. The United Way would have to convince its contributors that they should increase their contributions so that the agencies it serves could pay taxes - certainly a hard proposition to sell to the public!

My name is Sydney Soderberg. I am the vice-mayor of the City of Salina and a United Way board member. Like you, I legislate laws and adopt regulations. Like you, I try to be fair and forward-thinking with all my decisions. So I can appreciate the real dilemma with which you are faced. But ladies and gentlemen, there is one thing I know without a doubt, you and I, and all those citizens we serve, can't afford to let non-profit agencies lose their tax exempt status.

The United Way of Salina consists of fifteen non-profit agencies. Five own their buildings, two are housed in a hospital, and one in a church. That means over half of the United Way agencies in Salina are seriously threatened by the decision of the State Board of Tax Appeals. It has been calculated that if these eight agencies were to pay property taxes, it would add up to several hundred thousand dollars.

The United Way of Salina carefully scrutinizes the budgets of our agencies. Ladies and gentlemen, none of them are wealthy, nor are their directors. Board members reap no personal financial benefit from any of our non-profits. We demand that our agencies are fiscally responsible and encourage them to charge for services when appropriate. This in turn allows them to provide even more to those who can pay nothing.

I suspect many of you have served on boards of non-profits. You know that almost without exception there is more need than

money.

I have served on several individual boards, and now on the United Way board, and it's beyond my imagination how they could raise that much additional money. I believe a number of them would have to shut down if faced with past, present and ongoing tax bills. As you and I grapple with our budgets, we are painfully aware that the state and cities are simply not able to provide all the social, recreational and human services needed and desired by our citizens. The fifteen non-profit agencies in Salina's United Way serve the whole community. They don't discriminate! They serve those who can well-afford to pay for services (and do), those barely getting by, and those who are truly needy. Each agency adds to the quality of life in Salina, just as those non-profits do in all of your communities.

The vitality of our communities is not only measured by the health of the economic state of our for-profit businesses. The impact of the services provided by our non-profit agencies, although perhaps not as tangible, is indeed as profound and imperative to the overall health of our community.

THE VALUE OF THE YMCA YOUTH SPORTS PROGRAM

My name is John Butler and I am employed by Washington National Insurance Company. I have had the pleasure of coaching for the YMCA Youth Sports Program for the past five years. The greatest honor in my life was receiving the 1986 Coach of the Year Award from the YMCA. I feel that my experience with this program, my belief in what it stands for, and my understanding of how it works makes me qualified to discuss its merits.

Many children are born with natural athletic abilities; however, far more are not. For these children the choosing up of teams for playground sports can be a traumatic experience.

No one has to tell the last few kids that are chosen, that they have little athletic ability, they know it. Not only do they know it, but their self image is partially shaped by the peer pressure experienced in this episode.

A program was needed that would allow everyone to feel equal, that would remove the pressure to excel, and yet would provide the setting where excellence comes without pressure and positive attitudes replace low self esteem. The YMCA responded to this need with the development of the Youth Sports Program.

As coach for the YMCA Youth Sports Program, I get to watch kids develop athletic skills. Many children have been lead to believe that these skills are either present or they are not; it is my job to show them that the skills can be learned and that participation can be enjoyable.

The teaching of positive attitudes is one of the most important functions of the YMCA youth sports program. For a child to feel good about himself, someone, somewhere, sometime must feel good about him first. Even children from good homes, who have positive self attitudes can benefit from further reinforcement of these attitudes by the coach and fellow team members.

I have had several children who have changed so dramatically that their parents have used phrases like 'miracle' and 'complete turn around' to describe it. For these children the YMCA has provided a service that cannot ever be repaid, nor can its value be calculated. Although these types of cases are not common, their occurrence does make me aware of the tremendous amount of good that has come from the program.

The importance of athletic competition in our culture is evident in the monuments that we erect to sports heroes and the salaries which they can command. Throughout time and throughout the world there is evidence of mans need to compete in sporting events. From the throwing of rocks to the tossing of the pole, from the gladiators to football, man displays this urge to compete.

In today's society, sports heroes are well rewarded and the less skilled become salesmen. Unfortunately this has trickled down into our children's worlds. I had a non-YMCA baseball coach tell me that it was a shame, but a child's future in baseball in Topeka was already determined by the time the child was seven! What a terrible thing to be a failure at seven!

It is this type of pressure that, no doubt, caused the creation of the YMCA Youth Sports Program. The YMCA has taken this need to compete and civilized it.

To the children, the YMCA Youth Sports Program is a place where being part of the team is more important than winning. They realize that since no score is kept, every game ends in a 0-0 tie.

To the children, the YMCA provides a place where wanting to play guarantees equal playing time. Let's face it, the only way to develop skills is to use them.

To the children, the YMCA is something to identify with. The 'T' shirt given to them becomes a badge of belonging. When I go to school to have lunch with my kids, I notice that many of the other kids there have the YMCA shirt on and they seem to group together. They are proud to wear the shirt, and proud to be part of this wholesome, positive organization.

To the children, the YMCA is a place where all are champions if they play fair and have fun. It doesn't matter how many fly balls that a child drops, or how many flags he misses, or how many goals that he allows; if he displays good sportsmanship and does his best, he's a champion.

The YMCA Youth Sports Program is the only place in our society where sportsmanship, enjoyment, and positive attitude are the only yardsticks used to measure success.

I hate to think where the world would be without this dynamic program. The effects would not be evident overnight. At first only the poor and the mediocre would suffer with no available organized sports. With no sporting team to identify with, perhaps they would turn to gangs for acceptance and identity. Maybe the same pride now shown in a brightly colored 'T' shirt would be shown in a black leather jacket. How many would it take? How many good children gone bad, because they've had no positive influence in their lives, before we realize the value of the YMCA Youth Sports Program?

John T. Butler II
1986 Coach of the Year



Kansas Association of Rehabilitation Facilities

Jayhawk Tower • 700 Jackson • Suite 802
Topeka, Kansas 66603 • 913-235-5103

TO: House Taxation Committee

FROM: Kansas Association of Rehabilitation Facilities (KARF)
Yo Bestgen, Executive Director

RE: HB 2651: An Act Relating to Property Taxation

DATE: January 14, 1988

1.0 Position Statement

The KARF supports HB 2651 exempting property used by community service organizations for the provision of humanitarian services.

2.0 Justification

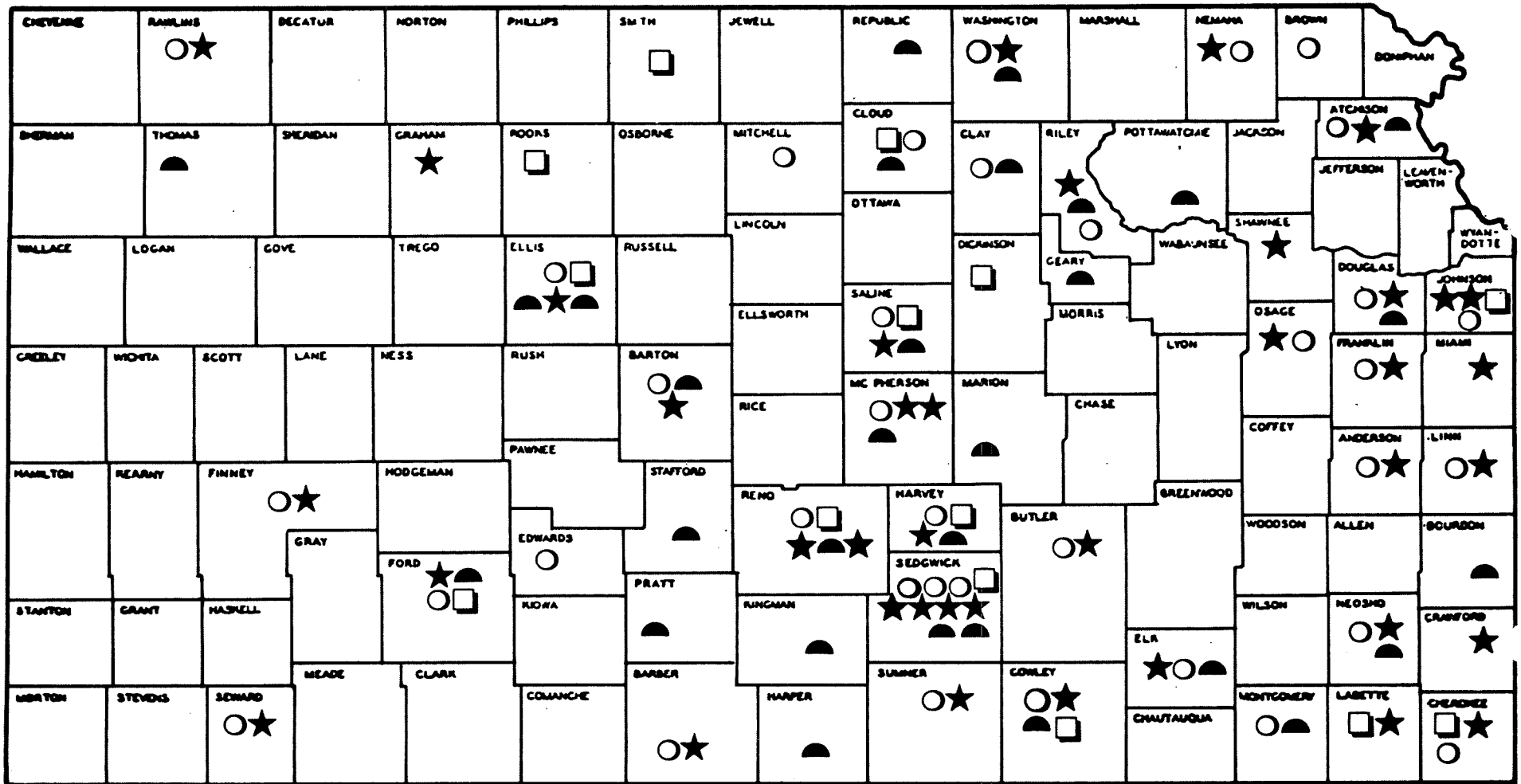
Not for profit community facilities provide employment and training programs for those with mental retardation, physical and developmental disabilities (handicaps). Those facilities are currently exempt from property taxation as they function for educational, benevolent and/or charitable purposes. If this exemption were jeopardized, services to the handicapped would be seriously effected. Programs would, by necessity, return individuals with handicaps to institutions, welfare rolls, or home and unproductive.



We would ask your support of HB 2651 on behalf of those with handicaps who are served by not for profit community facilities.

KARF MEMBERSHIP

Facility	Vocational	Residential	Childrens Services
Achievement Services of NE Kansas, Inc.	X	X	X
Arrowhead West, Inc	X	X	X
Big Lakes Developmental Center, Inc.	X	X	X
Brown County Developmental Services, Inc.	X		
Cerebral Palsy Research, Inc.		X	X
Chikaskia Area Training Center	X	X	X
CLASS, Ltd.	X	X	X
COF Training Services, Inc.	X	X	
Community Living Opportunities, Inc.		X	
Community Living Services, Inc.		X	
Cottonwood, Inc.	X	X	X
Cowley County Developmental Services, Inc.	X	X	X
Developmental Services of NW Kansas	X	X	X
Early Childhood Developmental Center			X
Futures Unlimited, Inc.	X	X	X
Goodwill Industries Easter Seal Society	X		
Hutchinson Heights		X	
Johnson County MR Center	X	X	X
Kansas Elks Training Center	X	X	
Lakemary Center, Inc.	X	X	X
McPherson County Diversified Services	X	X	X
Nemaha County Training Center, Inc.	X	X	
Northview Developmental Services, Inc.	X	X	X
Occupation Center/Central Kansas, Inc.	X	X	X
Pennington's Residential Homes, Inc.		X	
Rainbow's United, Inc.			X
Sheltered Living, Inc.		X	
Southwest Developmental Services, Inc.	X	X	
SRS, Div. VR and KVRC	X	X	
Starkey Developmental Center, Inc.	X	X	X
Sunflower Training Center, Inc.	X		
TECH, INC.	X	X	X
Terramara, Inc.	X	X	
Tri-Ko, Inc.	X	X	
Tri-Valley Developmental Center, Inc.	X	X	
Twin Valley Developmental Services	X	X	X

KARF MEMBERSHIP



-  Independent Living
-  Vocational Facilities
-  Residential Facilities

 Children's Services



Kansas Association of Rehabilitation Facilities

Jayhawk Tower • 700 Jackson • Suite 802
Topeka, Kansas 66603 • 913-235-5103

FACT SHEET

Identity of Kansas Association of Rehabilitation Facilities (KARF)

KARF is an Association of 40 Rehabilitation Facilities throughout Kansas providing Vocational/Day Activity Programs, Community Living Programs, Children's Services Programs, and Individual Support Programs.

The facilities provide programs/services to over 14,000 individuals with disabilities throughout the year with an average daily census being approximately 4,000 individuals.

Definition of Habilitation/Rehabilitation Programs for Individuals with Disabilities

Habilitation/Rehabilitation is the process by which an integrated program of services is provided to help a person disabled at birth or by illness or injury, gain a higher level of function. Such services address vocational, community living, medical, education and support needs. The goal of the rehabilitation process is to help the person become capable of self support by enabling him or her to engage in employment, live as independently as possible, exist outside institutional settings, or otherwise improve his or her situation.

ASSOCIATION MISSION, BELIEFS AND VALUES

Mission

The purpose of the Kansas Association of Rehabilitation Facilities is to serve its membership in developing and pro-

moting quality programs for individuals with disabilities and to communicate essential information between its membership and its publics.

Beliefs and Values

The Association is founded upon certain shared beliefs and values which are an expression of our mission and pur-

pose as individuals, as professionals, as facilities and as a voluntary organization.

We believe in the inherent dignity of the individual with disabilities.

We believe that no applicant or participant in services, employment or housing should be discriminated against on the basis of race, color, national origin, religion, sex, age, or handicap.

We believe in the community's right and responsibility to provide services that are reasonably accessible and available on a local or regional basis to individuals with disabilities.

We believe that it is the responsibility of government to address the needs of individuals disabled at birth, or by illness or injury; and provide needed support and reimbursement for services needed to assist them to live as independently as possible.

We believe in integrating individuals with disabilities into community programs/services, business and industry, and social settings without compromising the quality of service needed to meet each person's needs.

We believe that government should provide incentives to business and industry to promote employment and other opportunities for individuals with disabilities.

We believe that transitional living support, and medical and vocational rehabilitation should be provided by the private sector (insurance) to prevent long term government support through SSI, SSDI and long term care.

We believe that services should be available in the community to prevent institutionalization.