

Approved: 4-10-97

Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Phil Kline at 11:35 a.m. on April 3, 1997 in Room 514-S of the Capitol.

All members were present except: Representative Helgerson - Excused  
Representative Packer - Excused

Committee staff present: Alan Conroy, Russell Mills, Kathy Porter, Legislative Research Department;  
Jim Wilson, Mike Corrigan, Renae Jefferies, Revisor of Statutes Office;  
Marcia Ayres, Appropriations Secretary; Helen Abramson, Administrative Aide

Conferees appearing before the committee: Mr. E. Dean Carlson, Secretary of Transportation  
Ms. Bobbi Mariani, Division of Personnel Services  
Mr. Dale Brunton, Department of Administration  
Colonel J. P. Small, Kansas National Guard

Others attending: See attached list

The minutes of March 19 and 25 were distributed for review by the members.

Representatives Reinhardt, Minor, Edmonds, and Farmer took turns reading sections of their subcommittee report on **SB 373** for FY 97 which recommends eight amendments. (Attachment 1)

Revisor Wilson reviewed the balloon of amendments of which many were technical and clarifying in nature. (Attachment 2)

Considerable discussion followed and Chairperson Kline suggested sunseting the legislative board members down the road and finding another way to have legislative oversight, if necessary, on the University of Kansas Hospital Authority Board of Directors.

A motion was made by Representative Minor, seconded by Representative Pottorff, to amend the subcommittee report on SB 373 by having the University of Kansas Chancellor convene the first meeting of the Board of Directors of the Hospital Authority.

A motion was made by Representative Farmer, seconded by Representative Reinhardt, to adopt the subcommittee report and the balloon of amendments for SB 373. The motion carried.

A motion was made by Representative Edmonds, seconded by Representative Neufeld, to further amend SB 373 on page 9, after line 41, by inserting the following: "(h) Any contract entered into by the authority for collection services shall be based on competitive bids and shall be entered into with a qualified entity selected pursuant to a competitive bidding procedure administered by the president in accordance with policies and procedures prescribed by the board. Each such contract shall be awarded to the lowest responsible bidder, taking into consideration conformity with specifications, terms of delivery and other conditions imposed in the request for bids, as determined by the president, or the president's designee, in accordance with the policies and procedures prescribed by the board." No discussion. The motion failed. Chairperson Kline recorded as voting no.

A motion was made by Representative Farmer, seconded by Representative Landwehr, to further amend SB 373 on page 9, after line 41, by inserting the following: "(h) Notwithstanding any provision of law to the contrary, no elective abortion shall be performed in any medical facility, hospital or clinic owned, leased or operated by the authority. The authority shall not enter into any contract or other agreement, arrangement or relationship providing for the use of any other medical facility, hospital or clinic for the performance of any elective abortion." Discussion. The motion carried. Chairperson Kline and Representative Ballard recorded as voting no.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, Room 514-S Statehouse, at 1:30 P.M. on April 3, 1997.

A motion was made by Representative Farmer, seconded by Representative Edmonds, to pass SB 373 as amended. No discussion. The motion carried.

**Hearing on SB 104 - State officers and employees, reimbursement of moving expenses**

**Secretary Carlson.** The Secretary testified in support of **SB 104** and has supported the changes in this bill for several years. He stated that the agency believes the changes made in 1994 have had a negative effect on the Department's efforts to maintain an efficient operation that is staffed with the most qualified people. (Attachment 3)

**Ms. Mariani.** Bobbi Mariani, assistant director of the division of personnel services, appeared in support of **SB 104** which would expand recruitment incentives and benefit current state employees while encouraging better alignment of state employees with the human resource needs of state government. (Attachment 4)

**Mr. Brunton.** Dale Brunton, deputy director of accounts and reports, spoke on behalf of the Department of Administration in support of **SB 104** and summarized the amendments regarding moving and lodging expenses of state officers and employees. (Attachment 5)

Questions followed after which the hearing was closed.

A motion was made by Representative Neufeld, seconded by Representative Ballard, to pass SB 104. Discussion. The motion carried.

**Hearing on SB 210 - Exchange of real estate by Kansas Military Board**

**Colonel Small.** Jon Small, judge advocate general for the Kansas National Guard, testified in support of **SB 210** which authorizes a proposed real estate transfer in Salina, Kansas, in order to complete acquisition of a key training facility. Legislative approval is requested to complete this transaction. (Attachment 6)

After one question, the hearing was closed.

A motion was made by Representative Farmer, seconded by Representative Spangler, to pass SB 210. No discussion. The motion carried.

A motion was made by Representative Neufeld, seconded by Representative Farmer, to amend SB 238 by striking Section 11 which is already contained in another Senate bill. No discussion. The motion carried.

A motion was made by Representative Neufeld, seconded by Representative Farmer, to pass SB 238 as amended. The motion carried.

A motion was made by Representative Mollenkamp, seconded by Representative Spangler, to approve the minutes of March 19 and 25. The motion carried.

A motion was made by Representative Farmer, seconded by Representative Toplikar, to introduce a bill relating to certain school districts transferring amounts from the supplemental general fund to the general fund. The motion carried.

The meeting adjourned at 12:55 p.m.

The next meeting is scheduled on call of the Chairman.



HOUSE SUBCOMMITTEE REPORT

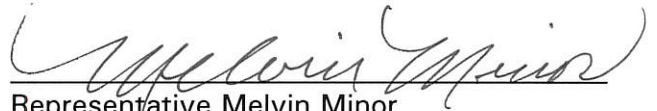
ON 1997 S.B. 373



Representative Michael Farmer  
Chair



Representative John Edmonds



Representative Melvin Minor



Representative Richard Reinhardt



Representative John Toplikar

Appropriations

4-3-97

Attachment 1

**HOUSE SUBCOMMITTEE REPORT  
ON 1997 S.B. 373**

1997 S.B. 373 would establish the University of Kansas Hospital Authority (the Authority) as an independent instrumentality of the State, and would place the University of Kansas Medical Center under the governance of the Authority. The Authority would assume existing Hospital assets and liabilities. As introduced, the transfer would take place on a date or dates agreed to by the Board of Regents and the Authority, but no later than July 1, 1998. As amended by the House Subcommittee, the transfer would take place not prior to March 1, 1998, and not later than July 1, 1998. Following the creation of the Authority and on the transfer date, the Kansas Board of Regents would have no further control over, or responsibility for, the operation of the University of Kansas Hospital. All current employees of the Hospital would transfer to the Authority under the terms and conditions described in the bill.

The House Subcommittee on 1997 S.B. 373 studied the provisions of the bill and met extensively with University and Hospital officials. The Subcommittee concurs with the intent expressed by University and Hospital officials, which is to give the Hospital the flexibility to remain viable and to compete in a rapidly evolving medical environment. However, the Subcommittee recommends several amendments to the bill that are intended to balance the Hospital's need for flexibility with the Subcommittee's intent to provide accountability and to protect valuable state assets. **The amendments recommended by the House Subcommittee are noted below.**

**1. "Preamble" Language.** As introduced, the bill included introductory language stating the reasons for and the intent of the law. The Senate Committee struck the majority of this language, and a brief statement was added. The House Subcommittee would restore the language from the bill as introduced. The House Subcommittee finds that this language, which follows, states the Subcommittee's intent as well its goals and objectives for the Authority.

The following language is restored to the bill:

"Sec. 2. (a) The Legislature of the state of Kansas hereby finds and declares that:

(1) Provision of health care is an essential government function protecting and promoting the health and welfare of the citizens of the state of Kansas;

(2) education of medical and health sciences professionals and the performance of medical and related research are essential to promote such health care;

(3) teaching hospitals are essential components of a system designed to deliver primary and specialty patient services and to promote medical and health sciences education and research;

(4) the mission of the university of Kansas hospital is to facilitate and support the education, research and public service activities of the university of Kansas medical center and its health sciences schools, to provide patient care and specialized services not widely available elsewhere in the state and to continue the historic tradition of care by the university of Kansas hospital to medically indigent citizens of Kansas;

(5) to provide for the education and training of health care professionals, to provide a clinical setting for biomedical research, and to ensure the availability of quality patient care including specialized medical services not otherwise widely available, it is necessary that the university of Kansas hospital be a facility of the finest possible quality;

(6) such quality hospital, health care and related facilities require specialized management and operation to remain economically viable to earn revenues necessary for its operation and to engage in arrangements with public and private entities and other activities, taking into account changes that have occurred or may occur in the future in the provision of health care and related services; and

(7) the needs of the citizens of the state of Kansas and the university of Kansas medical center and its health sciences schools will be best served if the university of Kansas hospital is transferred to and operated by an independent public authority charged with the mission of operating a teaching hospital for the benefit of the university of Kansas medical center, providing high quality patient care and providing a site for medical and biomedical research.

**2. Authority Board of Directors -- Membership.** As introduced, the bill provided for a 16-member board of directors, with nine representatives of the general public, to be appointed by the Governor, and five ex officio voting members. The House Subcommittee recommends changes to the composition of the board, as noted in the table below. One of the major amendments recommended by the House Subcommittee is the addition of four legislative members to the board. One legislative member is to be appointed by the President of the Senate, one is to be appointed by the Senate minority leader, one is to be appointed by the Speaker of the House, and one is to be appointed by the House minority leader. The term of office for all board members is extended to four years following the appointment of the initial board.

The attached table notes the composition and terms of the board of directors of the University of Kansas Hospital Authority under the bill as introduced, as amended by the Senate Committee of the Whole, and as amended by the House Subcommittee. Additional amendments recommended by the House Subcommittee are noted on the table.

**3. General Ad Valorem and Sales Taxes.** The Subcommittee discussed the provisions of Section 13, which exempts property acquired by the Authority and used for general public purposes from general ad valorem property taxes and from sales tax on purchases by the Authority to be used for the Authority's public purposes. The Subcommittee notes that this provision would place the Authority in the same position as all other not-for-profit hospitals within the state. At the suggestion of officials of the Department of Revenue, with whom the Subcommittee conferred, the Subcommittee recommends amendments to add "public hospital authority" to the relevant provisions of law providing the same exemptions for other not-for-profit hospitals.

**4. KPERS Affiliation.** As introduced, the bill would have authorized the Authority to establish a qualified retirement plan for the benefit of its employees. Those Hospital employees transferred to the Authority would be allowed to continue to be members of the Kansas Public Employees Retirement System (KPERS), the Kansas Board of Regents basic retirement plan, of any other sponsored plan for providing retirement or group life insurance benefits to employees

of the University of Kansas Medical Center. In the alternative, employees could elect to become members of any qualified retirement plan established by the Authority. The Senate Committee struck the language allowing the Authority to establish a qualified retirement plan and added language requiring the Authority to be a participating employer for purposes of the KPERS system. At the suggestion of KPERS, University, and Medical Center officials, the Subcommittee strikes the language included in the Senate Committee amendment and adopts language clarifying the KPERS affiliation.

Under the House Subcommittee amendment, the Authority is required to affiliate with the KPERS system on the transfer date. Any person who was an employee of the University of Kansas Medical Center and a member of the KPERS system on the transfer date would continue to be a KPERS member following transfer to the Authority. The Authority is required to continue to provide assistance to those members of the faculty and other persons employed by the Board of Regents receiving assistance in the purchase of retirement annuities on the date of the transfer. The Authority is required to continue to provide insured death and disability benefits for those persons. For future employees of the Authority on or after the transfer date, the Authority is to designate whether the employee is a member of the KPERS system or whether the Authority is to provide assistance in the purchase of retirement annuities.

**5. Bond Issuance.** The Subcommittee discussed at length those provisions of the bill pertaining to the Authority's power to issue bonds. Section 12 (a)(1) of the bill (as amended by the Senate Committee of the Whole) provides that the Authority "has the power and is authorized to issue from time to time the Authority's bonds in such principal amounts as the Authority determines to be necessary to provide sufficient funds for achieving any of the authority's corporate purposes . . . ." Section 8(a)(6) gives the Authority the power to "borrow money and to issue bonds evidencing the same and pledge all or part of the authority's assets therefor."

The Subcommittee's concern with the bonding authority granted in the bill is tied to two other provisions of the bill. Section 4(n) provides that the Authority "shall continue until terminated by law, except that no such law shall take effect so long as the authority has bonds outstanding, unless adequate provision has been made for the payment or retirement of such debts or obligations." Section 12(q) provides that the State "does hereby pledge to and agree with the holders of any bonds issued under this act that this state will not limit or alter the rights hereby vested in the authority to fulfill the terms of any agreements made with the said holders thereof or in any way impair the rights and remedies of such holders until such bonds . . . are fully met and discharged."

The Subcommittee discussed whether, in the event of problems with the Authority, these provisions would preclude any action to dissolve the Authority and assume state control over the Hospital and its assets without also assuming the bonded indebtedness of the Authority. At the same time, the Subcommittee wanted to take no action that would preclude the Authority from acquiring necessary equipment through lease purchase agreements, certificates of participation, or other means falling within the definition of "bonds" included in Section 3(d) of the bill.

After discussing several options, the Subcommittee concluded that the Authority could not issue revenue bonds until March 1, 1998, at the earliest, because no Hospital assets can be transferred to the Authority prior to that date. By that time, the Legislature will have additional information presented in the report discussed in item number 6 below.

*RFP Requirement.* The Subcommittee adds further language to Section 12(b) that requires the Authority's board of directors to select a bond financing team, including bond counsel and a bond underwriter, to provide the professional services required for the bond issuance. The selection would be based on responses to a request for proposal (RFP) from qualified professional firms, administered in accordance with policies adopted by the board of directors.

**6. Require a Six-Month Update to the Governor and the House Appropriations and Senate Ways and Means Committees.** The Subcommittee recommends that the University and the Hospital report their progress on all aspects of the governance issue to the Governor and the House Appropriations and Senate Ways and Means Committees in January 1998. To the extent possible without harming the competitive position of the Hospital, the report should include all decisions that have been made about the mission and strategy of the Authority; market conditions; marketing plans; proposed operations, including costs, planned equipment acquisitions, and other inputs to the Hospital; management and staffing decisions; and financial projections. The financial projections should include expected revenues and costs, and should compare these to the revenues and costs that would occur under the Hospital's present governance structure. The report should specifically address the Authority's capital structure and should identify potential risks, together with a contingency plan should those risks materialize.

**7. Sale or Lease of the Hospital.** The Subcommittee was concerned with language included in Section 20 of the bill (as amended by the Senate Committee of the Whole), which provides that "[n]othing in this act should be construed as allowing the board to either sell or lease the hospital or merge it with another institution without legislative authorization." The House Subcommittee amends that language to require *prior* legislative authorization *by statute*. The House Subcommittee strikes a provision that would delegate the authority to sell or lease the Hospital to the State Finance Council if the Legislature is not in session.

**8. Additional Technical and Clarifying Amendments.** Throughout the bill, the House Subcommittee recommends additional technical and clarifying amendments.



**MEMBERSHIP AND TERMS OF THE UNIVERSITY OF KANSAS HOSPITAL AUTHORITY BOARD OF DIRECTORS**

9-6  
1-1

<b>S.B. 373</b>	<b>As Introduced</b>	<b>As Amended by the Senate</b>	<b>As Amended by the House Subcommittee</b>
Number of Representatives of the General Public (recognized for knowledge and leadership in the fields of finance, business, health-care management, or legal affairs)	9 members, at least one from each congressional district, appointed by the Governor and subject to Senate confirmation	8 members, at least one from each congressional district, appointed by the Governor and subject to Senate confirmation	6 members, at least one from each congressional district, appointed by the Governor and subject to Senate confirmation
Members from the Board of Regents	2 appointed by the Governor to the initial board, included in 9 representatives of the general public noted above	2 appointed by the Governor to the initial board, included in 8 representatives of the general public noted above	2 appointed by the Governor to the initial board, included in 6 representatives of the general public noted above
Members of the Kansas Legislature	2 appointed by the Governor to the initial board, one from each House, with different party affiliations, included in the 9 representatives of the general public noted above	2 appointed by the Governor to the initial board, one from each House, with different party affiliations, included in the 9 representatives of the general public noted above	4, one appointed by the President of the Senate, one by the Senate Minority Leader, one by the Speaker of the House, and one by the House Minority Leader. Not included in the 6 representatives of the general public noted above
Members-at-Large, Representing the Clinical Faculty of the School of Medicine	2	0	0
Ex Officio Voting Members	5: The Chancellor of the University of Kansas; the Executive Vice Chancellor of the University of Kansas Medical Center; the Executive Dean of the University of Kansas School of Medicine; the Chief of Staff of the University of Kansas Hospital Medical Staff and the President of the University of Kansas Hospital Authority	3: The Chancellor of the University of Kansas; the Executive Vice Chancellor of the University of Kansas Medical Center; and the Executive Dean of the University of Kansas School of Medicine	3: The Chancellor of the University of Kansas; the Executive Vice Chancellor of the University of Kansas Medical Center; and the Executive Dean of the University of Kansas School of Medicine

S.B. 373	As Introduced	As Amended by the Senate	As Amended by the House Subcommittee
<b>TOTAL NUMBER OF VOTING MEMBERS</b>	16	11	13
Ex Officio Nonvoting Members	0	3: The Chief of Staff of the University of Kansas Hospital Medical Staff; the President of the University of Kansas Hospital Authority; and the Dean of the University of Kansas School of Nursing	3: The Chief of Staff of the University of Kansas Hospital Medical Staff; the President of the University of Kansas Hospital Authority; and the Dean of the University of Kansas School of Nursing
<b>TOTAL NUMBER OF MEMBERS</b>	16 Voting <u>0</u> Nonvoting 16 Total	11 Voting <u>3</u> Nonvoting 14 Total	13 Voting <u>3</u> Nonvoting 16 Total
Term of Office:	Initial Board: Three to a term of one year, three to a term of two years, and three to a term of three years. Terms of three years following appointment of initial board	Initial Board: Three to a term of one year, three to a term of two years, and three to a term of three years. Terms of three years following appointment of initial board	Initial 6 members appointed by the Governor: two to a term of two years, two to a term of three years, and two to a term of four years. Terms of four years following appointment of initial board. Legislative members appointed to a term of four years
Number of Votes Required for a "Super" Majority on Items Specified by the Board	Three-quarters majority (12) (of 16 voting members)	7 (of 11 voting members)	8 (of 13 voting members)

4-1

SENATE BILL No. 373

By Committee on Ways and Means

2-19

12 AN ACT establishing the university of Kansas hospital authority; relating  
13 to its powers, duties and limitations; creating a board of directors; and  
14 matters regarding employees thereof; amending K.S.A. 1996 Supp.  
15 [74-4910, 74-4925,] 75-6117 [and] 76-745 and repealing the existing  
16 sections.

matters regarding employees thereof, including retirement annuities and bene-  
fits;

17  
18 Be it enacted by the Legislature of the State of Kansas:  
19 Section 1. [This act] shall be known and may be cited as the university  
20 of Kansas hospital authority act.

21 Sec. 2. (a) The legislature of the state of Kansas hereby finds and  
22 declares that:

23 (1) Provision of health care is an essential governmental function pro-  
24 tecting and promoting the health and welfare of the citizens of the state  
25 of Kansas;

26 (2) education of medical and health sciences professionals and the  
27 performance of medical and related research are essential to promote  
28 such health care;

29 (3) teaching hospitals are essential components of a system designed  
30 to deliver primary and specialty patient services and to promote medical  
31 and health sciences education and research;

32 (4) the mission of the university of Kansas hospital is to facilitate and  
33 support the education, research and public service activities of the uni-  
34 versity of Kansas medical center and its health sciences schools; to provide  
35 patient care and specialized services not widely available elsewhere in the  
36 state and to continue the historic tradition of care by the university of  
37 Kansas hospital to medically indigent citizens of Kansas;

38 (5) to provide for the education and training of health care profes-  
39 sionals; to provide a clinical setting for biomedical research; and to ensure  
40 the availability of quality patient care including specialized medical serv-  
41 ices not otherwise widely available; it is necessary that the university of  
42 Kansas hospital be a facility of the finest possible quality;

43 (6) such quality hospital, health care and related facilities require spo-

, 79-201b and 79-3606

Sections 1 through 15 and 18 through 25, and amendments thereto,

(a)

Amendments to Senate Bill No. 373

Recommended by  
Subcommittee on Education  
and Legislative Operations

For Consideration by  
House Committee on Appropriations

April 3, 1997

Appropriations  
4-3-97  
Attachment 2

1 eialized management and operation to remain economically viable to earn  
2 revenues necessary for its operation and to engage in arrangements with  
3 public and private entities and other activities; taking into account  
4 changes that have occurred or may occur in the future in the provision  
5 of health care and related services; and

6 (7) ~~the (a) The~~ needs of the citizens of the state of Kansas and of the  
7 university of Kansas medical center and its health sciences schools will  
8 be best served if the university of Kansas hospital is transferred to and  
9 operated by an independent public authority charged with the mission of  
10 operating a teaching hospital for the benefit of the university of Kansas  
11 medical center, providing high quality patient care and providing a site  
12 for medical and biomedical research.

13 ~~(b) The exercise of the powers permitted by this act are deemed an  
14 essential governmental function in matters of public necessity for the  
15 entire state in the provision of health care, medical and health sciences  
16 education and research. Such quality hospital, health care and related  
17 facilities require specialized management and operation to remain  
18 economically viable to earn revenues necessary for its operation  
19 and to engage in arrangements with public and private entities and  
20 other activities, taking into account changes that have occurred or  
21 may occur in the future in the provisions of health care and related  
22 services.~~

23 Sec. 3. [The following words or terms used in this act shall] have the  
24 following meanings unless a different meaning clearly appears from the  
25 content:

26 (a) "Authority" means the university of Kansas hospital authority cre-  
27 ated by this act.

28 (b) "Board ~~of directors~~" means the board of directors of the authority  
29 created by this act.

30 (c) "Health sciences schools" means the schools of medicine, nursing,  
31 allied health, pharmacy and any other schools operated by the university  
32 of Kansas at the university of Kansas medical center.

33 (d) "Bonds" means any bonds, notes, lease certificate of participation  
34 or other evidences of indebtedness, whether or not the interest on which  
35 is subject to federal income taxation, issued by the authority pursuant to  
36 this act.

37 (e) "Hospital assets" means all records, property or rights in property,  
38 real and personal, tangible and intangible existing on the transfer date  
39 specified by this act, used by or accruing to university of Kansas or the  
40 university of Kansas medical center for the benefit of the university of  
41 Kansas hospital in the normal course of its operations as a teaching, re-  
42 search and medical treatment facility.

(f) "Hospital obligations" means all debts or other obligations, con-

(1) Provision of health care is an essential governmental function pro-  
tecting and promoting the health and welfare of the citizens of the state of  
Kansas;

(2) education of medical and health sciences professionals and the per-  
formance of medical and related research are essential to promote such health  
care;

(3) teaching hospitals are essential components of a system designed to  
deliver primary and specialty patient services and to promote medical and  
health sciences education and research;

(4) the mission of the university of Kansas hospital is to facilitate and  
support the education, research and public service activities of the univer-  
sity of Kansas medical center and its health sciences schools, to provide  
patient care and specialized services not widely available elsewhere in the  
state and to continue the historic tradition of care by the university of  
Kansas hospital to medically indigent citizens of Kansas;

(5) to provide for the education and training of health care profession-  
als, to provide a clinical setting for biomedical research, and to ensure the  
availability of quality patient care including specialized medical services  
not otherwise widely available, it is necessary that the university of Kansas  
hospital be a facility of the finest possible quality;

(6) such quality hospital, health care and related facilities require  
specialized management and operation to remain economically viable to earn  
revenues necessary for its operation and to engage in arrangements with public  
and private entities and other activities, taking into account changes that  
have occurred or may occur in the future in the provision of health care and  
related services; and

(7) the

(b) The exercise of the powers permitted by this act are deemed an essen-  
tial governmental function in matters of public necessity for the entire state  
in the provision of health care, medical and health sciences education and  
research.

As used in sections 1 through 15 and 18 through 25, and amendments thereto,  
the following words and phrases

2-3

tingent or certain, owing on the transfer date under this act to any person or other entity, arising out of the operation of the university of Kansas hospital as a medical treatment facility, and including, without limitation, all bonds and other debts for the purchase of goods and services, whether or not delivered, and obligations for the delivery of services, whether or not performed.

(g) "Regents" means the board of regents of the state of Kansas.

(h) "State employee" means a person employed by the state of Kansas whether or not a classified or unclassified employee in the state personnel system.

(i) "Transfer date" ~~or "authority's transfer date"~~ means a date or dates agreed to by the regents and the authority ~~but not later than July 1, 1998,~~ for the transfer of hospital assets to and the assumption of hospital liabilities by such authority.

which shall be on or after March 1, 1998,

(j) "University of Kansas hospital" means the hospital and hospital clinics operated by the university of Kansas, separately or jointly with another health care provider.

(k) "State" means the state of Kansas.

(l) "Initial board" means the board of directors initially appointed by the governor under this act.

~~(m) "Transferring employees" means university of Kansas medical center employees whose employment transfers to the authority on the transfer date.~~

(m)

~~(n) "President" means the chief executive officer of the authority.~~

(n)

"This act" means the university of Kansas hospital authority act.

Sec. 4. (a) There is hereby established a body politic and corporate, with corporate succession, to be known as the university of Kansas hospital authority. The authority is hereby established as an independent instrumentality of this state. Its exercise of the rights, powers and privileges conferred by this act shall be deemed and held to be the performance of an essential governmental function.

16

(b) The authority shall be governed by a ~~16~~ <sup>16</sup> member board of directors. ~~Nine~~ <sup>Eight</sup> of the members shall be representatives of the general public who are recognized for outstanding knowledge and leadership in the fields of finance, business, health-care management or, ~~health care providers,~~ legal affairs, ~~education or government.~~ Of the ~~nine~~ <sup>eight</sup> members representing the general public, there shall be at least one member from each congressional district. ~~Two~~ members shall be members-at-large representing the clinical faculty of the university of Kansas school of medicine. ~~Five~~ <sup>Three</sup> members shall be ex officio voting members consisting of the chancellor of the university of Kansas, the executive vice chancellor of the university of Kansas medical center and, the executive dean of the university of Kansas school of medicine. ~~Three~~ members shall be nonvoting ex officio members consisting of, the

Six

six

Four members shall be ex officio voting members who are members of the Kansas legislature.

1 chief of staff of the university of Kansas hospital medical staff and, the  
2 president of the ~~(university of Kansas hospital)~~ authority and the dean of  
3 the university of Kansas school of nursing.  $\wedge$

six

4 (c) The nine ~~(eight)~~ members representing the general public ap-  
5 pointed to the initial board shall be appointed by the governor subject to  
6 senate confirmation as provided in K.S.A. 75-4315b and amendments  
7 thereto. Any member whose nomination is subject to confirmation during  
8 a regular session of the legislature shall be deemed terminated when the  
9 senate rejects the nomination. No such termination shall affect the validity

six

10 of any action taken by such member prior to such termination. Of the  
11 nine ~~(eight)~~ members appointed to the initial board, two shall be mem-  
12 bers of the Kansas board of regents ~~(and two shall be members of the~~  
13 ~~Kansas legislature. The two legislative appointees shall be one from each~~  
14 ~~house and they shall have different political party affiliations).~~

two

15 (d) Of the members appointed to the initial board by the governor,  
16 ~~(three)~~ members shall be appointed for a term of ~~(one year, three)~~ members  
17 shall be appointed for a term of ~~(two years and three)~~ members shall be  
18 appointed for a term of ~~(three)~~ years.

two years, two

19 (e) The at-large members representing the clinical faculty shall be  
20 appointed by the chancellor of the university of Kansas. Of the members  
21 appointed to the initial board, one shall be appointed to a term of one  
22 year and one shall be appointed to a term of three years. Subsequently,  
23 the at-large members representing clinical faculty shall be appointed to  
24 a term as in subsection (f) of section 4.  $\wedge$

three years, and two

four

INSERT #1 (ATTACHED)

(f) 25 (f) After the initial board of directors is appointed, members other  
26 than ex officio shall be appointed for a term of ~~(three)~~ years each, except  
27 in the event of a vacancy the appointment shall be for the remainder of  
28 the unexpired portion of the term. Each member shall hold office for the  
29 term of appointment and until the successor has been nominated and  
30 approved. Any member is eligible for reappointment, but members shall  
31 not be eligible to serve more than two consecutive ~~(three year)~~ terms.

four

four-year

(g) 32 (g) ~~(f)~~ Except for appointment of the initial board, when a vacancy  
33 occurs or is announced regarding a member or members representing  
34 the general public, a nominating committee of the board shall forward a  
35 slate of candidates to the governor for consideration. Appointment to the  
36 board shall be made by the governor subject to senate confirmation as  
37 provided in K.S.A. ~~(75-4315(b))~~ and amendments thereto.

75-4315b

INSERT #2 (ATTACHED)

(h) 38 (h) ~~(g)~~ The terms of members serving by virtue of their office shall  
39 expire immediately upon termination of their holding such office.  $\wedge$

(i) 40 (i) ~~(h)~~ The board shall annually elect one of their number as chair-  
41 person and another as vice-chairperson. The board shall also elect a sec-  
42 retary and treasurer for terms determined by the board. The same person  
43 may serve as both a secretary and treasurer. The board shall establish an

2-14

INSERT #1 FOR PAGE 4 OF SB 373:

The ex officio voting members of the board who are members of the legislature shall be appointed as follows: (1) One member shall be a member of the senate appointed by the president of the senate; (2) one member shall be a member of the senate appointed by the minority leader of the senate; (3) one member shall be a member of the house of representatives appointed by the speaker of the house of representatives; and (4) one member shall be a member of the house of representatives appointed by the minority leader of the house of representatives.

INSERT #2 FOR PAGE 4 OF SB 373:

Each legislative member of the board shall be appointed for a term of four years. In the case of a vacancy in the position of any legislative member of the board, a successor shall be appointed for the unexpired term in the same manner as the original appointment was made. The position of a legislative member on the board shall be vacant if (1) such legislative member's term of office as a member of the legislature ends and such legislative member of the board is not reelected or appointed and qualified as a member of the same house of the legislature from which such legislative member was appointed, so that such legislative member has continuous service in such house of the legislature, or (2) such legislative member is otherwise no longer a member of the same house of the legislature from which such legislative member was appointed as a legislative member of the board.

Members of the board attending meetings of the board, or attending a subcommittee meeting thereof authorized by the board, shall be paid subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3223 and amendments thereto.

1 executive committee, nominating committee and other standing or special  
2 committees and prescribe their duties and powers, and any executive  
3 committee may exercise all such powers and duties of the board as the  
4 board may delegate.

(j) 5 ~~(j)(i)~~ Members of the board of directors of the authority shall serve  
6 without compensation ~~but the authority under K.S.A. 75-3223 and~~  
7 ~~amendments thereto shall reimburse its board members for reasonable~~  
8 ~~and necessary expenses incurred in the discharge of their official duties.~~

(k) 9 ~~(k)(i)~~ No part of the funds of the authority shall inure to the benefit  
10 of, or be distributed to, its employees, officers or ~~board of directors,~~  
11 except that the authority may make reasonable payments for expenses  
12 incurred on its behalf relating to any of its lawful purposes and the au-  
13 thority shall be authorized and empowered to pay reasonable compen-  
14 sation for services rendered to or for its benefit relating to any of its lawful  
15 purposes including to pay its employees reasonable compensation.

(l) 16 ~~(l)(i)~~ Any member of the board of directors other than ~~ex officio~~  
17 may be removed by an affirmative vote of a ~~three quarters majority (seven)~~  
18 of the members of the board for malfeasance or misfeasance in office,  
19 failure to regularly attend meetings, or for any cause which renders said  
20 member incapable of or unfit to discharge the duties of director.

(m) 21 ~~(m)(i)~~ The board shall meet at least six times per year and at such  
22 other times as it deems appropriate, or upon call by the president or the  
23 chairperson, or upon written request of a majority of the directors. The  
24 board may adopt, repeal and amend such rules, procedures and bylaws,  
25 not contrary to law or inconsistent with this act, as it deems expedient for  
26 its own governance and for the governance and management of the au-  
27 thority. A majority ~~of the board shall constitute a quorum for meetings,~~  
28 and the board may act by a majority of those at any meeting where a  
29 quorum is present, except upon such issues as the board ~~may determine~~  
30 shall require a ~~three quarters majority vote of (seven) members for ap-~~  
31 ~~proval~~

(n) 32 ~~(n)(i)~~ The board shall appoint a president who shall serve at the  
33 pleasure of the board. The president shall serve as the chief executive  
34 officer of the authority. The president's salary shall be set by the board  
35 of directors. The board of directors may negotiate and enter into an em-  
36 ployment agreement with the individual selected as president of the au-  
37 thority which may provide for compensation allowances, benefits and ex-  
38 penses as may be included in such agreement. The president shall direct  
39 and supervise administrative affairs and the general management of the  
40 authority. The president shall be ~~an~~ ex officio voting member of the board.

(o) 41 ~~(o)(i)~~ The authority shall continue until terminated by law, except  
42 that no such law shall take effect so long as the authority has bonds out-  
43 standing, unless adequate provision has been made for the payment or

members of the board

an ex officio member

eight

of the total voting membership

eight

a nonvoting

(o) The board may provide to the president of the authority and other employees designated by the board supplemental benefits in addition to the benefits provided in section 25, and amendments thereto.

(p)

2-6



2-7

1 retirement of such debts or obligations. Upon any such dissolution of the  
2 authority, all property, funds and assets thereof shall be vested in the  
3 state, university of Kansas medical center or other ~~not for profit hospital~~  
4 entity as designated by the board and approved by ~~(the state Kansas leg-~~ act of  
5 ~~islature.~~

6 Sec. 5. (a) All resolutions and orders of the board ~~(of directors)~~ shall  
7 be recorded and authenticated by the signature of the secretary or any  
8 assistant secretary of the board ~~(of directors)~~. The book of resolutions,  
9 orders, minutes of open meetings, annual reports and annual financial  
10 statements of the authority shall be public records as defined by K.S.A.  
11 45-215 *et seq.* and amendments thereto. All public records shall be subject  
12 to regular audit as provided in K.S.A. 46-1106 and amendments thereto.

13 (b) Notwithstanding any provision of K.S.A. 45-215 *et seq.* and  
14 amendments thereto the contrary, the following records of the authority  
15 shall not be subject to the provisions of the Kansas open records act *when*  
16 *the disclosure of the information in the records would be harmful*  
17 *to the competitive position of the authority:*

18 (1) proprietary information gathered by or in the possession of the  
19 authority from third parties pursuant to a promise of confidentiality;

20 (2) contract cost estimates prepared for confidential use in awarding  
21 contracts for construction or the purchase of goods or services;

22 (3) data, records or information of a proprietary nature produced or  
23 collected by or for the authority or members of its medical or teaching  
24 staff; financial statements not publicly available that may be filed with the  
25 authority from third parties; the identity, accounts or account status of  
26 any customer of the authority; consulting or other reports paid for by the  
27 authority to assist the authority in connection with its strategic planning  
28 and goals; and the determination of marketing and operational strategies  
29 where disclosure of such strategies would be harmful to the competitive  
30 position of the authority; and

31 (c) Notwithstanding any provision of this section to the contrary, the  
32 authority may claim the benefit of any other exemption to the Kansas  
33 open records act listed in K.S.A. 45-215 *et seq.* and amendments thereto.

34 Sec. 6. (a) No business of the board ~~(of directors)~~ shall be transacted  
35 except at a regular or special meeting at which a quorum consisting of at  
36 least a majority of the total ~~voting~~ membership of the board is present.  
37 Any action of the board ~~(of directors)~~ shall require the affirmative vote of  
38 a majority of those at any meeting at which a quorum is present.

39 (b) Notwithstanding any provision of K.S.A. 75-4317 *et seq.* and  
40 amendments thereto in the case of the authority, discussion, considera-  
41 tion and action on any of the following may occur in executive session  
42 *when disclosure of the items would be harmful to the competitive*  
43 *position of the authority:*

1 (1) Plans that could affect the value of property, real or personal,  
2 owned or desirable for ownership by the authority;

3 (2) the condition, acquisition, use or disposition of real or personal  
4 property;

5 (3) contracts for provision of health care services and marketing or  
6 operational strategies where disclosure of such strategies would be harm-  
7 ful to the competitive position of the authority; and

8 (4) peer review and risk management activities as defined in K.S.A.  
9 65-4914 *et seq.* and K.S.A. 65-4921 *et seq.* and amendments thereto.

10 (c) Notwithstanding any provision of this section to the contrary, the  
11 authority may claim the benefit of any other exemption to the Kansas  
12 open meetings act listed in K.S.A. 75-4317 *et seq.* and amendments  
13 thereto.

14 Sec. 7. (a) Any member of the board ~~(of directors)~~ and any employee,  
15 other agent or advisor of the authority, who has a direct or indirect in-  
16 terest in any contract or transaction with the authority, shall disclose this  
17 interest to the authority in writing. This interest shall be set forth in the  
18 minutes of the authority, and no director, employee or other agent or  
19 advisor having such interest shall participate on behalf of the authority in  
20 the authorization of any such contract or transaction; except that, the  
21 provisions of this section shall not be construed to prohibit any employee  
22 of the university of Kansas or the university of Kansas medical center who  
23 is a member of the board ~~(of directors)~~, who has no personal interest, from  
24 voting on the authorization of any such contract or transaction between  
25 the authority and the university or the medical center.

26 (b) ~~Any member~~ *All members* of the board ~~(of directors)~~ *and any shall*  
27 *file a written statement pursuant to K.S.A. 46-247 et seq. and amend-*  
28 *ments thereto regarding any substantial interests within the mean-*  
29 *ing of K.S.A. 46-229 and amendments thereto that each director may*  
30 *hold. Any* employee, other agent or advisor of the authority who has a  
31 substantial interest in any contract or transaction with the authority within  
32 the meaning of K.S.A. 46-229 and amendments thereto shall file a written  
33 statement of substantial interest pursuant to K.S.A. 46-247 *et seq.* and  
34 amendments thereto.

35 Sec. 8. (a) The authority shall have all the powers necessary to carry  
36 out the purposes and provisions of this act, including, without limitation,  
37 the following powers to:

38 (1) have the duties, privileges, immunities, rights, liabilities and dis-  
39 abilities of a body corporate and a political instrumentality of the state;

40 (2) have perpetual existence and succession;

41 (3) adopt, have and use a seal and to alter the same at its pleasure;

42 (4) sue and be sued in its own name;

43 (5) make and execute contracts, guarantees or any other instruments

2-9

1 and agreements necessary or convenient for the exercise of its powers  
2 and functions including, without limitation, to make and execute contracts  
3 with hospitals or other health care businesses to operate and manage any  
4 or all of the hospital facilities or operations and to incur liabilities and  
5 secure the obligations of any entity or individual.

6 (6) borrow money and to issue bonds evidencing the same and pledge  
7 all or any part of the authority's assets therefor;

8 (7) purchase, lease, trade, exchange or otherwise acquire, maintain,  
9 hold, improve, mortgage, sell, lease and dispose of personal property,  
10 whether tangible or intangible, and any interest therein; and to purchase,  
11 lease, trade, exchange or otherwise acquire real property or any interest  
12 therein, and to maintain, hold, improve, mortgage, lease and otherwise  
13 transfer such real property, so long as such transactions do not conflict  
14 with the mission of the authority as specified in this act;

15 (8) incur or assume indebtedness to, and enter into contracts with  
16 the Kansas development finance authority, which is authorized to borrow  
17 money and provide financing for the authority;

18 (9) develop policies and procedures generally applicable to the pro-  
19 curement of goods, services and construction, based upon sound business  
20 practices;

21 (10) contract for and to accept any gifts, grants and loans of funds,  
22 property, or any other aid in any form from the federal government, the  
23 state, any state agency, or any other source, or any combination thereof,  
24 and to comply with the provisions of the terms and conditions thereof;

25 (11) acquire space, equipment, services, supplies and insurance nec-  
26 essary to carry out the purposes of this act;

27 (12) deposit any [monies] of the authority in any banking institution  
28 within or without the state or in any depository authorized to receive such  
29 deposits, one or more persons to act as custodians of the [monies] of the  
30 authority, to give surety bonds in such amounts in form and for such  
31 purposes as the board [of directors] requires;

32 (13) procure such insurance, participate in such insurance plans or  
33 provide such self insurance or both as it deems necessary or convenient  
34 to carry out the purposes and provisions of this act; the purchase of in-  
35 surance, participation in an insurance plan or creation of a self-insurance  
36 fund by the authority shall not be deemed as a waiver or relinquishment  
37 of any sovereign immunity to which the authority or its officers, directors,  
38 employees or agents are otherwise entitled;

39 (14) appoint, supervise and set the salary and compensation of a pres-  
40 ident of the authority who shall be appointed by and serve at the pleasure  
41 of the board;

42 (15) exercise the power of eminent domain pursuant to the provisions  
43 of K.S.A. 26-501 et seq. and amendments thereto to acquire by condem-

moneys



2-10

1 nation any real property including fixtures and improvements, which it  
2 may deem necessary to carry out the purposes of this act; upon its adop-  
3 tion of a resolution declaring that the acquisition of such properties is in  
4 the public interest and necessary for public use and upon approval of the  
5 governor of the state of Kansas;

6 (16) fix, revise, charge and collect rates, rentals, fees and other  
7 charges for the services or facilities furnished by or on behalf of the au-  
8 thority, and to establish policies and procedures regarding any such serv-  
9 ice rendered for the use, occupancy or operation of any such facility; such  
10 charges and policies and procedures not to be subject to supervision or  
11 regulation by any commission, board, bureau or agency of the State; and

12 ~~(17)~~ (16) do any and all things necessary or convenient to carry out  
13 the authority's purposes and exercise the powers given in this act.

14 (b) The authority may create, own in whole or in part, or otherwise  
15 acquire or dispose of any entity organized for a purpose related to or in  
16 support of the mission of the authority.

17 (c) The authority may participate in joint ventures with individuals,  
18 corporations, governmental bodies or agencies, partnerships, associations,  
19 insurers or other entities to facilitate any activities or programs consistent  
20 with the public purpose and intent of this act.

21 (d) The authority may create a nonprofit entity or entities for the  
22 purpose of soliciting, accepting and administering grants, outright gifts  
23 and bequests, endowment gifts and bequests and gifts and bequests in  
24 trust which entity or entities shall not engage in trust business.

25 (e) In carrying out any activities authorized by this act, the authority  
26 may provide appropriate assistance, including the making of loans and  
27 providing time of employees, to corporations, partnerships, associations,  
28 joint ventures or other entities, whether or not such corporations, part-  
29 nerships, associations, joint ventures or other entities are owned or con-  
30 trolled in whole or in part, directly or indirectly, by the authority.

31 (f) Effective with the transfer date, all moneys of the authority shall  
32 be deposited in one or more banks or trust companies in one or more  
33 special accounts. All banks and trust companies are authorized to give  
34 security for such deposits if required by the authority. The ~~moneys~~ in such  
35 accounts shall be paid out on a warrant or other orders of the treasurer  
36 of the authority or any such other person or persons as the authority may  
37 authorize to execute such warrants or orders.

38 (g) Notwithstanding any provision of law to the contrary, the author-  
39 ity, effective with the transfer date, may invest the authority's operating  
40 funds in any obligations or securities as authorized by the board. The  
41 board shall adopt written investment guidelines.

Sec. 9. (a) Following the creation of the authority and on the transfer  
date or dates under this act, the regents shall have the authority to lease,

moneys

transfer

2-11

1 convey, or otherwise transfer to the authority some or all hospital assets,  
 2 except land which may be leased to the authority for a nominal amount  
 3 for a term not to exceed ~~ninety-nine~~ years. Any such lease, conveyance  
 4 or transfer shall be on such terms as may be approved by the regents, in  
 5 exchange for the authority's agreement to assume the hospital liabilities  
 6 and to support the education, research, patient care, care to the medically  
 7 indigent and public service activities of the university of Kansas medical  
 8 center. The authority may be compensated by the university of Kansas  
 9 medical center for such services from moneys appropriated by the leg-  
 10 islatre to the university of Kansas medical center for such purposes or  
 11 directly to the authority for such services.

99

obligations

12 (b) Any such lease, conveyance or transfer of hospital assets to the  
 13 authority shall be conditioned upon the existence of a binding agreement  
 14 between the regents and the authority which provides that effective on  
 15 the transfer date under this act and thereafter, the authority shall assume  
 16 responsibility for and shall defend, indemnify and hold harmless the re-  
 17 gents and the state and the university of Kansas and its of officers and  
 18 directors with respect to:

19 (1) Liabilities and duties of the regents pursuant to contracts, agree-  
 20 ments and leases for commodities, services, and supplies utilized by uni-  
 21 versity hospital, including real property leases;

22 (2) claims related to the employment relationship between employ-  
 23 ees of the authority and the authority on and after the transfer date under  
 24 this act;

25 (3) claims for breach of contract resulting from the authority's action  
 26 or failure to act on and after the transfer date under this act; and

27 (4) claims related to the authority's errors and omissions including,  
 28 but not limited to: Medical malpractice; directors and officers liability;  
 29 workers' compensation; automobile liability; and premises, completed op-  
 30 erations and products liability.

31 (c) Any lease, conveyance or transfer of hospital assets to the author-  
 32 ity shall be further conditioned upon the existence of a binding agreement  
 33 between the regents and the authority by which the authority shall accept  
 34 and agree to abide by the provisions set forth in section 2 concerning the  
 35 mission of the authority and the provisions in section 11 concerning em-  
 36 ployees of the university hospital.

and amendments thereto

37 (d) Any disputes that arise in the transfer of property from the uni-  
 38 versity to the authority shall be resolved by the governor.

39 Sec. 10. Following the creation of the authority and on the transfer  
 40 date under this act, the ~~Kansas board of~~ regents shall have no further  
 41 control over, or responsibility for the operation of the university of Kansas  
 42 hospital.

43 Sec. 11. (a) The authority may employ such employees as it may re-

2-12

1 quire and upon such terms and conditions as it may establish. The au-  
 2 thority shall establish personnel, payroll, benefit and other such systems  
 3 as authorized by the board, such systems to be initially established or  
 4 contracted by the transfer date. The authority shall determine the qual-  
 5 ifications and duties of its employees subject to any statutes concerning  
 6 licensure, certification or registration under state law. The board ~~of di-~~  
 7 ~~rectors of the authority~~ shall develop and adopt policies and procedures  
 8 that will afford its employees grievance rights, ensure that employment  
 9 decisions shall be based upon merit and fitness of applicants and shall  
 10 prohibit discrimination because of race, religion, color, sex or national  
 11 origin.

12 (b) Nothing in this act or any act of which it is amendatory shall be  
 13 construed as placing any officer or employee of the ~~university of Kansas~~  
 14 ~~hospital~~ authority in the classified or the unclassified service under the  
 15 Kansas civil service act.

16 (c) *All current hospital employees of the university of Kansas*  
 17 *medical center shall transfer to the authority.* The authority and the  
 18 university of Kansas medical center shall *then* jointly determine those  
 19 persons *any other medical center employees* whose employment shall  
 20 be transferred to the authority. The university shall issue a written notice  
 21 to all persons whose employment will be transferred to the authority. The  
 22 date upon which such written notice is issued shall be referred to herein  
 23 as the "option date." ~~Each person whose employment will be transferred~~  
 24 ~~to the authority may, by written request made within 45 days of the option~~  
 25 ~~date, elect not to become employed by the authority.~~ Any classified em-  
 26 ployee of the university of Kansas medical center who receives such notice  
 27 of transfer to the authority and elects not to become employed by the  
 28 authority and who is not reemployed by any department, institution,  
 29 board, commission or agency of the state shall be subject to the provisions  
 30 of K.S.A. 75-2948 *et seq.* and amendments thereto. Any unclassified em-  
 31 ployee or unclassified health care worker of the university of Kansas med-  
 32 ical center who receives such notice of transfer to the authority and elects  
 33 not to become employed by the authority shall be subject to the employ-  
 34 ment policies of the university of Kansas medical center. Any employee  
 35 who accepts employment with the authority shall not be considered to  
 36 be involuntarily separated from state employment.

After receipt of such notice, each such employee may elect not to be employed  
 by the authority by submitting a written statement of such election within 45  
 days after receipt of such notice

37 (d) Employees of the university of Kansas medical center who trans-  
 38 fer to the authority to a position of similar duties as of the transfer date  
 39 shall receive the same rate of compensation as was received by the em-  
 40 ployee prior to such transfer.

Vacation

41 (e) ~~Annual~~ leave and sick leave balances of employees of the univer-  
 sity of Kansas medical center who accept employment with the ~~university~~  
~~of Kansas hospital~~ authority as of the transfer date shall be transferred

1 from the university of Kansas medical center to the authority.

2 (f) The authority and the university of Kansas medical center may  
3 enter into agreements providing for the purchase of services of employees  
4 of the university of Kansas medical center utilized in support of the hos-  
5 pital by payment of such amounts as may be agreed upon by the parties.

6 (g) Nothing in this act shall affect the representation rights of collec-  
7 tive bargaining organizations that represent university of Kansas medical  
8 center employees who transfer to the authority, nor shall it affect any  
9 term or condition of any collective bargaining agreement in effect on the  
10 effective date of this act. The authority shall be a public agency for pur-  
11 poses of the Kansas public employer-employee relations act, K.S.A. 75-  
12 4321 *et seq.*, and amendments thereto.

13 (h) The authority is authorized to establish a health insurance plan  
14 for the benefit of its employees or to enter into agreements with the  
15 department of administration in accordance with K.S.A. 75-6503 and  
16 amendments thereto, providing for the coverage of its employees under  
17 the state employees' health insurance plan. Notwithstanding any other  
18 provision of law to the contrary, any person whose employment is trans-  
19 ferred to the authority as a result of this act and who is a member of any  
20 plan providing health insurance coverage as an employee of the university  
21 of Kansas medical center and who so elects to continue such coverage  
22 shall continue to be a member of such health insurance plan under the  
23 same terms and conditions as if no transfer had occurred, with such elec-  
24 tion to continue through the current state employees' health insurance  
25 coverage period. Alternatively, an employee may elect to become a mem-  
26 ber of any health insurance plan established by the authority.

27 ~~(i) The authority is authorized to establish a qualified retirement plan  
28 for the benefit of its employees and establish such terms and conditions  
29 as the board authorizes, with such qualified retirement plan to be in effect  
30 as of the transfer date. Notwithstanding any other provision of law to the  
31 contrary, any person whose employment is transferred to the authority as  
32 a result of this act and who is a member of the Kansas public employees  
33 retirement system, the Kansas board of regents basic retirement plan, or  
34 of any other sponsored plan for providing retirement or group life insur-  
35 ance benefits as an employee of the university of Kansas medical center,  
36 and who so elects to continue such participation shall continue to be a  
37 member of such retirement plan under the same terms and conditions as  
38 if no transfer had occurred. Alternatively, an employee may elect to be-  
39 come a member of any qualified retirement plan established by the au-  
40 thority.~~

41 (j) ~~With respect to any transferred employee who elects to remain a~~  
42 ~~member of the Kansas public employees retirement system, the Kansas~~  
43 ~~board of regents basic retirement plan, or of any other sponsored plan~~

2-13

2-14

1 for providing retirement or group life insurance benefits as an employee  
 2 of the university of Kansas medical center, the *The authority will be a*  
 3 *participating employer for the purposes of the Kansas public em-*  
 4 *ployees retirement system and shall collect and pay all employee and*  
 5 *employer contributions to the Kansas public employees retirement sys-*  
 6 *tem, the Kansas board of regents basic retirement plan, or of any other*  
 7 *sponsored plan for providing retirement or group life insurance benefits*  
 8 *as an employee of the university of Kansas medical center in accordance*  
 9 *with the provisions of K.S.A. 74-4034 et seq. and amendments thereto*  
 10 *for such transferred employees.*

11 Sec. 12. (a) (1) The authority has the power and is authorized to issue  
 12 from time to time the authority's bonds in such principal amounts as the  
 13 authority determines to be necessary to provide sufficient funds for,  
 14 achieving any of the authority's corporate purposes, including the pay-  
 15 ment of interest on bonds of the authority, the establishment of reserves  
 16 to secure such bonds, refunding any outstanding bonds and all other ex-  
 17 penditures of the authority incident to and necessary or convenient to  
 18 carry out its corporate purposes and powers.

19 (2) Except as may otherwise be expressly provided by the authority,  
 20 every issue of the authority's bonds shall be general obligations of the  
 21 authority payable out of any revenues or moneys of the authority, subject  
 22 only to any agreements with the holders of particular bonds pledging any  
 23 particular revenues.

24 (b) ~~The bonds shall be authorized by a resolution adopted by the~~  
 25 ~~board of directors.~~

26 (c) Any resolution authorizing any bonds or any issue thereof may  
 27 contain such provisions as deemed appropriate by the board for the pur-  
 28 pose of carrying out the authority's corporate purposes and securing such  
 29 bonds, which shall be a part of the contract with the holders thereof, as  
 30 to:

31 (1) Pledging all or any part of the revenues of the authority to secure  
 32 the payment of the bonds or of any issue thereof, subject to such agree-  
 33 ments with bondholders as may then exist;

34 (2) pledging all or any part of the assets of the authority to secure the  
 35 payment of the bonds or of any issue of bonds, subject to such agreements  
 36 with bondholders as may then exist, such assets to include any grant or  
 37 contribution from the federal government or any corporation, association,  
 38 institution or person;

39 (3) the setting aside of reserves or sinking funds and the regulation  
 40 and disposition thereof;

41 (4) limitations on the purpose to which the proceeds of sale of bonds  
 42 may be applied and pledging such proceeds to secure the payment of the  
 43 bonds or of any issues thereof;

(1)

(2) For each bond issuance, the board shall select a bond financing team, including bond counsel and bond underwriter and any other professional service provider required, to provide all professional services required for the bond issuance. The selection shall be based on responses to a request for proposals from qualified professional firms, administered in accordance with policies adopted by the board.



2-15

1 (5) limitations on the issuance of additional bonds, the terms upon  
which additional bonds may be issued and secured, and the refunding of  
outstanding or other bonds;

4 (6) the procedure, if any, by which the terms of any contract with  
5 bondholders may be amended or abrogated, the amount of bonds the  
6 holders of which must consent thereto, and the manner in which such  
7 consent may be given;

8 (7) limitations on the amount of moneys to be expended by the au-  
9 thority for operating expenses of the authority;

10 (8) vesting in a trustee such property, rights, powers and duties in  
11 trust as the authority may determine, which may include any or all of the  
12 rights, powers and duties of the trustee appointed by the bondholders  
13 pursuant to this act, and limiting or abrogating the right of the bond-  
14 holders to appoint a trustee under this act or limiting the rights, powers  
15 and duties of such trustee;

16 (9) defining the acts or omissions to act which shall constitute a de-  
17 fault in the obligations and duties of the authority to the holders of the  
18 bonds and providing for the rights and remedies of the holders of the  
19 bonds in the event of such default, including as a matter of right the  
20 appointment of a receiver, except that such rights and remedies shall not  
21 be inconsistent with the general laws of this state and the other provisions  
22 of this act;

23 (10) any other matters, of like or different character, which in any  
24 way affect the security or protection of the holders of the notes or bonds.

25 (d) Any of the provisions relating to any bonds described in this sec-  
26 tion may be set forth in a trust indenture authorized by a resolution of  
27 the board of directors.

28 (e) The bonds of each issue may, in the discretion of the board of  
29 directors, be made redeemable before maturity at such prices and under  
30 such terms and conditions as may be determined by the board of direc-  
31 tors. Bonds shall mature at such time, not exceeding thirty years from  
32 their date of issue, as may be determined by the board. The bonds may  
33 be issued as serial bonds payable in annual installments or as term bonds  
34 or as a combination thereof. The bonds shall bear interest at such rate  
35 either fixed or variable, be in such denominations, be in such form, either  
36 coupon or registered, carry such registration privileges, be executed in  
37 such manner, be payable in such medium of payment and at such place,  
38 and be subject to such terms of redemption as provided in the resolution  
39 of trust indenture. The bonds of the authority may be sold by the au-  
40 thority, at public or private sale, at such price as the board of directors  
41 shall determine.

42 (f) In case any officer whose signature or a facsimile of whose sig-  
nature appears on any bonds or coupons attached thereto ceases to be

2-16

1 such officer before the delivery thereof, such signature or such facsimile  
 2 shall nevertheless be valid and sufficient for all purposes the same as if  
 3 he had remained in office until such delivery. The board [of directors] may  
 4 also provide for the authentication of the bonds by a trustee or fiscal  
 5 agent.

such officer

6 (g) Prior to the preparation of definitive bonds, the authority may,  
 7 under like restrictions, issue interim receipts or temporary bonds until  
 8 such definitive bonds have been executed and are available for delivery.

9 (h) The authority, subject to such agreements with bondholders as  
 10 may then exist, has the power out of any funds available therefor to pur-  
 11 chase bonds of the authority, which shall thereupon be canceled at a price  
 12 not exceeding:

13 (1) If the bonds are then redeemable, the redemption price then  
 14 applicable plus accrued interest to the next interest payment thereon; or

15 (2) if the bonds are not then redeemable, the redemption price ap-  
 16 plicable on the first date after such purchase upon which the bonds be-  
 17 come subject to redemption plus accrued interest to such date.

18 (i) In the discretion of the authority, the bonds may be secured by a  
 19 trust indenture by and between the authority and a corporate trustee,  
 20 which may be any trust company or bank having the power of a trust  
 21 company within or without this state. Such trust indenture may contain  
 22 such provisions for protecting and enforcing the rights and remedies of  
 23 the bondholders as may be reasonable and proper and not in violation of  
 24 law, including covenants setting forth the duties of the authority in rela-  
 25 tion to the exercise of its corporate powers and the custody, safeguarding  
 26 and application of all moneys. The authority may provide by such trust  
 27 indenture for the payment of the proceeds of the bonds and the revenues  
 28 to the trustee under such trust indenture or other depository and for the  
 29 method of disbursement thereof, with such safeguards and restrictions as  
 30 it may determine. All expenses incurred in carrying out such trust inden-  
 31 ture may be treated as a part of the operating expenses of the authority.

32 (j) Any bonds issued pursuant to this section, and the income there-  
 33 from (including any profit from the sale thereof) shall at all times be free  
 34 from taxation by the state or any agency, political subdivision or instru-  
 35 mentality of the state.

36 (k) Any holder of bonds issued under the provisions of this act, or  
 37 any coupons appertaining thereto and the trustee under any trust agree-  
 38 ment or resolution authorizing the issuance of such bonds, except the  
 39 rights under this act may be restricted by such trust agreement or reso-  
 40 lution, may, either at law or in equity by suit, action, mandamus or other  
 41 proceeding, protect and enforce any and all rights under the laws of the  
 42 state or granted under this act or under such agreement or resolution, or  
 43 under any other contract executed by the authority pursuant to this act,

2-17

1 and may enforce and compel the performance of all duties required by  
 2 this act or by such trust agreement or resolution to be performed by the  
 authority or by an officer thereof.

3 (l) Notwithstanding any of the foregoing provisions of this act or any  
 5 recitals in any bonds issued under the provisions of this act, all such bonds  
 6 and interest coupons appertaining thereto shall be negotiable instruments  
 7 under the laws of this state, subject only to any applicable provisions for  
 8 registration.

9 (m) Bonds issued under the provisions of this act are hereby made  
 10 securities in which all insurance companies, trust companies, banking  
 11 associations, savings and loan associations, investment companies, execu-  
 12 tors, administrators, trustees and other fiduciaries may properly and le-  
 13 gally invest funds, including capital in their control or belonging to them.  
 14 Such bonds are hereby made securities which may properly and legally  
 15 be deposited with and received by any state or municipal officer or any  
 16 agency or political subdivision of the state for any purpose for which the  
 17 deposit of bonds or obligations of the state is authorized by law.

18 (n) Neither the state of Kansas nor the regents shall be liable for  
 19 bonds of the authority, and such bonds shall not constitute a debt of the  
 20 state or of the regents. The bonds shall contain on the face thereof a  
 21 statement to such effect.

22 (o) Neither the members of the board [of directors] nor any authorized  
 23 person executing bonds issued pursuant to this act shall be personally  
 24 liable for such bonds by reason of the execution or issuance thereof.

25 (p) The authority shall submit to the regents, the governor and the  
 26 legislature within six months after the end of the fiscal year a report which  
 27 shall set forth a complete and detailed operating and financial statement  
 28 of the authority during such year. Also included in the report shall be  
 29 **comprehensive information regarding all audit reports performed**  
 30 **in such year including any legislative post audit report performed**  
 31 **under K.S.A. 46-1106 et seq. and amendments thereto and any rec-**  
 32 **ommendations with reference to additional legislation or other action that**  
 33 **may be necessary to carry out the purposes of the authority.**

34 (q) This state does hereby pledge to and agree with the holders of  
 35 any bonds issued under this act that this state will not limit or alter the  
 36 rights hereby vested in the authority to fulfill the terms of any agreements  
 37 made with the [said] holders thereof or in any way impair the rights and  
 38 remedies of such holders until such bonds, together with the interest  
 39 thereon, with interest on any unpaid installments of interest, and all costs  
 40 and expenses in connection with any action or proceeding by or on behalf  
 41 of such holders are fully met and discharged. The authority is authorized  
 42 to include this pledge and agreement of this state in any agreement with  
 43 the holders of such bonds.

[such

1 (r) Nothing in this act shall be construed as a restriction or limitation  
2 upon any other powers which the authority might otherwise have under  
3 any other law of this state, and this act is cumulative to any such powers.  
4 This act does and shall be construed to provide a complete, additional  
5 and alternative method for the doing of the things authorized thereby  
6 and shall be regarded as supplemental and additional to powers conferred  
7 by other laws. However, the issuance of bonds under the provisions of  
8 this act need not comply with the requirements of any other state law  
9 applicable to the issuance of bonds. No proceedings, notice or approval  
10 shall be required for the issuance of any bonds or any instrument as  
11 security therefor, except as is provided in this act.

12 (s) Any of the provisions relating to bonds described in this section  
13 may be included in any contracts between the authority and the Kansas  
14 development finance authority relating to obligations of the Kansas de-  
15 velopment finance authority issued on behalf of the authority.

16 Sec. 13. The authority shall be exempt from any general ad valorem  
17 taxes upon any property of the authority acquired and used for its public  
18 purposes, and from any taxes or assessments upon any projects or upon  
19 any operations of the authority or the income therefrom, and from any  
20 taxes or assessments upon any project or any property or local obligation  
21 acquired or used by the authority under the provisions of this act or upon  
22 the income therefrom. Purchases by the authority to be used for its public  
23 purposes shall not be subject to sales or use tax under K.S.A. 79-3601 *et*  
24 *seq.*, K.S.A. 79-3701 *et seq.* and subsection (b) of K.S.A. 79-3606 *et seq.*  
25 and amendments thereto. The exemptions hereby granted shall not ex-  
26 tend to persons or entities conducting on the authority's property business  
27 for which payment of state and local taxes would otherwise be required.

28 Sec. 14. The authority is authorized to enter into contractual agree-  
29 ments with the university of Kansas medical center for the provision of  
30 services. Such agreements shall provide for appropriate compensation to  
31 the entity providing the service. When the university wishes to acquire  
32 services from the authority, such acquisitions shall be exempt from state  
33 purchasing statutes and *may be* acquired on a sole source basis. Copies  
34 of such contractual agreements between the authority and the university  
35 shall be maintained on file in the office of the board of regents.

36 Sec. 15. Notwithstanding any other provision of law to the contrary,  
37 the [university of Kansas hospital] authority, its officers, directors, employ-  
38 ees and agents shall continue to be subject to and covered by the Kansas  
39 tort claims act, K.S.A. 75-6101, *et seq.* and amendments thereto.

40 Sec. 16. *K.S.A. 1996 Supp. 75-6117 is hereby amended to read*  
41 *as follows: 75-6117. (a) There is hereby established in the state*  
42 *treasury the tort claims fund which shall be administered by the*  
*attorney general. All expenditures from such fund shall be made*

1 upon warrants of the director of accounts and reports pursuant to  
2 vouchers approved by the attorney general or by a designee of the  
3 attorney general.

4 (b) Moneys in the tort claims fund shall be used only for the  
5 purpose of paying (1) compromises, settlements and final judgments  
6 arising from claims against the state or an employee of the state  
7 under the Kansas tort claims act or under the civil rights laws of  
8 the United States or of the state of Kansas and (2) costs of defending  
9 the state or an employee of the state in any actions or proceedings  
10 on those claims. Payment of a compromise or settlement shall be  
11 subject to approval by the state finance council as provided in  
12 K.S.A. 75-6106 and amendments thereto. Payment of a final judg-  
13 ment shall be made from the fund if there has been a determination  
14 of any appeal taken from the judgment or, if no appeal is taken, if  
15 the time for appeal has expired. No payment shall be made from the  
16 fund to satisfy a compromise, settlement or final judgment when  
17 there exists insurance coverage obtained therefor, except that pay-  
18 ment shall be made from the fund to satisfy a compromise settlement  
19 or final judgment for claims against the state or an employee of the  
20 state in any actions or proceedings arising from rendering or failure  
21 to render professional services by (A) a charitable health care pro-  
22 vider as defined by K.S.A. 75-6102 and amendments thereto, (B) a  
23 local health department as defined by K.S.A. 65-241 and amend-  
24 ments thereto or an employee thereof, or (C) an indigent health care  
25 clinic as defined by K.S.A. 75-6115 and amendments thereto, or an  
26 employee thereof, even if there exists insurance coverage obtained  
27 therefor.

28 (c) Upon certification by the attorney general to the director of  
29 accounts and reports that the unencumbered balance in the tort  
30 claims fund is insufficient to pay an amount for which the fund is  
31 liable, the director of accounts and reports shall transfer an amount  
32 equal to the insufficiency from the state general fund to the tort  
33 claims fund.

34 (d) When payment is made from the Kansas tort claims fund on be-  
35 half of the university of Kansas hospital authority, the authority shall  
36 transfer to the tort claims fund an amount equal to the payment made by  
37 the tort claims fund on behalf of the authority.

38 (e) This section shall be part of and supplemental to the Kansas  
39 tort claims act.

40 Sec. 17. K.S.A. 1996 Supp. 76-745 is hereby amended to read  
41 as follows: 76-745. (a) As used in this section "negotiating commit-  
42 tee" means a committee to negotiate as provided in this act, and  
43 consisting of the executive officer of the state board of regents or a

2-20

1 person designated by the executive officer, two representatives of  
 2 the state educational institutions as designated by the state board  
 3 of regents and the director of purchases or a person designated by  
 4 the director of purchases; except that for collection services for hospital  
 5 revenue collection for the university of Kansas medical center, the ne-  
 6 gotiating committee shall consist of the chairperson of the state board of  
 7 regents or a person designated by the chairperson; the attorney general  
 8 or a person designated by the attorney general; and the chancellor of the  
 9 university of Kansas or a person designated by the chancellor.

10 (b) The state board of regents shall convene a negotiating com-  
 11 mittee to obtain collection services. The negotiating committee is  
 12 authorized to negotiate contracts with one or more qualified parties  
 13 to provide collection services for the state educational institutions  
 14 and such contracts may be entered on a multi-year basis; except in  
 15 the case of collection services for hospital revenue collection for the uni-  
 16 versity of Kansas medical center, each contract for such collection services  
 17 shall be negotiated on the basis of criteria prescribed by the university of  
 18 Kansas medical center and shall be entered into by the university of Kan-  
 19 sas medical center and one or more qualified parties.

20 (c) Prior to negotiating for collection services, the committee  
 21 shall advertise for proposals, negotiate with firms submitting pro-  
 22 posals and select among those submitting such proposals the party  
 23 or parties to contract with for the purposes of collection services.

24 (d) Contracts entered into pursuant to this section shall not be  
 25 subject to the provisions of K.S.A. 75-3738 to 75-3740a, inclusive,  
 26 and amendments thereto.

27 Sec. 16 18. Notwithstanding any other provision of law to the con-  
 28 trary, the [university of Kansas hospital] authority, its officers, directors,  
 29 employees and agents shall continue to be subject to the provisions of  
 30 K.S.A. 40-3401, et seq. and amendments thereto.

31 Sec. 17 19. This act shall be liberally construed. Nothing contained  
 32 herein is or shall be construed as a restriction of limitation upon any  
 33 powers which the authority might otherwise have under other law of this  
 34 state, and the provisions of this act are cumulative to such powers. The  
 35 provisions hereof do and shall be construed to provide a complete, ad-  
 36 ditional and alternative method for the doing of the things authorized and  
 37 shall be regarded as supplemental and additional to any other laws. In-  
 38 sofar as the provisions of this act are inconsistent with the provisions of  
 39 any other law, general, specific or local, the provisions of this act shall be  
 40 controlling.

41 Sec. 18 20. Nothing in this act should be construed as allowing the  
 42 board to either sell or lease the hospital or merge it with another insti-  
 43 tution without legislative authorization [if the legislature is not in session,

prior

12-21

this authority is hereby delegated to the state finance council

by statute

Sec. 19 21. If any provision of this act or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

Sec. 20 22. (a) Notwithstanding any laws or regulations to the contrary, the authority shall not be subject to any further process or procedure that requires the submission, review or approval to any capital project; however, the authority shall ensure that nationally recognized fire prevention code and life safety inspections under K.S.A. 31-132 et seq. and amendments thereto of any capital project are conducted and that such projects are inspected by the state fire marshal or his designee prior to certification for building occupancy.

marshal, or the state fire marshal's designee,

(b) The authority shall also be subject to any applicable state, county and local building codes.

(c) The state building codes shall supersede any like standards of a county or local code unless those standards are more stringent than the state standards.

Sec. 21 23. After the effective date of this act and prior to the transfer date, the university of Kansas medical center is authorized to transfer funds from the hospital revenue fund to the authority upon approval of the board of regents.

Sec. 22 24. The authority shall be exempted from the provisions of K.S.A. 12-1675 through 12-1677, 75-1250 through 75-1270, 75-2925 through 75-2975, 75-3701 through 75-37,119, 75-4701 through 75-4744, and 77-501 through 77-550 and amendments thereto.

Sec. 25. K.S.A. 1996 Supp. 74-4910 is hereby amended to read as follows: 74-4910. (1) An eligible employer may join the system on January 1 of any year. Application for affiliation shall be in the form of a resolution approved by the governing or legislative body of the eligible employer or by any other body or officer authorized by law or recognized by the board to approve the action. No city or township shall become a participating employer except by the adoption of a resolution therefor, which shall be published once in the official city or township newspaper or, if there is none, in a newspaper of general circulation in the city or county. No such resolution shall take effect until 60 days after its final publication. If within 60 days of its final publication a petition signed by electors equal in number to not less than 10% of the electors who voted at the last preceding regular election in the township, in the case of townships, the last regular city election in the city, in the case of cities is filed in the office of the clerk of such city, or township demanding that such resolution be submitted to a vote of the elec-

2-22

1 tors, the resolution shall not take effect until submitted to a refer-  
2 endum and approved by a majority of the electors voting thereon.

3 A  $\frac{2}{3}$  vote of the members-elect of the governing body shall be nec-  
4 essary for the affiliation of any eligible employer other than a city  
5 or township. An application for affiliation with the system shall be  
6 filed with the board not later than 30 days prior to the date partic-  
7 ipation is to begin, except as such time limit may be extended by  
8 the board. Upon the filing of a certified copy of such resolutions  
9 with the board an election pursuant to this section shall be irrevoc-  
10 able, and the employer shall become a participating employer on  
11 January 1 of the year immediately following the filing of such elec-  
12 tion with the board.

13 (2) The state of Kansas in its capacity as an eligible employer,  
14 shall become, by operation of law, a participating employer on the  
15 first entry date as shall the university of Kansas hospital authority. The  
16 Kansas turnpike authority shall not become a participating em-  
17 ployer nor shall its officers or employees be covered by the retire-  
18 ment system until such time as its governing body by a  $\frac{2}{3}$  vote of  
19 the members of such governing body adopts a resolution for affill-  
20 ation and files the same in the same manner and on the same con-  
21 ditions as in the case of an eligible employer other than a city or  
22 township.

23 (3) If a participating employer is paying or has paid the salary  
24 or other compensation of the judge, clerk or any other employee,  
25 whether elective or appointive, such judge, clerk or other employee  
26 of such court or courts, whether elective or appointive, shall be  
27 deemed an employee of the participating employer. Such employee  
28 shall be governed by the provisions governing other eligible em-  
29 ployees of such participating employer. Any participating employer  
30 which has not heretofore included such employees as eligible em-  
31 ployees under the retirement system shall on the first day of the  
32 month coinciding with or following the effective date of this act  
33 include such employees if otherwise eligible as eligible employees  
34 under the retirement system. Such employees, whether elective or  
35 appointive, if employed on the employer's entry date may elect to  
36 pay forthwith the employee contributions from the employer's entry  
37 date and thereby be governed by the provisions governing other  
38 employees employed by the participating employer on entry date  
39 except that no such employee shall be considered to be new em-  
40 ployees on the first day of the month coinciding with or following  
41 the effective date of this act and commence making employee con-  
42 tributions in compliance with other provisions governing the re-  
retirement system and the participating employer shall make the emp-



1 ~~employer contributions in accordance with the alternative elected by~~  
2 ~~the employee and other provisions governing the retirement system.~~

3 ~~(4) Any employer whose employees are covered by social se-~~  
4 ~~curity and who otherwise do not meet the provisions of subsection~~  
5 ~~(13) of K.S.A. 74-4902 and amendments thereto may elect to affiliate~~  
6 ~~under this section upon meeting the definition of a governmental~~  
7 ~~entity or instrumentality as determined by the system. If, subse-~~  
8 ~~quent to such determination, the United States internal revenue~~  
9 ~~service determines that such employer does not meet the definition~~  
10 ~~of a governmental entity or instrumentality, such affiliation shall~~  
11 ~~be null and void and all employee accrued rights associated with~~  
12 ~~such affiliation shall be null and void and the system shall refund~~  
13 ~~such amounts presently credited to each employee's account and an~~  
14 ~~equivalent amount to the employer for each employee. The provi-~~  
15 ~~sions of this subsection shall apply to current and future partici-~~  
16 ~~parting employers.~~

17 ~~"Sec. 26. K.S.A. 1996 Supp. 74-4925 is hereby amended to read~~  
18 ~~as follows: 74-4925. (1) The state board of regents shall:~~

19 ~~(a) Assist all those members of the faculty and other persons~~  
20 ~~who are employed by the state board of regents or by educational~~  
21 ~~institutions under its management and members of the university of~~  
22 ~~Kansas hospital authority who are in the unclassified service under~~  
23 ~~the Kansas civil service act as provided in subsection (1)(f) of K.S.A.~~  
24 ~~75-2935 and amendments thereto, except health care employees, as~~  
25 ~~defined by subsection (1)(f) of K.S.A. 75-2935 and amendments~~  
26 ~~thereto, in the purchase of retirement annuities for their service~~  
27 ~~rendered after December 31, 1961. Effective on the first day of the~~  
28 ~~first payroll period commencing with or following July 1, 1994,~~  
29 ~~county extension agents employed by Kansas state university under~~  
30 ~~K.S.A. 2-615 and amendments thereto shall be eligible for assistance~~  
31 ~~by the state board of regents in the purchase of retirement annuities~~  
32 ~~under this section. The state board of regents shall not assist any~~  
33 ~~such person who is employed after December 31, 1961, until such~~  
34 ~~person has been employed for a waiting period of at least one year~~  
35 ~~except that (i) the state board of regents may assist any newly em-~~  
36 ~~ployed person immediately if at the time of the commencement of~~  
37 ~~employment the person is covered by a valid retirement annuity~~  
38 ~~contract issued by a company described in subsection (2) which was~~  
39 ~~entered into pursuant to a retirement pension plan adopted for fac-~~  
40 ~~ulty members or other persons, or both, employed by an institution~~  
41 ~~of higher education and to which such person or such person's em-~~  
42 ~~ployer on such person's behalf has been making contributions for~~  
43 ~~at least one year, and (ii) all periods of employment with (A) par-~~

2-23

H22

1 ~~participating employers under the Kansas public employees retirement~~  
2 ~~system, for which employment participating service credit accrued,~~  
3 ~~or (B) institutions of higher education in other states for which em-~~  
4 ~~ployment retirement benefits accrued under a retirement system or~~  
5 ~~plan provided for such employment, shall be credited toward sat-~~  
6 ~~isfaction of such one-year waiting period if served, in either case,~~  
7 ~~during the five years immediately preceding employment with the~~  
8 ~~state board of regents or with an educational institution under its~~  
9 ~~management in the unclassified service under the Kansas civil ser-~~  
10 ~~vices act as provided in subsection (1)(f) of K.S.A. 75-2935 and amend-~~  
11 ~~ments thereto, in addition to such employment with the state board~~  
12 ~~of regents or with an educational institution under its management;~~  
13 ~~no period of employment as a student employee, as a seasonal or~~  
14 ~~temporary employee or as a part-time employee, whose employment~~  
15 ~~requires less than 1,000 hours of work per year, shall be credited~~  
16 ~~toward the one-year waiting period under subsection (1)(a); this act~~  
17 ~~shall not apply to persons employed in such temporary and part-~~  
18 ~~time positions designated by the state board of regents as exceptions~~  
19 ~~hereto;~~

20 (b) ~~require such members of the faculty and others described in~~  
21 ~~subsection (1)(a) who are so assisted by the state board of regents~~  
22 ~~to contribute an amount toward the purchase of such retirement~~  
23 ~~annuities of 5.5% of their salaries, such contributions to be made~~  
24 ~~through payroll deductions and on a pretax basis;~~

25 (c) ~~contribute an amount toward the purchase of such retire-~~  
26 ~~ment annuities equal to the percentage amount, as prescribed by~~  
27 ~~K.S.A. 74-4925e and amendments thereto, of the total amount of the~~  
28 ~~salaries on which such members of the faculty and others described~~  
29 ~~in subsection (1)(a) contribute during such period for which the~~  
30 ~~contribution of the state board of regents is made;~~

31 (d) ~~provide, under such rules and regulations as the state board~~  
32 ~~of regents may adopt, for the retirement of any such member of the~~  
33 ~~faculty or other person described in subsection (1)(a) on account~~  
34 ~~of age or condition of health, retirement of such member of the~~  
35 ~~faculty or other person described in subsection (1)(a) on account~~  
36 ~~of age to be not earlier than the 55th birthday and prior to January~~  
37 ~~1, 1994, not later than the end of the academic year following the~~  
38 ~~70th year. On and after January 1, 1994, there shall be no man-~~  
39 ~~datory retirement on account of age. Any person who retires under~~  
40 ~~this section and who receives benefits from the Kansas public em-~~  
41 ~~ployees retirement system for prior service credit shall have such~~  
42 ~~benefits calculated in accordance with the applicable provisions of~~  
43 ~~K.S.A. 74-4914 and 74-4915 and amendments thereto.~~

1 ~~(2) For the purposes of this section the state board of regents~~  
2 ~~may contract with:~~

3 ~~(a) Any life insurance company authorized to do business in this~~  
4 ~~state; or~~

5 ~~(b) any life insurance company organized and operated without~~  
6 ~~profit to any private shareholder or individual exclusively for the~~  
7 ~~purpose of aiding and strengthening educational institutions by is-~~  
8 ~~suing insurance and annuity contracts only to or for the benefit of~~  
9 ~~such institution and individuals engaged in the services of such in-~~  
10 ~~stitutions, whether or not such company is authorized to do business~~  
11 ~~in Kansas. No premium tax or income tax shall be due or payable~~  
12 ~~on such annuity contract or contracts for such retirement programs~~  
13 ~~issued by a company described in this subsection (2)(b), except that~~  
14 ~~neither the purchase nor the issuance of such retirement annuities~~  
15 ~~from or by a company described in this subsection (2)(b) shall con-~~  
16 ~~stitute the effecting of a contract of insurance.~~

17 ~~(3) (a) Such member of the faculty or other person described~~  
18 ~~in subsection (1)(a) shall also be a member of the Kansas public~~  
19 ~~employees retirement system, but only for the purpose of granting~~  
20 ~~retirement benefits based on prior service only which was rendered~~  
21 ~~prior to January 1, 1962, which shall be credited to the member as~~  
22 ~~provided in subsection (1) of K.S.A. 74-4913 and amendments~~  
23 ~~thereto, except that such member of the faculty or other person~~  
24 ~~described in subsection (1)(a) who was employed prior to July 1,~~  
25 ~~1962, who has not yet retired and who is employed on July 1, 1988,~~  
26 ~~on an academic year contract, shall receive credit for 12 months of~~  
27 ~~prior service for each nine months of prior service for which such~~  
28 ~~member or person was employed on an academic year contract~~  
29 ~~prior to July 1, 1962. For the purpose of determining eligibility for~~  
30 ~~a vested benefit, service by such a member of the faculty or other~~  
31 ~~person after December 31, 1961, shall be construed to be credited~~  
32 ~~service under subsection (2) of K.S.A. 74-4917 and amendments~~  
33 ~~thereto.~~

34 ~~(b) Any member of the faculty or other person described in sub-~~  
35 ~~section (1)(a) who retires after 10 years of continuous service im-~~  
36 ~~mediately preceding retirement shall be granted a retirement ben-~~  
37 ~~efit based on prior service only which was rendered prior to January~~  
38 ~~1, 1962. Application for such benefit shall be in such form and man-~~  
39 ~~ner as the board shall prescribe.~~

40 ~~(4) For the purpose of establishing a procedure whereby the~~  
41 ~~state board of regents and any member of the faculty or other per-~~  
42 ~~son described in subsection (1)(a), subject to rules and regulations~~  
43 ~~of the state board of regents, may take advantage of section 403(a)~~

2-25

1 or (b) of the federal internal revenue code of 1986 or any other  
2 section of the federal internal revenue code of 1986 which defers or  
3 excludes amounts from inclusion in income, any member of the fac-  
4 ulty or any other person described in subsection (1)(a), whether or  
5 not such person has satisfied the one-year waiting period require-  
6 ment under subsection (1)(a), may request in writing that the state  
7 board of regents reduce such person's annual salary, as fixed by the  
8 board, in an amount equal to not less than 5% nor more than the  
9 percentage allowed under section 403(b) of the federal internal rev-  
10 enue code of 1986, as designated by such member of the faculty or  
11 other person described in subsection (1)(a), of the gross amount of  
12 such annual salary. In the event of such request by a faculty mem-  
13 ber or other person who is required to make the contribution as  
14 provided in subsection (1)(b), such person shall not be required to  
15 make such contribution and the state board of regents shall provide  
16 a sum equal to the percentage amount, as prescribed by K.S.A. 74-  
17 4925e and amendments thereto, of the gross annual salary of the  
18 member of the faculty or other person and shall purchase for and  
19 on behalf of each such person whose salary has been so reduced a  
20 retirement annuity contract or contracts, the annual premiums for  
21 which shall be equal to the sum of the amount of the salary reduc-  
22 tion of the member of the faculty or other person and the amount  
23 paid by the state board of regents. In the event of such request by  
24 a faculty member or other person who is serving the one-year wait-  
25 ing period pursuant to subsection (1)(a) who is not required to make  
26 the contribution as provided in subsection (1)(b), the state board  
27 of regents shall purchase for and on behalf of each such person  
28 whose salary has been so reduced a retirement annuity contract or  
29 contracts, the annual premiums for which shall be equal to the sum  
30 of the amount of the salary reduction of the member of the faculty  
31 or other person, but the state board of regents shall not provide the  
32 sum equal to the percentage amount, as prescribed by K.S.A. 74-  
33 4925e and amendments thereto, of the gross annual salary of such  
34 person as provided for such person who is required to make the  
35 contribution as provided in subsection (1)(b). Such retirement an-  
36 nuity contracts may be purchased by the state board of regents from  
37 companies described in subsection (2)(a) and subsection (2)(b) or  
38 from noninsurance companies who offer retirement plans that meet  
39 the requirements of section 403(b) of the federal internal revenue  
40 code of 1986, except that the state board of regents may require  
41 that the first 5% of the gross amount of such person's annual salary  
42 which is reduced under this subsection (4) and the amount equal to  
43 the percentage amount, as prescribed by K.S.A. 74-4925e and

1 amendments thereto, of the gross amount of such person's annual  
2 salary which is provided by the state board of regents for the pur-  
3 chase of retirement annuity contracts under this subsection (4), if  
4 required to be provided under this subsection (4), shall be used to  
5 purchase such retirement annuity contracts from such company or  
6 companies as may be designated by the state board of regents for  
7 such purposes. The director of accounts and reports is authorized  
8 to draw warrants on the state treasurer upon the filing with the  
9 director of proper vouchers for the amount of the premium on the  
10 retirement annuity contract to be paid pursuant to the terms of such  
11 contracts and this act.

12 (5) All employees who are described in subsection (1)(a) and  
13 who commence such employment on and after July 1, 1976, shall  
14 receive assistance under subsection (1) and shall be covered by a  
15 valid retirement annuity contract issued by a company described  
16 in subsection (2).

17 (6) Any employee of the state board of regents or of an educa-  
18 tional institution under its management or members of the university  
19 of Kansas hospital authority, other than an elected official, who is  
20 receiving or is eligible for assistance by the state board of regents  
21 in the purchase of a retirement annuity under this section and who  
22 becomes ineligible for such assistance because such employee's po-  
23 sition is reclassified to a position in the classified service under the  
24 Kansas civil service act or who becomes ineligible for such assis-  
25 tance because such employee transfers to a position in the classified  
26 service under the Kansas civil service act with the state board of  
27 regents or an educational institution under its management, shall  
28 become a member of the Kansas public employees retirement system  
29 in accordance with the provisions of subsection (5) of K.S.A. 74-  
30 4911 and amendments thereto, unless such employee files a written  
31 election in the office of the Kansas public employees retirement sys-  
32 tem, in the form and manner prescribed by the board of trustees  
33 thereof, to remain eligible for assistance by the state board of re-  
34 gents under this section prior to the first day of the first complete  
35 payroll period occurring after the effective date of such reclassifi-  
36 cation or transfer. Failure to file such written election shall be pre-  
37 sumed to be an election not to remain eligible for assistance by the  
38 state board of regents under this section and to become a member  
39 of the Kansas public employees retirement system under subsection  
40 (5) of K.S.A. 74-4911 and amendments thereto. Such election,  
41 whether to remain eligible for such assistance or to become a mem-  
42 ber of such system, shall be effective as of the effective date of such  
43 reclassification or transfer and shall be irrevocable.

4-2-7

82-2

1 (7) *The state board of regents shall adopt uniform policies ap-*  
 2 *plicable to members of the faculty and other persons, who are em-*  
 4 *ployed by the state board of regents or, by any educational insti-*  
 5 *tution under its management or the university of Kansas hospital*  
 6 *authority and who are in the unclassified service under the Kansas*  
 7 *civil service act as provided in subsection (1)(f) of K.S.A. 75-2935*  
 8 *and amendments thereto, except health care employees, as defined*  
 9 *by subsection (1)(f) of K.S.A. 75-2935 and amendments thereto, for*  
 10 *the purposes of administering the provisions of this section and the*  
 11 *provision of retirement annuities and other benefits hereunder. All*  
 12 *assistance provided by the state board of regents for such persons,*  
 13 *and agreements entered into therefor, pursuant to this section prior*  
 14 *to the effective date are hereby authorized, confirmed and val-*  
 15 *dated.*

16 (8) *Any employee described in subsection (1)(a) who is on leave*  
 17 *of absence and who accepts a position in the executive branch of*  
 18 *government may file a written election in the office of the Kansas*  
 19 *public employees retirement system, in the form and manner pre-*  
 20 *scribed by the board, to remain eligible for assistance by the state*  
 21 *board of regents under this section prior to the first day of the first*  
 22 *complete payroll period occurring after the commencement of such*  
 23 *service in the executive branch of government. Failure to file such*  
 24 *written election shall be presumed to be an election not to remain*  
 25 *eligible for assistance by the state board of regents. The state board*  
 26 *of regents shall contribute an amount toward the purchase of re-*  
 27 *irement annuities on behalf of such employee equal to the sum of*  
 28 *the amounts provided in subsection (1)(c).*

29 *Sec. 27. K.S.A. 1996 Supp. [74-4910, 74-4925, 75-6117 and] 76-*  
 30 *745, are hereby repealed.*

31 *Sec. 28. This act shall take effect and be in force from and after*  
*July 1, 1997, and its publication in the statute book.*

New Sec. 25. The authority shall affiliate with the Kansas public employees retirement system on the transfer date as defined in section 3 and amendments thereto, in accordance with the provisions of K.S.A. 74-4910 and 74-4927 and amendments thereto for current and future employees. Any person who was an employee of the university of Kansas medical center and a member of the system on the transfer date and whose employment is transferred to the authority as provided in the university of Kansas hospital authority act shall continue to be a member of the system. For all those members of the faculty and other persons employed by the board of regents who were receiving assistance in the purchase of retirement annuities as provided in K.S.A. 74-4925 and amendments thereto on the transfer date and whose employment is transferred to the authority as provided in the university of Kansas hospital authority act, the authority shall assist such employees in the purchase of retirement annuities as provided in K.S.A. 74-4925 and amendments thereto and shall continue to provide the insured death and disability benefits as provided in K.S.A. 74-4927a and 74-4927g and amendments thereto. For future employees employed by the authority on or after the transfer date, the authority shall designate whether such employee shall be a member of the system or whether the authority shall provide assistance in the purchase of retirement annuities as provided in K.S.A. 74-4925 and amendments thereto.

Sec. 26 & 27 see insert A (attached).

, 79-201b and 79-3606

Sec. 26. K.S.A. 1996 Supp. 79-201b is hereby amended to read as follows: 79-201b. The following described property, to the extent herein specified, shall be and is hereby exempt from all property or ad valorem taxes levied under the laws of the state of Kansas:

First. All real property, and tangible personal property, actually and regularly used exclusively for hospital purposes by a hospital as the same is defined by K.S.A. 65-425, and amendments thereto, or a psychiatric hospital as the same was defined by K.S.A. 59-2902, and amendments thereto, as in effect on January 1, 1976, which hospital or psychiatric hospital is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, or a public hospital authority; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such a corporation and used exclusively for hospital ~~or~~, psychiatric hospital or public hospital authority purposes. This exemption shall not be deemed inapplicable to property which would otherwise be exempt pursuant to this paragraph because any such hospital ~~or~~, psychiatric hospital or public hospital authority: (a) Uses such property for a nonexempt purpose which is minimal in scope and insubstantial in nature if such use is incidental to the exempt purpose enumerated in this paragraph; or (b) is reimbursed for the actual expense of using such property for the exempt purposes enumerated in this paragraph or paragraph second of K.S.A. 79-201, and amendments thereto; or (c) permits the use of such property for the exempt purposes enumerated in this paragraph or paragraph second of K.S.A. 79-201, and amendments thereto, by more than one agency or organization for one or more of such purposes.

Second. All real property, and tangible personal property, actually and regularly used exclusively for adult care home

purposes by an adult care home as the same is defined by K.S.A. 39-923, and amendments thereto, which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, charges to residents for services of which produce an amount which in the aggregate is less than the actual cost of operation of the home or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation, interest on indebtedness, acquisition costs, interest and other expenses of financing acquisition costs, lease expenses and costs of services provided by a parent corporation at its costs, contributions to which are deductible under the Kansas income tax act; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such corporation and used exclusively for adult care home purposes. The fact that real property or real or tangible personal property may be leased from a not-for-profit corporation, which is exempt from federal income taxation pursuant to section 501(c)(3) of the internal revenue code of 1986, and amendments thereto, and which is the parent corporation to the not-for-profit operator of an adult care home, shall not be grounds to deny exemption or deny that such property is actually and regularly used exclusively for adult care home purposes by an adult care home, nor shall the terms of any such lease be grounds for any such denial.

Third. All real property, and tangible personal property, actually and regularly used exclusively for private children's home purposes by a private children's home as the same is defined by K.S.A. 75-3329, and amendments thereto, which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, charges to



residents for services of which produce an amount which in the aggregate is less than the actual cost of operation of the home or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation and interest on indebtedness, and contributions to which are deductible under the Kansas income tax act; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such a corporation and used exclusively for children's home purposes.

Fourth. All real property and tangible personal property, actually and regularly used exclusively for housing for elderly and handicapped persons having a limited or lower income, or used exclusively for cooperative housing for persons having a limited or low income, assistance for the financing of which was received under 12 U.S.C.A. 1701 et seq., or under 42 U.S.C.A. 1437 et seq., which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such a corporation and used exclusively for the purposes of such housing. For the purposes of this subsection, cooperative housing shall mean those not-for-profit cooperative housing projects operating pursuant to sections 236 or 221(d)(3), or both, of the national housing act and which have been approved as a cooperative housing project pursuant to applicable federal housing administration and U.S. Department of Housing and Urban Development statutes, and rules and regulations, during such time as the use of such properties are restricted pursuant to such act, statutes or rules and regulations.

Fifth. All real property and tangible personal property, actually and regularly used exclusively for housing for elderly persons, which is operated by a corporation organized not for

profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, in which charges to residents produce an amount which in the aggregate is less than the actual cost of operation of the housing facility or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation and interest on indebtedness and contributions to which are deductible under the Kansas income tax act; and all intangible property including moneys, notes and other evidences of debt, and the income therefrom, belonging exclusively to such corporation and used exclusively for the purpose of such housing.

Sixth. All real property and tangible personal property actually and regularly used exclusively for the purpose of group housing of mentally ill or retarded and other handicapped persons which is operated by a corporation organized not for profit under the laws of the state of Kansas or by a corporation organized not for profit under the laws of another state and duly admitted to engage in business in this state as a foreign, not-for-profit corporation, in which charges to residents produce an amount which in the aggregate is less than the actual cost of operation of the housing facility or the services of which are provided to residents at the lowest feasible cost, taking into consideration such items as reasonable depreciation and interest on indebtedness and contributions to which are deductible under the Kansas income tax act, and which is licensed as a facility for the housing of mentally ill or retarded and other handicapped persons under the provisions of K.S.A. 75-3307b, and amendments thereto, or as a rooming or boarding house used as a facility for the housing of mentally retarded and other handicapped persons which is licensed as a lodging establishment under the provisions of K.S.A. 36-501 et seq., and amendments thereto.

The provisions of this section shall apply to all taxable years commencing after December 31, 1995.

Sec. 27. K.S.A. 1996 Supp. 79-3606 is hereby amended to read as follows: 79-3606. The following shall be exempt from the tax imposed by this act:

(a) All sales of motor-vehicle fuel or other articles upon which a sales or excise tax has been paid, not subject to refund, under the laws of this state except cigarettes as defined by K.S.A. 79-3301 and amendments thereto, cereal malt beverages and malt products as defined by K.S.A. 79-3817 and amendments thereto, including wort, liquid malt, malt syrup and malt extract, which is not subject to taxation under the provisions of K.S.A. 79-41a02 and amendments thereto, and motor vehicles as defined by K.S.A. 79-1017 and amendments thereto;

(b) all sales of tangible personal property or service, including the renting and leasing of tangible personal property, purchased directly by the state of Kansas, a political subdivision thereof, other than a school or educational institution, or purchased by a public or private nonprofit hospital or public hospital authority or nonprofit blood, tissue or organ bank and used exclusively for state, political subdivision, hospital or public hospital authority or nonprofit blood, tissue or organ bank purposes, except when: (1) Such state or, hospital or public hospital authority is engaged or proposes to engage in any business specifically taxable under the provisions of this act and such items of tangible personal property or service are used or proposed to be used in such business, or (2) such political subdivision is engaged or proposes to engage in the business of furnishing gas, water, electricity or heat to others and such items of personal property or service are used or proposed to be used in such business;

(c) all sales of tangible personal property or services, including the renting and leasing of tangible personal property, purchased directly by a public or private elementary or secondary school or public or private nonprofit educational institution and used primarily by such school or institution for nonsectarian programs and activities provided or sponsored by such school or

institution or in the erection, repair or enlargement of buildings to be used for such purposes. The exemption herein provided shall not apply to erection, construction, repair, enlargement or equipment of buildings used primarily for human habitation;

(d) all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any public or private nonprofit hospital or public hospital authority, public or private elementary or secondary school or a public or private nonprofit educational institution, which would be exempt from taxation under the provisions of this act if purchased directly by such hospital or public hospital authority, school or educational institution; and all sales of tangible personal property or services purchased by a contractor for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any political subdivision of the state, the total cost of which is paid from funds of such political subdivision and which would be exempt from taxation under the provisions of this act if purchased directly by such political subdivision. Nothing in this subsection or in the provisions of K.S.A. 12-3418 and amendments thereto, shall be deemed to exempt the purchase of any construction machinery, equipment or tools used in the constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities for any political subdivision of the state. As used in this subsection, K.S.A. 12-3418 and 79-3640, and amendments thereto, "funds of a political subdivision" shall mean general tax revenues, the proceeds of any bonds and gifts or grants-in-aid. Gifts shall not mean funds used for the purpose of constructing, equipping, reconstructing, repairing, enlarging, furnishing or remodeling facilities which are to be leased to the donor. When any political subdivision of the state, public or private nonprofit

hospital or public hospital authority, public or private elementary or secondary school or public or private nonprofit educational institution shall contract for the purpose of constructing, equipping, reconstructing, maintaining, repairing, enlarging, furnishing or remodeling facilities, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificate to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the political subdivision, hospital or public hospital authority, school or educational institution concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. If any materials purchased under such a certificate are found not to have been incorporated in the building or other project or not to have been returned for credit or the sales or compensating tax otherwise imposed upon such materials which will not be so incorporated in the building or other project reported and paid by such contractor to the director of taxation not later than the 20th day of the month following the close of the month in which it shall be determined that such materials will not be used for the purpose for which such certificate was issued, the political subdivision, hospital or public hospital authority, school or educational institution concerned shall be liable for tax on all materials purchased for the project, and upon payment thereof it may recover the same from the contractor together with reasonable attorney fees. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such

a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615, and amendments thereto;

(e) all sales of tangible personal property or services purchased by a contractor for the erection, repair or enlargement of buildings or other projects for the government of the United States, its agencies or instrumentalities, which would be exempt from taxation if purchased directly by the government of the United States, its agencies or instrumentalities. When the government of the United States, its agencies or instrumentalities shall contract for the erection, repair, or enlargement of any building or other project, it shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials for incorporation in such project. The contractor shall furnish the number of such certificates to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall furnish to the government of the United States, its agencies or instrumentalities concerned a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed upon such materials, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615 and amendments thereto;

(f) tangible personal property purchased by a railroad or public utility for consumption or movement directly and immediately in interstate commerce;

(g) sales of aircraft including remanufactured and modified aircraft, sales of aircraft repair, modification and replacement parts and sales of services employed in the remanufacture, modification and repair of aircraft sold to persons using such aircraft and aircraft repair, modification and replacement parts as certified or licensed carriers of persons or property in interstate or foreign commerce under authority of the laws of the United States or any foreign government or sold to any foreign government or agency or instrumentality of such foreign government and all sales of aircraft, aircraft parts, replacement parts and services employed in the remanufacture, modification and repair of aircraft for use outside of the United States;

(h) all rentals of nonsectarian textbooks by public or private elementary or secondary schools;

(i) the lease or rental of all films, records, tapes, or any type of sound or picture transcriptions used by motion picture exhibitors;

(j) meals served without charge or food used in the preparation of such meals to employees of any restaurant, eating house, dining car, hotel, drugstore or other place where meals or drinks are regularly sold to the public if such employees' duties are related to the furnishing or sale of such meals or drinks;

(k) any motor vehicle, semitrailer or pole trailer, as such terms are defined by K.S.A. 8-126 and amendments thereto, or aircraft sold and delivered in this state to a bona fide resident of another state, which motor vehicle, semitrailer, pole trailer or aircraft is not to be registered or based in this state and which vehicle, semitrailer, pole trailer or aircraft will not remain in this state more than 10 days;

(l) all isolated or occasional sales of tangible personal property, services, substances or things, except isolated or occasional sale of motor vehicles specifically taxed under the

provisions of subsection (o) of K.S.A. 79-3603 and amendments thereto;

(m) all sales of tangible personal property which become an ingredient or component part of tangible personal property or services produced, manufactured or compounded for ultimate sale at retail within or without the state of Kansas; and any such producer, manufacturer or compounder may obtain from the director of taxation and furnish to the supplier an exemption certificate number for tangible personal property for use as an ingredient or component part of the property or services produced, manufactured or compounded;

(n) all sales of tangible personal property which is consumed in the production, manufacture, processing, mining, drilling, refining or compounding of tangible personal property, the treating of by-products or wastes derived from any such production process, the providing of services or the irrigation of crops for ultimate sale at retail within or without the state of Kansas; and any purchaser of such property may obtain from the director of taxation and furnish to the supplier an exemption certificate number for tangible personal property for consumption in such production, manufacture, processing, mining, drilling, refining, compounding, treating, irrigation and in providing such services;

(o) all sales of animals, fowl and aquatic plants and animals, the primary purpose of which is use in agriculture or aquaculture, as defined in K.S.A. 47-1901, and amendments thereto, the production of food for human consumption, the production of animal, dairy, poultry or aquatic plant and animal products, fiber or fur, or the production of offspring for use for any such purpose or purposes;

(p) all sales of drugs, as defined by K.S.A. 65-1626 and amendments thereto, dispensed pursuant to a prescription order, as defined by K.S.A. 65-1626 and amendments thereto, by a licensed practitioner;

(q) all sales of insulin dispensed by a person licensed by



the state board of pharmacy to a person for treatment of diabetes at the direction of a person licensed to practice medicine by the board of healing arts;

(r) all sales of prosthetic and orthopedic appliances prescribed in writing by a person licensed to practice the healing arts, dentistry or optometry. For the purposes of this subsection, the term prosthetic and orthopedic appliances means any apparatus, instrument, device, or equipment used to replace or substitute for any missing part of the body; used to alleviate the malfunction of any part of the body; or used to assist any disabled person in leading a normal life by facilitating such person's mobility; such term shall include accessories to be attached to motor vehicles, but such term shall not include motor vehicles or personal property which when installed becomes a fixture to real property;

(s) all sales of tangible personal property or services purchased directly by a groundwater management district organized or operating under the authority of K.S.A. 82a-1020 et seq. and amendments thereto, which property or services are used in the operation or maintenance of the district;

(t) all sales of farm machinery and equipment or aquaculture machinery and equipment, repair and replacement parts therefor and services performed in the repair and maintenance of such machinery and equipment. For the purposes of this subsection the term "farm machinery and equipment or aquaculture machinery and equipment" shall include machinery and equipment used in the operation of Christmas tree farming but shall not include any passenger vehicle, truck, truck tractor, trailer, semitrailer or pole trailer, other than a farm trailer, as such terms are defined by K.S.A. 8-126 and amendments thereto. Each purchaser of farm machinery and equipment or aquaculture machinery and equipment exempted herein must certify in writing on the copy of the invoice or sales ticket to be retained by the seller that the farm machinery and equipment or aquaculture machinery and equipment purchased will be used only in farming, ranching or

aquaculture production. Farming or ranching shall include the operation of a feedlot and farm and ranch work for hire and the operation of a nursery;

(u) all leases or rentals of tangible personal property used as a dwelling if such tangible personal property is leased or rented for a period of more than 28 consecutive days;

(v) all sales of food products to any contractor for use in preparing meals for delivery to homebound elderly persons over 60 years of age and to homebound disabled persons or to be served at a group-sitting at a location outside of the home to otherwise homebound elderly persons over 60 years of age and to otherwise homebound disabled persons, as all or part of any food service project funded in whole or in part by government or as part of a private nonprofit food service project available to all such elderly or disabled persons residing within an area of service designated by the private nonprofit organization, and all sales of food products for use in preparing meals for consumption by indigent or homeless individuals whether or not such meals are consumed at a place designated for such purpose;

(w) all sales of natural gas, electricity, heat and water delivered through mains, lines or pipes: (1) To residential premises for noncommercial use by the occupant of such premises; (2) for agricultural use and also, for such use, all sales of propane gas; (3) for use in the severing of oil; and (4) to any property which is exempt from property taxation pursuant to K.S.A. 79-201b Second through Sixth. As used in this paragraph, "severing" shall have the meaning ascribed thereto by subsection (k) of K.S.A. 79-4216, and amendments thereto;

(x) all sales of propane gas, LP-gas, coal, wood and other fuel sources for the production of heat or lighting for noncommercial use of an occupant of residential premises;

(y) all sales of materials and services used in the repairing, servicing, altering, maintaining, manufacturing, remanufacturing, or modification of railroad rolling stock for use in interstate or foreign commerce under authority of the laws

of the United States;

(z) all sales of tangible personal property and services purchased directly by a port authority or by a contractor therefor as provided by the provisions of K.S.A. 12-3418 and amendments thereto;

(aa) all sales of materials and services applied to equipment which is transported into the state from without the state for repair, service, alteration, maintenance, remanufacture or modification and which is subsequently transported outside the state for use in the transmission of liquids or natural gas by means of pipeline in interstate or foreign commerce under authority of the laws of the United States;

(bb) all sales of used mobile homes or manufactured homes. As used in this subsection: (1) "Mobile homes" and "manufactured homes" shall have the meanings ascribed thereto by K.S.A. 58-4202 and amendments thereto; and (2) "sales of used mobile homes or manufactured homes" means sales other than the original retail sale thereof;

(cc) all sales of tangible personal property or services purchased for the purpose of and in conjunction with constructing, reconstructing, enlarging or remodeling a business or retail business which meets the requirements established in K.S.A. 74-50,115 and amendments thereto, and the sale and installation of machinery and equipment purchased for installation at any such business or retail business. When a person shall contract for the construction, reconstruction, enlargement or remodeling of any such business or retail business, such person shall obtain from the state and furnish to the contractor an exemption certificate for the project involved, and the contractor may purchase materials, machinery and equipment for incorporation in such project. The contractor shall furnish the number of such certificates to all suppliers from whom such purchases are made, and such suppliers shall execute invoices covering the same bearing the number of such certificate. Upon completion of the project the contractor shall

furnish to the owner of the business or retail business a sworn statement, on a form to be provided by the director of taxation, that all purchases so made were entitled to exemption under this subsection. All invoices shall be held by the contractor for a period of five years and shall be subject to audit by the director of taxation. Any contractor or any agent, employee or subcontractor thereof, who shall use or otherwise dispose of any materials, machinery or equipment purchased under such a certificate for any purpose other than that for which such a certificate is issued without the payment of the sales or compensating tax otherwise imposed thereon, shall be guilty of a misdemeanor and, upon conviction therefor, shall be subject to the penalties provided for in subsection (g) of K.S.A. 79-3615 and amendments thereto. As used in this subsection, "business" and "retail business" have the meanings respectively ascribed thereto by K.S.A. 74-50,114 and amendments thereto;

(dd) all sales of tangible personal property purchased with food stamps issued by the United States department of agriculture;

(ee) all sales of lottery tickets and shares made as part of a lottery operated by the state of Kansas;

(ff) on and after July 1, 1988, all sales of new mobile homes or manufactured homes to the extent of 40% of the gross receipts, determined without regard to any trade-in allowance, received from such sale. As used in this subsection, "mobile homes" and "manufactured homes" shall have the meanings ascribed thereto by K.S.A. 58-4202 and amendments thereto;

(gg) all sales of tangible personal property purchased in accordance with vouchers issued pursuant to the federal special supplemental food program for women, infants and children;

(hh) all sales of medical supplies and equipment purchased directly by a nonprofit skilled nursing home or nonprofit intermediate nursing care home, as defined by K.S.A. 39-923, and amendments thereto, for the purpose of providing medical services to residents thereof. This exemption shall not apply to tangible

personal property customarily used for human habitation purposes;

(ii) all sales of tangible personal property purchased directly by a nonprofit organization for nonsectarian comprehensive multidiscipline youth development programs and activities provided or sponsored by such organization. This exemption shall not apply to tangible personal property customarily used for human habitation purposes;

(jj) all sales of tangible personal property or services, including the renting and leasing of tangible personal property, purchased directly on behalf of a community-based mental retardation facility or mental health center organized pursuant to K.S.A. 19-4001 et seq., and amendments thereto, and licensed in accordance with the provisions of K.S.A. 75-3307b and amendments thereto. This exemption shall not apply to tangible personal property customarily used for human habitation purposes;

(kk) on and after January 1, 1989, all sales of machinery and equipment used directly and primarily for the purposes of manufacturing, assembling, processing, finishing, storing, warehousing or distributing articles of tangible personal property in this state intended for resale by a manufacturing or processing plant or facility or a storage, warehousing or distribution facility:

(1) For purposes of this subsection, machinery and equipment shall be deemed to be used directly and primarily in the manufacture, assemblage, processing, finishing, storing, warehousing or distributing of tangible personal property where such machinery and equipment is used during a manufacturing, assembling, processing or finishing, storing, warehousing or distributing operation:

(A) To effect a direct and immediate physical change upon the tangible personal property;

(B) to guide or measure a direct and immediate physical change upon such property where such function is an integral and essential part of tuning, verifying or aligning the component parts of such property;

(C) to test or measure such property where such function is an integral part of the production flow or function;

(D) to transport, convey or handle such property during the manufacturing, processing, storing, warehousing or distribution operation at the plant or facility; or

(E) to place such property in the container, package or wrapping in which such property is normally sold or transported.

(2) For purposes of this subsection "machinery and equipment used directly and primarily" shall include, but not be limited to:

(A) Mechanical machines or major components thereof contributing to a manufacturing, assembling or finishing process;

(B) molds and dies that determine the physical characteristics of the finished product or its packaging material;

(C) testing equipment to determine the quality of the finished product;

(D) computers and related peripheral equipment that directly control or measure the manufacturing process or which are utilized for engineering of the finished product; and

(E) computers and related peripheral equipment utilized for research and development and product design.

(3) "Machinery and equipment used directly and primarily" shall not include:

(A) Hand tools;

(B) machinery, equipment and tools used in maintaining and repairing any type of machinery and equipment;

(C) transportation equipment not used in the manufacturing, assembling, processing, furnishing, storing, warehousing or distributing process at the plant or facility;

(D) office machines and equipment including computers and related peripheral equipment not directly and primarily used in controlling or measuring the manufacturing process;

(E) furniture and buildings; and

(F) machinery and equipment used in administrative,

accounting, sales or other such activities of the business;

(ll) all sales of educational materials purchased for distribution to the public at no charge by a nonprofit corporation organized for the purpose of encouraging, fostering and conducting programs for the improvement of public health;

(mm) all sales of seeds and tree seedlings; fertilizers, insecticides, herbicides, germicides, pesticides and fungicides; and services, purchased and used for the purpose of producing plants in order to prevent soil erosion on land devoted to agricultural use;

(nn) except as otherwise provided in this act, all sales of services rendered by an advertising agency or licensed broadcast station or any member, agent or employee thereof;

(oo) all sales of tangible personal property purchased by a community action group or agency for the exclusive purpose of repairing or weatherizing housing occupied by low income individuals;

(pp) all sales of drill bits and explosives actually utilized in the exploration and production of oil or gas;

(qq) all sales of tangible personal property and services purchased by a nonprofit museum or historical society or any combination thereof, including a nonprofit organization which is organized for the purpose of stimulating public interest in the exploration of space by providing educational information, exhibits and experiences, which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986;

(rr) all sales of tangible personal property which will admit the purchaser thereof to any annual event sponsored by a nonprofit organization which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986;

(ss) all sales of tangible personal property and services purchased by a public broadcasting station licensed by the federal communications commission as a noncommercial educational

television or radio station; and

(tt) all sales of tangible personal property and services purchased by or on behalf of a not-for-profit corporation which is exempt from federal income taxation pursuant to section 501(c)(3) of the federal internal revenue code of 1986, for the sole purpose of constructing a Kansas Korean War memorial.





## KANSAS DEPARTMENT OF TRANSPORTATION

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TESTIMONY BEFORE THE  
HOUSE APPROPRIATIONS COMMITTEE

Regarding S.B. 104

Relating to Reimbursement of Moving Expenses and Direct Payment of Lodging  
Expenses for Applicants, State Officers and Employees

April 3, 1997

Dear Mr. Chairman and Committee Members:

I appreciate the opportunity to appear before you today on behalf of the Kansas Department of Transportation to provide testimony in support of S.B. 104. I have supported the changes included in this bill for several years.

The proposed legislation would repeal K.S.A. 75-3219 and 75-3224, which would delete those sections that prohibit state agencies from reimbursing applicants, state officers and employees for moving expenses which are not considered "qualified moving expenses" under the Federal Internal Revenue Service (IRS) Code. These portions limit the state's reimbursement to nontaxable items and provide for similar treatment of out-of-state applicants and employees. Also, Section 2 of the bill provides for direct payment of lodging expense to a lodging establishment instead of reimbursement of expenses to the employee who is traveling on official state business.

During the 1994 Legislative Session, K.S.A. 75-3219 and 75-3224 were amended to prohibit state agencies from paying moving expenses that are not considered to be "qualified moving expenses" by the IRS. Before this statutory change, reimbursement of moving expenses was governed both by statute and regulation. The regulations limited reimbursement of moving expenses to those cases where the new duty station was more than 25 miles from the old duty station. Those former regulations also allowed, but did not limit, reimbursement to the following items:

- moving and storage of household goods;
- mileage reimbursement for moving a private vehicle;
- subsistence expenses for the employee while in transit between the employee's old and new official station;

Appropriations  
4-3-97  
Attachment 3

- expenses for one round trip to seek permanent residence at the new duty station; and
- subsistence expenses for 30 days in temporary lodging at the new duty station.

Inclusion of the IRS-related language during the 1994 Legislative Session effectively eliminated reimbursement of most of the items that were previously allowed. Under section 132 of the Federal Internal Revenue Code of 1986, moving expenses that are not considered "qualified" includes meals while moving to a new residence; travel expenses, meals and lodging for pre-move house-hunting trips; and meals and lodging while occupying temporary quarters in the area of the new workplace.

In order to claim qualified moving expenses under the IRS code, an employee's new workplace must be at least 50 miles farther from the employee's old home than the employee's old home was from the employee's old workplace. As a result of these changes, fewer employees are now eligible for any reimbursement.

The Department of Transportation often encourages employees to move in order to fill vacancies throughout the state with experienced, qualified workers. The nature of KDOT's work requires that, for certain positions, the employee live in close proximity to the work station. This is necessary in order for the agency to respond quickly to weather conditions and other emergencies. Due to this need and the geographic makeup of the area and subarea offices, the most logical candidates for promotion are those most affected by the restrictions on the distance moved. Also, because of the Governor's and Legislative mandated reductions of two percent in FY 1996 and three percent in FY 1997 and the reorganization in the department, there is a need for flexibility in the moving policy. The Department is attempting to make these changes through attrition and it becomes difficult if we cannot adequately provide for the moving expense. The addition of the IRS-related language financially penalizes those who follow their most obvious career track or accommodate the Department's reorganization needs.

It is the agency's belief that the changes that were made in 1994 have had a negative effect on the Department's efforts to maintain an efficient operation that is staffed with the most qualified people. It is necessary for newly appointed employees to move to their new job location immediately after a promotion is approved. In most cases, this does not allow sufficient time to dispose of their house, acquire another house, make arrangements to move household goods and make the official move. Some of the costs associated with a move, such as sale and purchase of houses, impose a direct cost to the employee who is moving. These costs have not been and are not proposed to be reimbursed; however, depending on market conditions, real estate expenses can be a substantial cost to the employee.

For these reasons, we believe it is not only appropriate, but necessary to reimburse employees for other reasonable expenses resulting from a move. A salary increase resulting from a promotion would not be adequate to cover the costs of moving under the existing reimbursement rules. Although the costs are significant for the

employee, they represent a very small expense for the agency. For the 28 KDOT employees who were moved in 1993, the average moving expense for household goods was \$1,216, and based on a sample, the average amount paid for transition subsistence was \$1,253. Under the current guidelines, five of those employees would not have received reimbursement for moving their household goods and none would have received transition subsistence. The approximate cost of a move during FY 1996 for all state employees is \$1,959 whereas the approximate cost for KDOT employees during that same time period was \$931.

Reimbursement of expenses that are not considered "qualified moving expenses" under IRS rules would be taxable. KDOT would prefer a taxable benefit to no benefit. This would support the Department's need to staff our offices with the most qualified people while limiting the financial burden of employees who are promoted.

Section 2 deals with the direct payment of lodging expense for all of our traveling employees. KDOT must have employees in travel status in order to accomplish certain tasks on a routine basis. The practice of having the employee provide interim financing for lodging expenses while on official state business is a burden to the employee. The Department's pilot program has demonstrated that providing direct reimbursement for lodging is both administratively feasible and very helpful to our employees. We appreciate the Department of Administration's cooperation in carrying out the pilot program, and we strongly support inclusion of provisions in SB 104 which make the direct payment provision a permanent practice.

Testimony To The  
House Appropriations Committee

By  
Bobbi Mariani, Assistant Director  
Division of Personnel Services  
April 3, 1997

**RE: Payment of Moving and Lodging Expenses - Senate Bill 104**

Chairperson and members of the committee, thank you for the opportunity to appear before you today. I am here in support of Senate Bill 104, which will expand recruitment incentives and benefit current state employees. I would like to discuss two aspects of this bill: (1) paying moving expenses for applicants and current employees who are required to relocate and (2) direct payment of lodging expenses for traveling state employees.

While recruiting applicants for certain jobs, we occasionally encounter stiff competition with other public and private organizations. Currently, with the Governor's approval, state agencies may pay moving expenses only if the applicant is moving to Kansas from out-of-state and only if that applicant is filling a position that requires professional, technical, or unusual qualifications. Also, state regulations allow some flexibility in the salary we can offer an applicant who possesses exceptional qualifications. However, this limited flexibility is not always enough to attract an applicant who has to relocate to accept the job. Many employers are willing to pay moving expenses in order to attract applicants. The proposed legislation allows agency heads to decide when to pay moving expenses and to also pay moving expenses for applicants who live in Kansas. Reimbursing moving expenses will increase the ability of state agencies to recruit top candidates for professional, technical, managerial, and speciality positions in state government. These amendments would elevate our recruitment incentives for job applicants in a competitive marketplace.

As the state adapts to external and internal changes, such as downsizing or reorganizing, it may be necessary to transfer employees both within and between agencies in order to best utilize their knowledge, skills, and abilities. The ability to pay moving expenses for transferred employees increases the opportunity to retain their skills and experience and maintain an effective workforce. It offers equitable treatment to all agencies who currently cannot pay moving expenses for managerial employees and persons who reside in-state, such as the Department of Transportation. Paying for moving expenses for current employees provides a benefit to those employees while encouraging better alignment of state employees with the human resource needs of state government.

Senate Bill 104 will also alleviate some of the financial hardship on traveling state officers and employees by allowing agencies to pay lodging expenses directly to lodging establishments. Currently, state employees who travel on state business pay all subsistence-related travel costs and then submit claims for these expenses upon their return. This can cause financial hardship for some state employees, particularly if the travel is for an extended time or the employee is not highly compensated. Many employees either choose not to use credit cards or are unable to qualify for a credit card, thereby increasing the financial burden of paying travel expenses and waiting for reimbursement vouchers to be processed. Direct payment of lodging expenses to the lodging establishment eliminates the largest out-of-pocket travel expense. Many state agencies with employees who would benefit from this payment method have expressed a desire to allow the direct payment option.

I encourage your support of this bill. I would be happy to answer any questions or provide additional information.

Appropriations  
4-3-97  
Attachment 4

**TESTIMONY REGARDING SENATE BILL 104  
HOUSE APPROPRIATIONS COMMITTEE  
April 3, 1997, Upon First Adjournment, Room 514-S**

Presented by Dale Brunton  
Deputy Director of Accounts and Reports

Mr. Chairman, Members of the Committee:

Thank you, Mr. Chairman, for scheduling these measures today. I realize your committee calendar is full.

I am testifying today on behalf of the Department of Administration in support of SB 104. The bill contains two measures proposed by the Department to enhance the ability of state agencies to recruit and retain employees. I will briefly summarize each separately in today's testimony.

***Moving Expense Reimbursement***

SB 104 amends current law to expand moving expense reimbursement benefits to employees. With the exception of the allowance for moving expense reimbursements for newly-hired Kansans and managerial employees and an allowance for moves by employees of the Board of Regents who were previously excluded, the provisions within SB 104 generally restore allowable expenditures to pre-fiscal year 1995 law. Changes in the federal Internal Revenue Code effective January 1, 1994 discontinued non-taxable treatment for certain payments formerly authorized by the State of Kansas. Legislation was enacted during the 1994 Legislative Session to allow only those reimbursements defined as non-taxable payments to the employee. The change in legislation was primarily an effort to eliminate the separate, and costly, manual reporting and record keeping requirements for taxable payments under the previous payroll system. Within the new payroll system, no further programming changes are required to process, pay and report taxable moving expense reimbursements. Payment of moving expenses will continue to be at the discretion of agency managers. Existing agency resources are presumed to fund any increase in moving expenditures by state agencies.

***Direct Payment of Lodging Expenses***

The amendments in SB 104 also allow the lodging expenses of traveling state officers and employees to be paid directly to the lodging establishment as an option to reimbursing the employee. If the state agency becomes the "customer" for payment of in-state lodging expenses, the expenses will be exempt from Kansas sales tax. This exemption will decrease state agency expenditures, with a corresponding decrease in state sales tax revenues and sales tax revenues for local units of

Appropriations  
4-3-97  
Attachment 5

SB 104 - Testimony

April 3, 1997

Page 2

government. Payment of lodging expenses directly will require the creation of additional vouchers and warrants. However, the cost is immeasurable due to the uncertainty of agency participation in the direct payment option and any increase should be offset by the opportunity to consolidate payments to lodging establishments, as well as establish less frequent billing cycles. Overall, the elimination of sales tax expenditures due to direct payment of in-state lodging is expected to compensate for any reduction in state sales tax revenues, as well as any increase in processing expenditures due to the creation of additional payment documents.

Thank you for the opportunity to appear before the Committee today. I would be happy to answer any questions the Committee may have.



DEPARTMENTS OF THE ARMY AND THE AIR FORCE  
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REPLY TO  
ATTENTION OF

3 APRIL 1997

MEMORANDUM

TO: HOUSE APPROPRIATIONS COMMITTEE

FROM: COLONEL J. P. SMALL  
Judge Advocate General  
Kansas National Guard

RE: **1997 Senate Bill 210**

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**1. Purpose:**

**1997 Senate Bill 210** authorizes a proposed real estate transfer in Salina, Kansas between the Kansas Military Board and Mr. and Mrs. Jon Flickinger. This transfer is required to complete acquisition of a key training facility.

**2. Facts:**

a. The Kansas Army National Guard (KSARNG) has received Federal funds to purchase an existing 31,360 square foot building from Mr. and Mrs. Jon Flickinger in Salina for its Regional Training Site.

b. The property is located in the Salina Airport area on a tract of land containing 3.22 acres on the North East corner of Arnold Avenue and Schilling Road.

c. Federal funds cannot be used to purchase the land in accordance with congressional language on military construction.

d. The Kansas Military Board holds title to 3.22 acres also located in the Salina Airport area at the North East corner of Bailey and Scanlan. (approximately 4 blocks away) The Flickinger's have agreed to transfer their 3.22 acres for this vacant, unused property.

e. The transfer of these two like properties will be at no cost to the State of Kansas (Kansas Military Board). Their appraised value is approximately equal.

f. This property transfer, which would allow the KSARNG to purchase the Flickinger building, is the key to completion of a \$10 million Federally funded complex in Salina.

**3. Conclusion:**

Legislative approval is requested to allow the Kansas Military Board to complete this transaction.

Appropriations  
4-3-97  
Attachment 6