Approved: 3/30/98
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Phil Kline at 1:30 p.m. on March 18, 1998 in Room 514-S of the Capitol.

All members were present except: None

Committee staff present: Alan Conroy, Stuart Little, Shannon Nichols, Legislative Research Department; Jim Wilson, Mike Corrigan, Revisor of Statutes Office; Helen Abramson, Administrative Aide; Linda Swain, Appropriations Secretary

Conferees appearing before the committee:

Gloria Timmer, Director, Division of the Budget
Chris McKenzie, Executive Director, League of Kansas Municipalities
Joan Wagnon, Mayor, City of Topeka
Cheryl S. Beatty, City Manager, City of Kingman
Glen Welden, City Manager, City of Parsons
Randy Allen, Executive Director, KS Association of Counties
Linda Peterson, Commissioner, Marion County
Bill Hancock, Commissioner, Sedgwick County
Ellen Schirmer, Commissioner, Jackson County
Denise Clemonds, Sr. Services Commissioner, KS Department on Aging
Debra Zehr, Vice President, Kansas Association of Homes & Services for the Aging (KAHSA)
Gary R. Mitchell, Secretary, Kansas Department of Health & Environment
John J. Federico, Federico Consulting
John Keefhaber, Kansas Health Care Association
John T. Houlihan, Director of Division of Purchases, Department of Administration (DOA)
Dale Jost, Bureau Chief, Fiscal Services, Kansas Department of Transportation (KDOT)
Johnny Williams, Vice President for Administration & Finance, Ft. Hays State University (FHSU)

Others attending: See attached list

Hearing on Capping the Demand Transfers in HB 2893

Alan Conroy, Legislative Research Department gave a brief background on demand transfers. Handouts included charts on the historical perspective going back to the first year of the demand transfers; and current demand transfers from state general fund to other state funds (Attachment 1).
A brief discussion followed.

Gloria Timmer, Director, Division of the Budget, speaking on behalf of the Governor, highlighted the Governor's position on demand transfers. His recommendation has been the same for each year he has been in office - that the demand transfers be grown by the same percentage as the rest of the state's operating budget. In 1996 and 1997 the legislature endorsed the Governor's recommendation. In 1998, his recommendation was a 2.5% increase and in the Omnibus, the legislature reduced that to 1.75%. This year the Governor's recommendation would be for an overall 2.4% for each of the demand transfers except those that are set at a specific amount like the State Fair Capitol Improvement fund. The Governor's recommendations began as a response to the legislature routinely reducing the demand transfers, usually at the end of the session when it was trying to find a way to balance the budget. When the Governor came into office the fiscal conditions were very tight and they were looking for a fair and equitable way to address the issue of how much was available for demand transfers and how much was available for the rest of the state budget. The proposal at that time was that it was a percentage equal to that of the rest of the state general fund operating budget. Director Timmer also noted the highway fund is the hardest hit by demand transfers, so it is not just local governments that are impacted by this decision. A brief discussion followed.

Chris McKenzie, Executive Director, League of Kansas Municipalities, noted he was joined at the meeting by municipal officials from across the state. He recognized the immediate past President of the League of Kansas Municipalities, Ralph Goodnight, the Mayor of Lakin, Kearny County, who was present at the meeting. Executive Director McKenzie spoke in favor of removing the caps on demand transfers (Attachment 2). His testimony noted how the formulas for the following work: Local Ad Valorem Tax Reduction (LAVTR) Fund; City-County Revenue Sharing (CCRS) Fund; and Special City-County Highway (SCCH) Fund. The cumulative impact of these practices are described in the graph at the end of his testimony. A brief discussion followed.

Joan Wagnon, Mayor, City of Topeka, testifying against the caps on the demand transfers, notied that in times when the state is experiencing abundant revenues, the local governments should also benefit. Local governments are currently taking over responsibilities that have in the past been part of the state government's responsibilities. There were no questions.

Cheryl S. Beatty, City Manager, City of Kingman spoke in favor of removing the caps from demand transfers noting it is understandable the caps are in place during economically slow periods but this is not the case today and it is time to re-evaluate the partnership between local and state governments (Attachment 3).

Glen Welden, City Manager, City of Parsons, spoke on what the financial impact would be on the City of Parson's budget if the demand transfer cap was removed and demand transfers fully funded. (Attachment 4)

Randy Allen, Executive Director, KS Association of Counties, spoke on the impact of capping the demand transfers especially on roads and bridges (Attachment 5). Thirteen of the board members for the KS Association of Counties were also present at the meeting in support of removing the caps.

Lillian D. Papay, Mayor of Great Bend, was not able to be present but testimony was distributed on her behalf (Attachment 6).

Linda Peterson, Commissioner, Marion County, requested the legislature remove the caps on LAVTR, SCCH and CCRS, noting the many mandated programs and services handed down since 1937 from the Federal to State, and State to Counties and Cities. (Attachment 7)

Bill Hancock, Commissioner, Sedgwick County, stressed that even in a county the size of Sedgwick County the funds from the state are very important. He also noted that the revenue going out of Sedgwick County is greater than the revenue coming back in. They want to be a player in the redistribution of funds but it is also important that they get full funding.

Ellen Schirmer, Commissioner, Jackson County, stressed the importance of responsive and effective county services at the lowest possible costs and the importance of working as partners with the state as she asked for the statutorily designated portion of state sales tax and motor carrier property taxes to be returned to counties and other local governments (Attachment 8).

Thomas A. Sullivan, County Administrator, Barton County (Attachment 9) and Thomas R. Schaefer, Assistant City Administrator, Lenexa (Attachment 10) were not present during the meeting but requested their testimonies be distributed to the committee.

Representative Helgerson requested information from Randy Allen and Chris McKenzie from communities represented in their organizations on how much the property evaluations have gone up in the communities and how the tax revenues are used.

The hearing on the demand transfer caps was closed.

Hearing on SB 497 - Concerning joint committee on corrections & juvenile justice information.

Jim Wilson, Revisor of Statutes Office, introduced **SB 497**, explaining the policy change. An extensive discussion followed.

The hearing on **SB 497** was closed.

Hearing on HB 2989 - Concerning adult care homes

Denise Clemonds, Sr. Services Commissioner, KS Department on Aging spoke in support of **HB 2989** noting the importance of the concept of assisted living and residential health care facilities in providing a homelike, non institutional setting and the importance of creating those alternative long-term care facilities for citizens of rural areas where there is some need, but not enough demand to support freestanding assisted living facilities. (Attachment 11) A brief discussion followed.

Debra Zehr, Vice President, KAHSA, spoke in support of **HB 2989** for her organization which represents about 150 not-for-profit long-term care, housing, and community service providers through the state (Attachment 12). A discussion followed concerning whether or not a savings is incurred when individuals are moved from institutional care to community based care. Representative Dean requested further information on specific facilities which are succeeding in community based care, even though they are using limited funds.

Jerry Unruh, Administrator of Madison Manor, Madison, Kansas, was unable to attend but his testimony was distributed to the committee (Attachment 13).

Gary R. Mitchell, Secretary, Kansas Department of Health & Environment, supports the concept of allowing selected nursing facilities with fewer than 60 licensed beds to convert less than a wing or a floor to residential care when these services are not available in the county in which the nursing facility is located. His

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

department is making a recommendation to amend section 1 (f) as detailed in his testimony (Attachment 14). A discussion followed.

John J. Federico, Federico Consulting, spoke on behalf of Alternative Living Services, formerly known as Sterling House. He spoke in support of **HB 2989**. Attached to his testimony is a balloon amendment, different from Secretary Mitchell's amendment, but one which he feels would accomplish the same thing (Attachment 15). A brief discussion followed.

John Keefhaber, Kansas Health Care Association, supports the bill and can live with the amendment offered by Mr. Federico. As long as they can get residential health care in their smaller communities they are happy. There organization, which includes over 200 facilities across the state, supports the bill wholeheartedly.

After a brief discussion, the hearing on **HB 2989** was closed.

Hearing on SB 5 - State agencies; purchases of or contracts for supplies

John Houlihan, Director of Division of Purchases, DOA, spoke in support of **SB 5**, explaining what the changes would accomplish (Attachment 16). An extensive discussion followed.

Dale Jost, Bureau Chief, Fiscal Services, KDOT spoke in favor of **SB 5** as it would provide for a sound business approach in today's business climate (Attachment 17). A discussion followed.

Johnny Williams, Vice President for Administration & Finance, FHSU, spoke in support of **SB 5** in that it allows for greater flexibility for the Director of Purchases to expedite purchases and create efficiencies and savings (Attachment 18).

Tom Talbot, Chairman, KS Industry Procurement Council was not present during the meeting but his testimony was distributed to the committee (Attachment 19).

The hearing was closed on **SB 5**.

Also distributed was testimony from the Kansas Mental Health Coalition on **SB 424** (Attachment 20).

The meeting adjourned at 3:45 p.m. The next meeting is scheduled for March 19, 1998.

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

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 3/18/98

NAME	REPRESENTING
Randy Allen	Kansas Assn. of Counties
Linda Schreppel	" " " "
Jean Barber	" " "
Robert Abel Jr.	" " "
Sue Peterson	" " "
Ken Meier	" " "
Don Hanson	" " " E.W.
Judy Moler	" " "
Rod Broberg	" " " "
Mike Dailey	" " " "
Sara Ullmann	" " " "
Richard A. Long	" " " "
Paul Hagan	" " " "
Nancy Weeks	Nack Co. Treasurer + KAC
Earl Willis Jr	KAC
Jane Willis	self
Ed Nandz	Mayor of Towanda
Kelly Kultala	City of Overland Park
Jim Brush	City of Towanda

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 3/18/98

NAME	REPRESENTING
Tom Schaefer	City of Lenexa
LINDA McGILL	PMA
Michelle Miller	Johnson County
David Schirmer	Jackson County
Joan Bowman	City of Lenexa
Glen E Wilder	City of Parsons
Jerry D Beatty	City of Kingman
Chris McKenzie	League of Ks. Municipalities
Ralph L. Goodnight	City of Lakin
D H Behr	KAHSA
Donna Zimmerman	Barton Co.
Wayne Hennecke	City of Great Bend

SALES TAX RESIDUE AND LOCAL AD VALOREM TAX REDUCTION FUND*
In Thousands

Fiscal Year	Amount Expend. or Transfer	Basis of Expenditure or Demand Transfer and Comments
1938 1946	$ 4,700 13,800	When sales and use taxes were enacted in 1937, earmarked for local property tax relief was the "residue" in the Retail Sales Tax Fund after demands were met for school aid, public welfare, and certain other purposes, with the distribution made in June. This residue increased from $4.7 million in FY 1938 to $13.8 million in FY 1946.
1947-1957	12,500	The 1947 Legislature froze the distribution from the Retail Sales Tax Fund at $12.5 million, eliminating the residue concept, but with the distribution still made in June of each year.
1958 1959	-- 25,000	The 1958 Legislature (Special Session) delayed the FY 1958 distribution to FY 1959 and provided for a double distribution in FY 1959.
1960-1964	12,500	No change in the policy of $12.5 million each fiscal year.
1965	--	The 1964 Legislature changed the distribution from 100 percent in June to equal payments in September and April, so there was no distribution in FY 1965. This did not result in a loss of property tax reduction aid to local units for the 1965 tax levy year.
1966-1970	12,500	The Retail Sales Tax Fund was abolished in 1965 and the $12.5 million (half in September and half in April) was made a demand transfer (expenditure) from the State General Fund to the Local Ad Valorem Tax Reduction Fund (LAVTRF).
1971 1972 1973	15,171 16,780 19,469	The 1970 Legislature earmarked 10 percent of sales and use taxes and all of the domestic insurance companies privilege tax for the LAVTRF.
1974 1975 1976 1977 1978 1979 1980 1981 1982	9,918 11,857 12,525 14,481 15,767 17,463 18,361 19,469 20,716	When the School District Equalization Act was passed in 1973, the earmarking of sales and use taxes for the LAVTRF was reduced from 10 percent to 4.5 percent and school districts were excluded from sharing in that fund except through the County Foundation Fund, but legislation enacted in 1974 eliminated the LAVTRF distribution to that county fund. (In FYs 1974-1976, 5.5 percent of sales and use taxes was earmarked for transfer to the State School Equalization Fund, which was abolished by the 1976 Legislature.) The 1973 law also changed the distribution from 50 percent in September and in April to 100 percent on January 15. In 1978, the earmarking of receipts from the domestic insurance companies privilege tax for the LAVTRF was eliminated due to creation of the County-City Revenue Sharing Fund.
1983	11,326	The 1983 Legislature changed the transfer to 50 percent on January 15 and on July 15 (which is current law), but this did not reduce what local units received from the LAVTRF in CY 1983. Also, the transfer statute was amended to specify that the transfer is to be based on sales and use taxes credited to the General Fund.

Appropriations
3-18-98
Attachment 1

Fiscal Year	Amount Expend. or Transfer	Basis of Expenditure or Demand Transfer and Comments
1984 1985 1986 1987	22,367 23,701 24,555 26,937	Sales and use tax rates were increased from 3 percent to 4 percent effective July 1, 1986. No change was made in the percentage earmarked for transfer to the LAVTRF.
1988 1989 1990	30,844 33,576 35,326	General Fund transfers to the LAVTRF were reduced by 3.8 percent affecting one transfer in FY 1988, both transfers in FY 1989, and one transfer in FY 1990.
1991	37,164	No change from existing law.
1992	38,576	Transfers from General Fund to LAVTRF were reduced by 1.0 percent pursuant to Finance Council action on the Governor's recommendation.
1993	39,324	The 1992 Legislature reduced the transfers from the General Fund to the LAVTRF from 4.5 percent of sales and use taxes to 4.03 percent based on receipts in CY 1992 and to 3.63 percent based on receipts in CY 1993 and each year thereafter. This was done so that all of the additional revenue resulting from raising the sales and use tax rates and expanding the tax base would be dedicated to state aids for school districts under a new school finance plan enacted in 1992. In addition, the transfers in FY 1993 were reduced by 3 percent (in dollars).
1994	40,293	The transfers from the General Fund to the LAVTRF were reduced by 4 percent.
1995	44,649	No change from existing law.
1996	46,301	Transfers capped at 3.7 percent increase over FY 1995.
1997	46,949	Transfers capped at 1.4 percent increase over FY 1996.
1998	47,771	Transfers capped at 1.75 percent increase over FY 1997.
1999 (Gov. Rec.)	48,917	Transfers recommended to be capped at 2.4 percent increase over FY 1998.

* At one point in time, the former Retail Sales Tax Fund received all or a statutorily prescribed percentage of sales and compensating use, cereal malt beverage, and cigarette tax receipts, with variations from FY 1938 through FY 1965. Sales and use taxes were always the principal source.

Transfers from the General Fund to the Local Ad Valorem Tax Reduction Fund in a calendar year currently are based only on sales and use tax receipts credited to the General Fund in the preceding calendar year. The LAVTRF is allocated among the 105 counties, 65 percent on the basis of population and 35 percent on the basis of assessed tangible valuation. Within each county, its allocation is distributed to all property tax levying subdivisions (except school districts) based on their tax levies in the preceding year.

COUNTY-CITY REVENUE SHARING FUND (CCRSF)*
(In Thousands)

Fiscal Year	Amount Transferred	Basis of Demand Transfer and Comments
1979	$ 6,613	Effective January 1, 1979, the County-City Revenue Sharing Fund was created to which quarterly transfers from the General Fund were made in amounts that, in the aggregate, were equal to 3.5 percent of sales and use tax receipts in the preceding calendar year. There were two such transfers in FY 1979. This new state aid program replaced, and diverted to the General Fund, the counties' and cities' shares of the cigarette tax (25 percent) and liquor enforcement tax (60 percent) and the allocation of all domestic insurance company privilege tax receipts to the Local Ad Valorem Tax Reduction Fund, which totaled $11.9 million in FY 1978.
1980	13,753	
1981	14,711	No change from existing law.
1982	15,627	
1983	8,056	Transfers from the General Fund were changed from quarterly to equal payments on July 15 and December 10 based on 3.5 percent of sales and use tax receipts credited to the General Fund in the preceding calendar year, thus eliminating two quarterly transfers in FY 1983.
1984	16,468	
1985	18,220	No change from existing law even though sales and use tax rates were increased from 3 percent to 4 percent effective July 1, 1986.
1986	18,648	
1987	19,550	
1988	22,352	
1989	25,628	Transfers in both fiscal years were reduced by 3.8 percent (in dollars).
1990	26,601	
1991	28,351	No change from existing law.
1992	29,166	The transfers were reduced by 1 percent.
1993	30,218	The 1992 Legislature reduced the transfers from the General Fund from 3.5 percent to 3.134 percent of sales and use taxes based on receipts in CY 1992 and to 2.823 percent based on receipts in CY 1993 and each year thereafter. This was done so that all of the additional revenue resulting from raising the sales and use rates and expanding the tax base would be dedicated to state aids for school districts under a new school finance plan enacted in 1992. In addition, the transfers in FY 1993 were reduced by 3 percent (in dollars).
1994	30,629	The transfers were reduced by 4 percent.
1995	33,375	No change from existing law.

Fiscal Year	Amount Transferred	Basis of Demand Transfer and Comments
1996	34,610	Transfers capped at 3.7 percent increase over FY 1995.
1997	35,095	Transfers capped at 1.4 percent increase over FY 1996.
1998	35,709	Transfers capped at 1.75 percent increase over FY 1997.
1999 (Gov. Rec.)	36,566	Transfers recommended to be capped at 2.4 percent increase over FY 1998.

* Allocated among the 105 counties, 65 percent on the basis of population and 35 percent on the basis of assessed tangible valuation. Counties retain 50 percent and cities receive 50 percent in proportion to their populations.

GENERAL FUND DEMAND TRANSFER TO CITY-COUNTY HIGHWAY FUND*
(From Motor Carrier Property Tax Receipts)

(In Thousands)

Fiscal Year	Amount Transferred	Basis of Demand Transfer and Comments**
1981	$ 4,930	Beginning in FY 1981, an amount equal to motor carrier property tax receipts credited to the General Fund is transferred to the City-County Highway Fund on July 15 and January 15 based on such receipts in the preceding six months.
1982	5,421	No change from existing law.
1983	5,459	
1984	5,828	
1985	6,405	
1986	7,441	
1987	10,289	
1988	9,814	
1989	10,551	
1990	10,198	
1991	9,052	The transfer was reduced by 1.75 percent.
1992	9,768	The transfer was reduced by 1.0 percent.
1993	9,631	The transfer was reduced by 3.0 percent.
1994	9,743	The transfer was reduced by 4.0 percent.
1995	10,036	For FY 1995, the transfer was capped at 3.0 percent more than the actual transfer in FY 1994.
1996	10,407	Transfer capped at 3.7 percent increase over FY 1995.
1997	10,553	Transfer capped at 1.4 percent increase over FY 1996.
1998	10,737	Transfer capped at 1.75 percent increase over FY 1997.
1999 (Gov. Rec.)	10,995	Transfer recommended to be capped at 2.4 percent increase over FY 1998.

* The principal source of revenue to the City-County Highway Fund is its 40.5 percent share of motor fuels taxes after $2.5 million annually from net fuels taxes is diverted to a gasohol subsidy which expires on July 1, 2001.

** From FY 1981 through FY 1988, the transfers were revenue transfers (netted out of General Fund receipts). Beginning in FY 1989, the transfers became demand transfers (expenditures).

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CURRENT DEMAND TRANSFERS FROM STATE GENERAL FUND TO OTHER STATE FUNDS

(In Thousands)

	FY 1997			FY 1998			FY 1999		
Fund	No Law Change	Actual	Reduc.	No Law Change	Proposed or Actual	Reduc.	No Law Change	Proposed	Reduc.
State Highway	$ 93,192	$ 84,363	$ (8,829)	$ 97,487	$ 85,840	$ (11,647)	$ 104,637	$ 87,899	$ (16,738)
Local Ad Valorem Tax Reduction	48,661	46,949	(1,721)	50,688	47,771	(2,917)	54,326	48,917	(5,409)
Co.-City Revenue Sharing	37,117	35,095	(2,022)	38,570	35,709	(2,861)	41,376	36,566	(4,810)
City-Co. Highway	15,500	10,553	(4,947)	17,000	10,737	(6,263)	18,000	10,995	(7,005)
Water Plan	6,000	6,000	–	6,000	6,000	–	6,000	6,000	–
School Dist. Cap. Improve.	16,559	16,559	–	19,000	19,000	–	21,500	21,500	–
State Fair	197	197	–	113	113	–	210	210	–
TOTAL	$ 217,226	$ 199,716	$ (17,519)	$ 228,858	$ 205,170	$ (23,688)	$ 246,049	$ 212,087	$ (33,962)

FY 1997 – the four transfers were capped at an increase of no more than 1.4 percent over actual FY 1996.
FY 1998 – the four transfers were capped at 1.75 percent over actual FY 1997.
FY 1999 – the Governor recommends an increase of no more than 2.4 percent for the four transfers.

CURRENT DEMAND TRANSFERS FROM STATE GENERAL FUND TO OTHER STATE FUNDS

In Thousands

Fund	FY 1991 No Law Change	FY 1991 Actual	FY 1991 Reduction	FY 1992 No Law Change	FY 1992 Actual	FY 1992 Reduction	FY 1993 No Law Change	FY 1993 Actual	FY 1993 Reduction	FY 1994 No Law Change	FY 1994 Actual	FY 1994 Reduction
State Highway	$ 75,695	$ 74,371	$ 1,324	$ 78,813	$ 78,025	$ 788	$ 77,836	$ 75,501	$ 2,335	$ 82,374	$ 79,079	$ 3,295
Local Ad Valorem Tax Reduction	37,164	37,164	--	38,966	38,576	390	40,540	39,324	1,216	41,971	40,293	1,678
Co.-City Revenue Sharing	28,351	28,351	--	29,461	29,166	295	31,153	30,218	935	31,905	30,629	1,276
City-Co. Highway	9,213	9,052	161	9,866	9,768	98	9,929	9,631	298	10,149	9,743	406
Water Plan	6,000	5,895	105	6,000	5,940	60	6,000	5,820	180	6,000	5,760	240
School Dist. Cap. Improve.	--	--	--	--	--	--	4,561	4,561	--	7,061	7,061	--
State Fair	--	--	--	149	148	1	108	108	--	117	117	--
TOTAL	$ 156,423	$ 154,833	$ 1,590	$ 163,255	$ 161,623	$ 1,632	$ 170,127	$ 165,163	$ 4,964	$ 179,577	$ 172,682	$ 6,895

Fund	FY 1995 No Law Change	FY 1995 Actual	FY 1995 Reduction	FY 1996 No Law Change	FY 1996 Actual	FY 1996 Reduction	FY 1997 No Law Change	FY 1997 Actual	FY 1997 Reduction	FY 1998 No Law Change*	FY 1998 1997 Legis.	FY 1998 Reduction	Total Reduction FYs 91-98
State Highway	$ 88,089	$ 81,451	$ 6,638	$ 89,427	$ 83,198	$ 6,229	$ 93,192	$ 84,363	$ 8,829	$ 97,487	$ 85,839	$ 11,648	$ 41,086
Local Ad Valorem Tax Reduction	44,649	44,649	--	47,054	46,301	753	48,661	46,949	1,721	50,688	47,771	2,917	8,675
Co.-City Revenue Sharing	33,375	33,375	--	36,070	34,610	1,460	37,117	35,095	2,022	38,570	35,709	2,861	8,849
City-Co. Highway	11,169	10,036	1,133	13,525	10,407	3,118	15,500	10,553	4,947	17,000	10,737	6,263	16,424
Water Plan	6,000	5,933	67	6,000	6,000	--	6,000	6,000	--	6,000	6,000	--	652
School Dist. Cap. Improve.	10,986	10,986	--	15,600[a]	15,600[a]	--	16,559	16,559	--	19,000	19,000	--	--
State Fair	146	146	--	153	153	--	197	197	--	104	104	--	1
TOTAL	$ 194,414	$ 186,576	$ 7,838	$ 207,829	$ 196,269	$ 11,560	$ 217,226	$ 199,716	$ 17,519	$ 228,849	$ 205,160	$ 23,689	$ 75,687

FY 1991 -- the three reductions were 1.75 percent
FY 1992 -- all reductions were 1.0 percent as recommended by the Governor and approved by the Finance Council
FY 1993 -- the five reductions were 3.0 percent
FY 1994 -- the five reductions were 4.0 percent
FY 1995 -- the three transfers affected were capped at 3 percent over FY 1994 actual
FY 1996 -- the four transfers affected were capped at 3.7 percent over FY 1995 actual and there was a further reduction of 1.5 percent re the transfer to the SHF
FY 1997 -- the first four transfers are capped at 1.4 percent over actual FY 1996 (1996 S.B. 95).
FY 1998 -- the first four transfers are capped at 1.75 percent over actual FY 1997 (Sen. Sub. for H.B. 2160)
* These estimates are subject to revision, except Water Plan and State Fair are actual.
Note: 1987 S.B. 383 required a reduction of 3.8 percent in transfers to be made in CYs 1988 and 1989 to the Local Ad Valorem Tax Reduction Fund and the County-City Revenue Sharing Fund. The reductions were:

LAVTRF $2.653 million (FYs 88-90)
CCRSF 2.063 million (FYs 89-90)
$4.716

Kansas Legislative Research Department
August 19, 1997

League of Kansas Municipalities

PUBLISHERS OF KANSAS GOVERNMENT JOURNAL 300 S.W. 8TH TOPEKA, KS 66603-3896 (785) 354-9565 FAX (785) 354-4186

TO: **House Appropriations Committee**
FROM: Chris McKenzie, Executive Director
DATE: March 18, 1998
SUBJECT: Removing the CAPS in **HB 2893** on Demand Transfers For Aid to Local Units

I want to thank the Chairman, Vice-Chairman and Ranking Minority member of the Committee for the opportunity for this hearing today. I believe it is the first time in many years that there has been a hearing on the subject of capping the growth in the various demand transfers which are provided for by law, and we sincerely appreciate it.

I am joined today by municipal officials from three cities of different sizes: Kingman (pop.3,302), Parsons (pop. 11,473), and Topeka (pop. 120,645) who will explain in tangible terms what the three types of state aid which are capped in HB 2893 mean to the residents of their cities. I will focus on providing you the background of these programs, hopefully putting them into a historical context.

We are here today as your colleagues in government who share with you a mutual commitment to improving the quality of life for the citizens of our state. Cities have less diverse revenue sources than state government and most are heavily reliant on the property tax, but a strong state aid program to local units has provided greater financial flexibility to most cities. We have appreciated our financial partnership since 1937. It is about these important programs that we are with you today.

BACKGROUND

The three programs of state aid to cities that are financed by "demand transfers" from the state general fund each year are: ✦ Local Ad Valorem Tax Reduction (LAVTR) Fund; ✦ City-County Revenue Sharing (CCRS) Fund; and ✦ Special City and County Highway (SCCH) Fund. The statutory provisions governing these transfers have been ignored throughout much of the 1990s by specific legislative acts, causing increased pressure on local property taxes and limitations on municipal services that support a growing state economy.

1. Local Ad Valorem Tax Reduction (LAVTR) Fund. This fund was created by the legislature in 1937 for the express purpose of lowering local property taxes, and it has carried out this purpose admirably since that time. Every dollar received is used to lower local property taxes. K.S.A. 79-2959 provides that it be financed by a demand transfer of 3.650% of the state sales and use tax receipts, but, except for FY 1995, between state FY 1992 and FY 1998, the Governor or Legislature actually capped or limited the growth in LAVTR aid at less than 3.65%. HB 2893 (Sec. 106) contains a 2.4% growth cap, resulting in a reduction in formula growth to cities, counties, community colleges, townships, etc. of \$5.1 million (9.4%) in FY 1999.

> **Distribution:** First to county treasurers based on 65% population and 35% assessed valuation. Then to all taxing subdivisions in county, except schools and state, based on relative property tax levies in prior year. Dates: Jan. 15th and July 15th.

Appropriations
3-18-98
Attachment 2

2. City-County Revenue Sharing (CCRS) Fund. Effective January 1, 1979, CCRS was established as part of a trade-off in which cities and counties would get a percentage of the state sales and use tax in exchange for loss of 25% of state cigarette tax receipts, 60% of the state liquor enforcement tax, and all of the domestic insurance company privilege tax receipts. K.S.A. 79-2964 provides that it be financed by the transfer of 2.823% of state sales and use tax receipts, but except for FY 1995, between state FY 1992 and FY 1998, the Governor or Legislature actually capped or limited the growth in CCRS at less than 2.823%. HB 2893 (Sec. 107) contains a 2.4% growth cap, resulting in a reduction in formula growth of $4.5 million (11%) to cities and counties in FY 1999.

Distribution: First to county treasurers based on 65% population and 35% assessed valuation. Then 50% to county government and the remaining 50% is divided among cities in the county based on relative population. Dates: July 15th and December 10th.

3. Special City-County Highway (SCCH) Fund. Effective in FY 1981, the legislature supplemented funding provided through the local share of the state motor fuel tax by providing in K.S.A. 79-3425i that 100% of all state motor carrier property taxes be transferred to the SCCH to be distributed to cities and counties. Throughout the 1980s this statute was followed literally, but beginning in FY 1991 the Governor or Legislature began capping the amount of the transfer at less than the full amount of collections. HB 2893 (Sec. 108) continues this practice, and it has seriously eroded the growth of this revenue source, resulting in only $10.9 million of the estimated $18 million in FY 1999 going to cities and counties--a $7.1 million (39%) shortfall in revenues.

Distribution: Distributed with the local share of the motor fuel tax, counties receive 57% and cities 43%, with some cities receiving a portion of the county share. Funds are distributed based on a variety of factors, including license fee collections, miles of travel, and road miles. Dates: Jan. 15th, April 15th, July 15th and October 15th.

CUMULATIVE IMPACT OF THE REDUCTIONS IN GROWTH

Attached to my testimony is a graph which shows how these state aid programs have grown between FY 1991 and FY 1999. As you can see, if the 2.4% cap recommended by the Governor and found in HB 2893 is approved, it means slightly over $50 million in cumulative reductions in state aid demand transfers since FY 1991.

IMPORTANCE OF STATE AID TO CITIES

Totaling now in excess of $96 million, the three types of state aid funded by demand transfers from the general fund are extremely important to the financial well-being of cities and other local units around our state. Moreover, they have helped stabilize and lower local property taxes in a significant way. I recently asked city officials across the state to provide me with some examples of how they would put these state aid funds to use if they received full funding as provided by law. Here are some examples from 22 cities:

City (Class)	County	Pop.	Uses
Emporia (1)	Lyon	25522	Police body armor, fire equipment (e.g. thermal imaging camera), ADA park improvements, and property tax reductions
Erie (3)	Neosho	1278	Police/firefighter wages, street/bridge repair, and property tax reduction.
Fort Scott (1)	Bourbon	8086	Park improvements, police/firefighter wages, brick street program, and property tax reduction.
Garnett (2)	Anderson	3252	Police radios, fire dept. training and equipment, street overlay projects, and property tax reduction.
Great Bend (2)	Barton	15144	Police car, seal 25 blocks of streets, and property tax reduction (1/4 mill)
Hiawatha (2)	Brown	3550	Public safety, additional asphalt overlay, and property tax reduction.
Holton (2)	Jackson	3253	Additional police patrols, overlay two additional blocks, and property tax reduction (.3 mill)
Hugoton (2)	Stevens	3240	Match KDOT geometric improvement grant and property tax reduction.
Johnson City (3)	Stanton	1326	Street sweeper, fire hydrant for Senior Center, street lighting, and property tax reduction.
Junction City (1)	Geary	20380	Police officer position, equipment replacement, and property tax reduction.
Marysville (2)	Marshall	3275	New library books, coach for summer recreation programs, equipment for 2 volunteer firemen, and property tax reduction.
Mission (2)	Johnson	9145	Staffing for recreation center, and property tax reduction.
Oalkley (3)	Logan/ Thomas	2106	Street repairs and property tax reduction.
Pratt (2)	Pratt	6701	Police/fire services and equipment, street repairs, and property tax reduction.
Park City (3)	Sedgwick	5375	Repair of arterial streets and property tax reduction.
Olathe (1)	Johnson	72455	Add police officers (3), asphalt for overlay of 11.5 lane miles of street, materials for 10 miles of sidewalk, and reduce property taxes .33 mill.

City (Class)	County	Pop.	Uses
Roeland Park (2)	Johnson	7530	Continue COPS police officer position, police overtime/extra patrol, curb/gutter repair, additional slurry seal, and property tax reduction.
Sterling (2)	Rice	2248	Maintain 24 hour police patrols, street maintenance and property tax stabilization.
Stockton (3)	Rooks	1503	Retain police officer, street and priority ADA curb cuts, reduce utility transfers and property taxes.
Troy (3)	Doniphan	1049	Major street repairs, including ADA sidewalk ramps, overlay, etc., and property tax reduction.
Westwood (3)	Johnson	1793	Police salaries and overtime, street projects, and property tax relief.
Kansas City/ Wyandotte (1)	Wyandotte	155072	Property tax reduction (both LAVTR and CCRS) and repave 8 additional center-line miles of street.

CONCLUSIONS AND RECOMMENDATIONS

These important state aid programs fund an array of essential local government services (e.g., police, fire, streets, parks, etc.) and help keep local property taxes lower. They represent a financial partnership between the state and its cities that goes back to 1937. The 529 member cities of the League respectfully suggest that full statutory funding of these programs in state FY 1999 is justified based both on the importance of the services these programs support and the state's current financial condition. To do otherwise at this time sends a message to municipal officials that the state will not keep its commitments--even in good times--and that local property taxes should be used to fund these necessary services rather than the shared revenues from the state sales/use tax and motor carrier property tax. We do not believe these are messages the legislature or Governor really intend to send. We respectfully request your support for full statutory funding of these programs in FY 1999.

Following is a listing of the cities (88) and counties (36) that have adopted resolutions of support for removal of the CAPS on these important state aid programs. These represent simply a portion of the total number of resolutions that have been adopted or are yet to be adopted. I understand the Kansas Association of Counties has copies of additional county resolutions. I will provide the Chairman one copy of each of the resolutions.

Thank you for your careful consideration of this important issue.

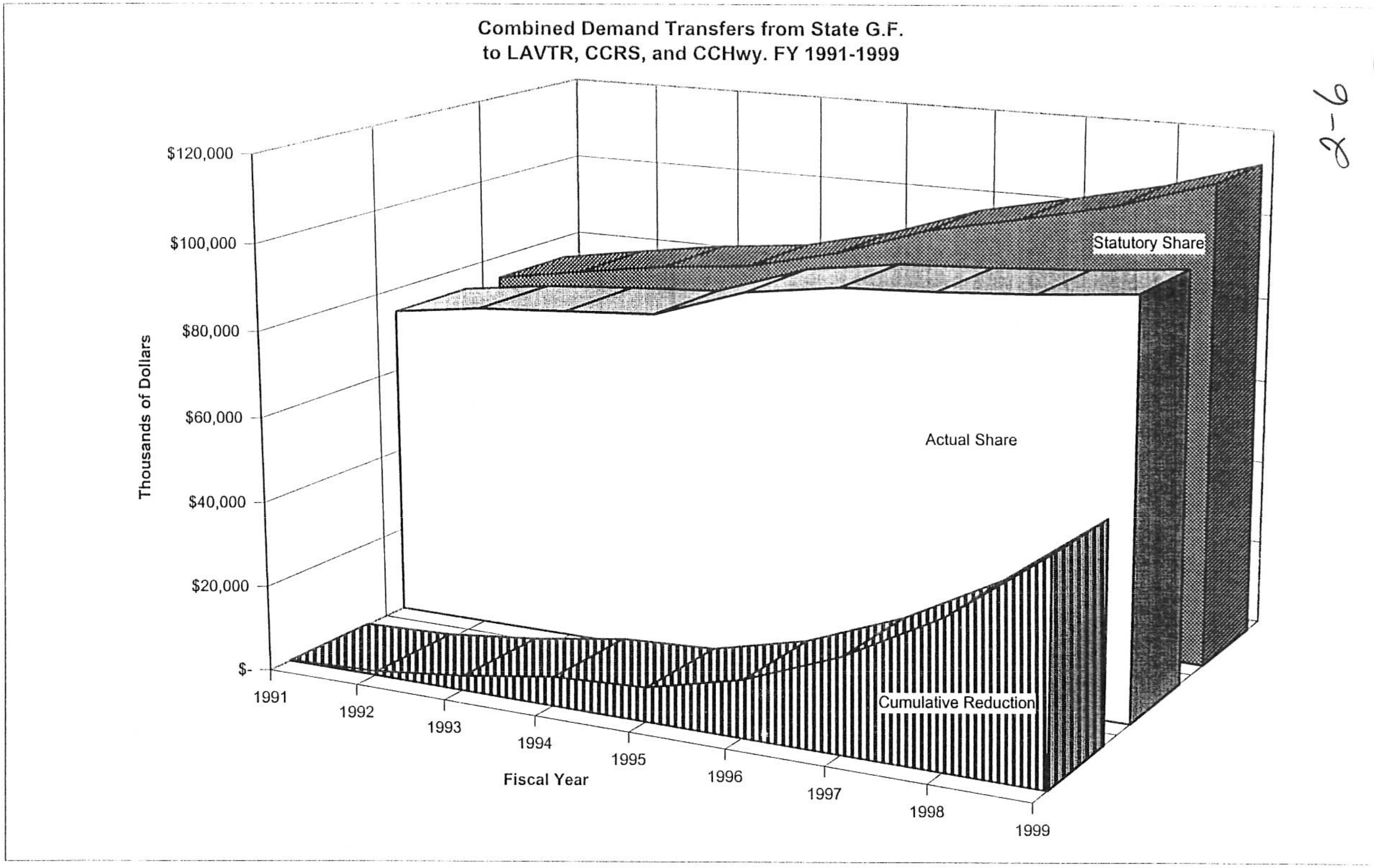
RESOLUTIONS SUPPORTING REMOVAL OF THE "CAPS" ON STATE DEMAND TRANSFERS FOR LAVTR, CCRS, AND SCCH

City Resolutions (88)

Abilene
Alma
Andover
Anthony
Atchison
Auburn
Bennington
Bonner Springs
Brewster
Buhler
Burlington
Caldwell
Cawker City
Cedar Point
Centralia
Cheney
Cimarron
Clearwater
Colby
Columbus
Cottonwood Falls
Council Grove
Delphos
Denison
Derby
Edgerton
El Dorado
Ellis
Eudora
Garden City
Garnett
Glen Elder
Goodland
Grandview Plaza
Haviland
Hays
Hesston
Hiawatha
Hillsboro
Holton
Horton
Hugoton
Humboldt
Kingman
Kincaid
LaCygne
Lakin
Lansing
Lawrence
Lenexa
Lindsborg
Lyndon
Maize
Manhattan
Mankato
Marysville
Medicine Lodge
Prairie Village
Merriam
Minneapolis
Mission
Neodesha
Oakley
Olathe
Osage City
Pittsburg
Pleasanton
Plevna
Prairie Village
Preston
Quinter
Roeland Park
Seneca
Sharon Springs
St. Francis
St. George
St. John
St. Marys
Spring Hill
Stockton
Strong City
Syracuse
Thayer
Towanda
Troy
Valley Center
Wellington
Wichita

County Resolutions (36)

Atchison
Barber
Barton
Brown
Chase
Cherokee
Cheyenne
Coffey
Cowley
Dickinson
Ellis
Ellsworth
Ford
Geary
Hamilton
Jewell
Lane
Lincoln
Linn
Mitchell
Montgomery
Morris
Ness
Osage
Osborne
Pawnee
Reno
Rice
Saline
Shawnee
Sheridan
Sumner
Thomas
Wabaunsee
Wilson
Wyandotte/Kansas City



2-6

	1991	1992	1993	1994	1995	1996	1997	1998	1999
Actual Share	$ 74,567	$ 77,510	$ 79,173	$ 80,665	$ 88,060	$ 91,318	$ 92,597	$ 94,217	$ 96,500
Stat. Share	$ 74,728	$ 78,293	$ 81,622	$ 84,025	$ 89,193	$ 96,649	$ 101,278	$ 106,258	$ 113,204
Cum. Reduc.	$ 161	$ 944	$ 3,393	$ 6,753	$ 7,886	$ 13,217	$ 21,907	$ 33,948	$ 50,673

2-6

Commissioners
JACK D. FORD
DUANE HANNA
RONALD KINSLER
DON L. MASON
MAX MIZE

City Manager
CHERYL S. BEATTY

CITY OF KINGMAN

Regular meetings every second, fourth, and fifth Thursday of each month.

P.O. BOX 168
KINGMAN, KANSAS 67068-0168
PHONE 316-532-3111
FAX 316-532-2147

City Attorney
Geisert, Wunsch & Watkins Law Firm
CURTIS E. WATKINS

Chief of Police
JOHN BRADEN

City Clerk
CINDY CONRARDY

Electric Supt.
IRA M. HART III

Supt. of Streets, Sewer, & Water
DALE ROBINSON

Date: March 18, 1998

To: Representative Phil Kline, Chairman
House Appropriations

From: Cheryl S. Beatty, City Manager

RE: Testimony Regarding HB2893

The City of Kingman has long believed that the "caps" or artificial limitations on the growth in "demand transfers" from the State General Fund to the Local Ad Valorem Tax Reduction Fund, the City-County Revenue Sharing Fund, and the Special City-County Highway Fund should be removed. If our economy was in sad shape, we could understand the need for such caps. However, that is not the case.

We come today to ask for you to really look at what is right and fair to all cities and counties in Kansas. It is time to evaluate our partnership. Again, the City of Kingman, and most likely all cities and counties across this state, recognize and understand the need to place "caps" on these funds in lean years. However, it is difficult to understand why the Legislators have chosen to limit our partnership by placing "caps" on these funds in good times when the state has a healthy cash balance and a debate is occurring on how to "divvy it up" such excess funds.

Our current partnership is a win-lose. We win because such funds were created and they support our local government. We lose because we have not had the pleasure of sharing in the growth of these funds in good times. So, we ask today to build a win-win partnership by removing the "caps" on the demand transfers.

We strive daily to meet the ever increasing service demands and needs of our community. Of course, most projects and programs come with a price tag. In 1996, the City of Kingman was forced to "opt out" of the tax lid by Charter Ordinance to meet the increasing budget requirements. Even so, we strive to keep our operation cost effective so tax increases are held to a minimum. Our 1998 budget held to 2.1 mills over the tax lid as recommend.

Appropriations
3-18-98
Attachment 3

The Local Ad Valorem Tax funds that we receive have and will continue to provide local tax relief. Our 1997 tax reduction was equivalent to 2 mills and further tax relief would be provided by "cap" removals since these funds support our city general fund.

The City-County Revenue Sharing has become increasingly important to meet our public safety needs. A healthy Kansas economy has created a high demand for qualified workers in Wichita to support the aeronautics industry. This has driven up salaries in our area. We have been hardest hit in our law enforcement department in meeting the competitive salary demands. Just last week we found it necessary to increase our police officer starting salary by $1.50 per hour to attract qualified, capable police officers. Cap removals would provide the funds necessary to meet this competitive demand increase.

The Special City-County Highway Fund is essential to our street maintenance for Highway 54 and Highway 14. Both highways have a relatively heavy traffic flow. The funding provided for the maintenance is sufficient. However, construction projects must be supplemented with grant funds from the KDOT Klink Grant Program and our general fund. This year the City general fund will provide $80,000 in construction dollars to resurface Highway 54 within our city limits. Highway 14 is scheduled for major repairs in year 2000. If the demand transfer "caps" remain in place we will again be forced to tap the city general fund to make needed repairs on a state highway. The $12,000 that we may never see due to the "caps" on demand transfers in this fund may not seem like a lot of money to you, but it is important to our small general fund when we have so many pressing needs and mandates that must be met.

You may recognize that the City of Kingman operates its own electric utility, and you may believe that it can be the answer to our general fund shortfalls. That is not the case. Our cost recovery level is now only at 90% and we face retail wheeling challenges. Rate increases are inevitable just to break even and we must stay competitive to succeed. We can no longer depend on budget transfers from our electric utility to our general fund budget. This makes the three state funds that we are discussing even more important to our local government.

It is our sincere hope that you will listen to our plea. We want to build a win-win relationship with the State of Kansas that will allow us to share in the funds available during good economic times. On behalf of the City of Kingman we request the removal of the "caps" or artificial limitations on the growth in "demand transfers" from the State General Fund to the three funds which finance state aid to cities, counties and other units of local government units.

CITY OF PARSONS

P.O. Box 1037
112 South Seventeenth St.
Parsons, Kansas 67357-1037

316-421-7000 Phone
316-421-7012 Fax

March 17, 1998

The Honorable Phil Kline, Chairman
House Appropriations Committee
Statehouse, Room 514S
Topeka, Kansas 66612

Dear Representative Kline:

I have developed the following financial impact on the City of Parsons' budget if the "DEMAND TRANSFER "cap" WAS REMOVED for the fiscal year 1998 and fiscal year 1999. These numbers were based on our 1997 fiscal year.

The LAVTR increase for 1998 would be approximately $19,000 which equates to one half mill of property tax reduction. In 1999 the City would receive $53,000 which would equal approximately 1 ½ mills in property tax reduction. In a time when other funding sources are disappearing this funding is necessary to continue positive progress in our community.

City/County Revenue Sharing Fund for 1998 would receive an additional $14,000. These monies would fill the gap for budget cuts in our Police Department's Drug Awareness Resistance Education (DARE) Program and the Gang Resistance Education And Training (G.R.E.A.T) Program. Both programs are proving to be vital to our community. In 1999 The City would receive approximately $18,000 additional revenue. This monies also would assist in Public Safety funding. As you are aware equipment is an on going requirement. This additional funding would assist greatly in the purchase of necessary equipment for the fire department. It could be utilized to purchase high tech fire fighting equipment or fire engines. Needless to say this equipment is vital to the safety of our city.

Appropriations
3-18-98
Attachment 4

In City County Highway Fund for 1998 approximately $10,000 additional funding would be received. And in 1999 approximately $32,000 additional funding would be received. The City of Parsons has tried very hard to use current fund prudently. This additional funding would make a major difference in our resurfacing and rehabilitation program. This program involves overlays of many of our existing street and reconstruction of some of our collector streets. By increasing the number of block that are improved each year by a few, The City can turn the program from one of crisis management to a true maintenance program. Obviously any additional funds we get for this program serves to relieve some of the burden on our local property taxpayers.

By adding all these sources together, the City of Parsons can realize an additional $43,000 (1.162 Mills) for our 1998 fiscal year and an additional $103,000 (2.78 Mills) in our 1999 budget if the caps for demand transfer were removed. This amount is a significant amount to a city the size of Parsons.

The City of Parsons appreciates the financial support the City receives through these vital programs. We strongly urge the legislature to remove any demand transfer caps and comply with existing state statutes.

Sincerely,

Glen E. Welden
City Manager

KANSAS
ASSOCIATION OF
COUNTIES

TESTIMONY
HB 2893
concerning Demand Transfers to Local Governments

Presented by Randy Allen, Executive Director
Kansas Association of Counties
House Appropriations Committee
March 18, 1998

Chairman Kline and members of the House Appropriations Committee. I am Randy Allen, Executive Director of the Kansas Association of Counties. I appreciate the opportunity to testify in behalf of our member counties on HB 2893, as it concerns the impact of capping the demand transfers.

Last November, the KAC identified full-funding of the state revenue sharing demand transfer programs as our **number one priority** for the 1998 legislative session. County elected officials and members of the Legislature share overlapping constituencies. The economic well-being of the State and its 105 counties are linked. Just as state legislators enact tax policy changes to make our state more competitive with other states, county leaders – often in concert with city officials – finance local economic development agencies and programs, build roads and bridges, and make other related spending decisions which enable the state's economy to grow.

Counties do not, and should not, claim undue credit for the state's economic growth. Nor should any other government – whether state or local. Nevertheless, there has developed over time a **partnership** with the State and its local governments which has contributed to the State's overall economic recovery. As such, the growth in revenues attributable to the state's economic recovery should be shared proportionately – as was envisioned many years ago when the three demand transfer programs were created. We all know that economic development and job growth does not just happen; rather, it results from local business leaders and local government leaders working together within a policy framework established by the State with encouragement from the State's Department of Commerce and Housing and others.

If the caps were removed, how would the additional revenue be used by counties? The funds would be used in one of three ways. First, the Local Ad Valorem Tax Reduction (LAVTR) funds would be used to directly reduce property taxes at the county level. The additional City-County Highway Funds could be used to help maintain county roads and bridges in acceptable condition. In its most recent annual report, the Kansas Department of Transportation (KDOT) indicated that counties are responsible for maintaining 19,928 or 76.5% of the state's 26,021 bridges. Of this number, 6,015 or slightly over 30% are either structurally deficient or functionally obsolete. Of the state's 133,000 of road miles, over 109,000 miles are under either county or township jurisdiction. Clearly, there is significant need for monies to maintain roads and bridges.

700 SW Jackson
Suite 805
Topeka KS 66603
785•233•2271
Fax 785•233•4830
email kac@ink.org

Appropriations
3-18-98
Attachment 5

Finally, the City-County Revenue Sharing payments, deposited by counties in their general funds, would be used by county commissioners at their discretion to finance worthy programs and services.

By now, many if not all of you have received resolutions from county commissioners in your districts expressing their support for action to fully fund the demand transfers by removing the 2.4% caps. We appreciate the committee's time to hear and fully appreciate our concerns. If you have questions, I will address them at this time.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to the KAC by calling (785) 233-2271.

Howa. J. Partington, City Administra...
Cherie Orth, Assistant City Administrator

Robert G. Suelter, Cit. .orney
Charles A. Bartlett, P.E., City Engineer

THE CITY OF GREAT BEND

Lillian D. Papay, Mayor

March 18, 1998

TO: House Appropriations Committee

FROM: Lillian D. Papay, Mayor

RE: Remove the CAPS from Demand Transfers

The City of Great Bend urges you to remove the CAPS from the demand transfers to cities for LAVTR, City-County Revenue Sharing and the Special City-County Highway Fund.

We feel the time is right for you to remove the CAPS. Since the CAPS were placed on our funds when money was tight, it seems that they should be restored now that surpluses exist.

What could the City of Great Bend do with the money? Here are some ideas. The $14,160 for 1999 in the LAVTR fund could be used to reduce the property tax by ¼ mill. The $20,273 for 1999 in the City-County Revenue Sharing fund could be used to purchase one police car. The $38,214 for 1999 in the special City-County Highway fund could be used to seal 25 blocks of street.

We urge you to remove the CAPS. It is the right thing to do.

Thank you for your time and assistance.

Appropriations
3-18-98
Attachment 6

P.O. Box 1168 1209 Williams Great Bend, Kansas 67530 (316) 793-4111 FAX (316) 793-4108

TO: HOUSE APPROPRIATIONS COMMITTEE

Testimony on HB 2893

March 18,1998

Good afternoon, Mr. Chairman and members of the Appropriations Committee.
I'm Linda Peterson, Marion County Commissioner.

I'm here today to respectfully request that the Legislature remove "caps" on State Aid Demand Transfers in the following categories:

Local Ad Valorem Tax Reduction (LAVTR)

Special City- County Highway (SCCH)

City-County Revenue Sharing (CCRS)

My understanding is that the LAVTR was put in place in 1937 so that local units of government could lower property taxes. Since 1937 many mandates have been handed down from Federal to State and State to Counties and Cities, which strains local property taxes. What services do you want us at the local level to reduce? -----Senior Citizen programs, Health programs, Public Safety, or Emergency Medical Services?

Examples: Since 1992, when I began serving as a Marion County Commissioner, new Solid Waste Regulations were handed down to counties. Such regulations are important for the health and safety of our citizens, but they do cost money. Yes, some funding is provided in the form of matching grants from tipping fees. The tipping fees come from the local entities and are sent to the state. The state has decided to reduce the tipping fee from $1.50 to $1.00 and this grant fund is decreasing. Counties are required to continue to abide by the regulations, but with less assistance.

Also, the Juvenile Justice new program is being transferred to the local level for local communities to implement. We don't know what the impact of this will have on counties financially.

The demand transfer of the Special City/County Highway(SCCH) is a must. Marion County is a rural county with 1600 miles of road and 307 bridges to maintain. Maintenance of all those miles of road and bridges is a very difficult task. The wear and tear on county roads is much greater than in the past. We had a major railroad discontinue service to two of our largest elevators, so that meant all the grain had to be moved by trucks, and you know what kind of harvest we had last year. Also, the local farmers are driving larger trucks to haul their grain to town.

Appropriations
3-18-98
Attachment 7

City/County Revenue Sharing (CCRS) monies would enable counties to do a better job updating their computer systems, buy that much needed ambulance, patrol car, or just help counties with maintenance of buildings.

Marion County has been fortunate to experience growth the last two years, which other counties our size and smaller may have not. Counties are trying to be innovative to reduce the strain on property taxes. Marion County passed a county -wide sales tax and neighboring Dickinson County imposed an aggregate severance tax. A current bill being considered by the legislature would prohibit counties from imposing such severance taxes.

We, at the county level are not asking for new monies from the state. We are just asking for the monies that are statutorily designated state aid for cities and counties.

Please give this request serious consideration.

Thank you for your time.

County of Jackson, State of Kansas

Courthouse - 400 New York
Holton, Kansas 66436

JOHN GRAU, SOLDIER
FIRST DISTRICT COMMISSIONER

ELLEN SCHIRMER, HOLTON
SECOND DISTRICT COMMISSIONER

ROY OGDEN, MAYETTA
THIRD DISTRICT COMMISSIONER

PHONE(785) 364-2826 OR (785) 364-2891
FAX (785) 364-4204

TESTIMONY
HB 2893 (Sections 107, 108, 109)
Concerning Demand Transfers to Local Governments

Presented by Ellen Schirmer, Jackson County Commissioner
House Appropriations Committee
March 18, 1998

Chairman Kline and Members of the House Appropriations Committee. I am Ellen Schirmer, County Commissioner from Jackson County, which is the county immediately north of Shawnee County. I am here to provide testimony on HB 2893, as it relates to the impact of capping the demand transfers.

I, like all of you, am an elected official. I want responsive and effective county services at the lowest possible cost for the 11,700 residents of our county. I doubt that we differ concerning our goal of good government at the state and county levels. I believe we are **partners**, and we should always work together.

Jackson County government receives about $750,000 annually from the state's distributions of Local Ad Valorem Tax Reduction (LAVTR) funds, the City-County Revenue Sharing monies; and the Special City-County Highway Fund. Counties operate on a calendar-based fiscal year, and so the "capping" of demand transfers in the State's Fiscal Year 1999 impacts our County this year (1998), and even more significantly in 1999. The "capping" as provided in HB 2893 would deny Jackson County government an estimated $35,026 in calendar year 1998 and an estimated $89,401 in calendar year 1999. With an assessed valuation of just over $52 million in Jackson County, the loss of the 1999 revenue (i.e. $89,401) alone would translate into property tax revenues equivalent to about 1.7mills.

Appropriations
3-18-98
Attachment 8

One of the biggest responsibilities (and sometime, headaches) for county commissioners from rural counties is maintaining our county roads and bridges in satisfactory condition. Quite frankly, we could put immediate, good use to the estimated, additional Special City-County Highway Funds of $63,356 which would be released if the "caps" were lifted, to both purchase and apply road materials to keep our county roads in driveable condition. Last week's snowstorm illustrates our financial vulnerability, as county crews worked hard just to keep roads open. Our residents depend on us to maintain roads and bridges in reasonable condition, and these monies (while perhaps small to you) are important to us in Jackson County.

What we ask for is for the statutorily designated portion of state sales tax and motor carrier property taxes to be returned to counties and other local governments. We view ourselves as partners and not as parasites of the state, and urge you to view full funding of the state revenue sharing programs as a fulfillment of our partnership. Together, we can accomplish great things!

If you have any questions, I would be happy to address them at this time.

Barton County KANSAS
Thomas A. Sullivan County Administrator (316) 793-1800
Courthouse • 1400 Main, Rm 107 • Great Bend, KS 67530 • email: barton.admin@greatbend.com

TO: House Appropriations Committee

FROM: Thomas A. Sullivan TAS
Administrator

DATE: March 18, 1998

SUBJECT: Demand Transfer Caps

The demand transfer receipts received by Barton County are allocated in the following manner. State transfers of Local-Advalorem Tax Reduction (LAVTR) and the Special City County Highway (SCCR) receipts are allocated to Barton County's Road and Bridge Fund. The City-County Revenue Sharing (CCRS) demand transfer is allocated to the County's General Fund.

The 1999 un-capped amounts of LAVTR and SCCR transfers for road and bridge work, sum of $44,795, would pay for 14 miles of bituminous sealing or for a one inch asphalt overlay of 1.75 miles of County highway. The allocation for maintenance is significant since Barton County seals 125 miles of blacktop highway each year.

If left un-capped, CCRS receipts to Barton County would increase an estimated $9,243. That amount would cover the cost of the April elections for the open council seats in the City of Great Bend.

Together, these three amounts are over one-third, 36 percent, of the value of one mill for Barton County.

If you need additional information, please do not hesitate to call me at (316) 793-1800.

Enclosure: County Resolution 1998-06

TAS/tas

Appropriations
3-18-98
Attachment 9

RESOLUTION 1998-06

A RESOLUTION URGING THE KANSAS LEGISLATURE TO REMOVE THE "CAPS" ON THE DEMAND TRANSFER STATE AID PROGRAMS FROM THE STATE GENERAL FUND TO COUNTIES AND CITIES

WHEREAS, Barton County, Kansas, as well as the cities and other local units of government in the County, has enjoyed long-standing partnerships with each other and the State of Kansas; and

WHEREAS, the three demand transfer programs – Local Ad Valorem Tax Reduction or LAVTR, City-County Revenue Sharing, and Special City-County Highway Fund – are designed to provide revenue to Counties and Cities to reduce local property taxes as well as to finance services benefiting all Kansans; and

WHEREAS, with the exception of State Fiscal Year 1995, the Legislature has imposed "caps" on the growth of the transfers of these three State aid programs each year since 1991, thereby reducing the statutory share of revenue to which local governments would be otherwise entitled; and

WHEREAS, during leaner years when State revenue growth lagged, local governments could better understand a potential need to "cap" the growth in State aid received from demand transfers from the State government; and

WHEREAS, through strong local investments in roads, bridges, utility improvements and local economic development efforts, local governments have demonstrated an aggressive and enthusiastic partnership with the State and private sector in building the Kansas economy; and

WHEREAS, it is appropriate that the benefits from such a thriving economy be shared with local governments to control local property taxes and finance vital public services.

NOW THEREFORE, BE IT RESOLVED, by the Board of County Commissioners of Barton County, Kansas, that Barton County and its local government partners, including the cities of Ellinwood, Great Bend and Hoisington, urge the Kansas legislature to fully fund State FY 1999 Demand Transfer State Aid Programs for local governments, without artificial caps or restrictions; and

FURTHER, that the Governing Body of Barton County, which is directly accountable to our citizens, pledges in good faith to utilize such additional revenues to control property taxes and finance essential services; and

FURTHER, that a copy of this Resolution shall be sent to the legislators representing Barton County, Governor Graves, and to other local units of government within Barton County.

MOTION MADE, SECONDED AND ADOPTED this 23rd day of February, 1998.

Pat Keenan

Pat Keenan, Chairman

ATTEST:

Donna Zimmerman

Donna Zimmerman, County Clerk

BARTON COUNTY KANSAS
SEAL
COUNTY CLERK

Jolene Brauer

Jolene Brauer, Member

Jeanette A. Shirer

Jeanette A. Shirer, Member

9-2

Lenexa KANSAS

(10)

TESTIMONY PROVIDED TO THE HOUSE APPROPRIATIONS COMMITTEE

RE: HB 2893

MARCH 18, 1998

Mr. Chairman and Members of the Committee:

On behalf of the city of Lenexa I would like to thank you for scheduling this hearing on the issue of demand transfers to state aid programs for cities and counties in Kansas. As you are aware this has been and continues to be a very important issue to local governments. The city of Lenexa joins the League of Kansas Municipalities and more than a hundred cities in a request to remove the proposed caps on the three demand transfer programs for FY99. These three programs are the Local Ad Valorem Tax Reduction (LAVTR) Program, the City-County Revenue Sharing (CCRS) Program and the Special City-County Highway (SCCH) Program. These three programs are designed to provide revenue to cities and counties to reduce local property taxes and to provide funding for services and infrastructure that benefit all Kansans.

HB 2893, Sections 106-109 currently contain the provisions that would impose caps of 2.4% for the demand transfers from the State General Fund to these programs in FY99. Given the strength of the state-wide economy and the surplus revenues going to the state treasury, it is appropriate that alongside major tax relief legislation there should be an initiative by the legislature to recognize the partnership the state has with local governments in providing quality services that help boost the economy. That recognition should come this year in the form of an appropriations bill that will fully fund these state aid programs according to the statutory formula.

In Lenexa these additional funds will be the equivalent of revenues generated by one-half a mill of local property tax. These funds will be wisely used to fund basic municipal services such as police and fire protection without raising local property taxes and for cash to fund capital improvement projects for roads and bridges in western Lenexa needed to support increased development occurring as part of the boom economy.

We urge you to consider favorably the request of so many local government elected officials this year to share the wealth with your local government partners. A copy of the resolution passed by the Lenexa City Council urging the Legislature to remove the caps on the demand transfers is attached for your information.

Should you have any questions, please contact us at 913/477-7550. Thank you again for your time and consideration in this very important matter.

Thomas R. Schaefer
Assistant City Administrator

Appropriations
3-18-98
Attachment 10

City of Lenexa / 12350 West 87th Street Parkway / Lenexa, Kansas 66215-2882
City of Lenexa / P.O. Box 14888 / Lenexa, Kansas 66285-4888
Telephone 913-477-7500 City Hall / Fax 913-477-7504

RESOLUTION NO. 98-21

A RESOLUTION URGING THE KANSAS LEGISLATURE TO REMOVE THE "CAPS" ON THE DEMAND TRANSFER STATE AID PROGRAMS FROM THE STATE GENERAL FUND TO CITIES AND OTHER LOCAL GOVERNMENTS.

WHEREAS, the City of Lenexa, Kansas, as well as Johnson County and other local units of government in Johnson County, Kansas have enjoyed long-standing partnerships with each other and the State of Kansas; and

WHEREAS, the three demand transfer programs [local ad valorem tax reduction, or "LAVTR"; city-county revenue sharing; and special city-county highway fund] are designed to provide revenue to cities, counties, and other local governments to reduce local property taxes as well as to finance services benefiting all Kansans; and

WHEREAS, with the exception of state fiscal year 1995, the legislature has imposed "caps" on the growth of the transfers of these three state aid programs each year since 1991, thereby reducing the statutory share of revenue to which local governments would be otherwise entitled; and

WHEREAS, during leaner years when state revenue growth lagged, local governments could better understand a potential need to "cap" the growth in state aid received from demand transfers from the state government; and

WHEREAS, through strong local investments in roads, bridges, utility improvements, and local economic development efforts, local governments have demonstrated an aggressive and enthusiastic partnership with the state and private sector in building the Kansas economy; and

WHEREAS, it is appropriate that the benefits from such a thriving economy be shared with local governments to control local property taxes and finance vital public services.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF LENEXA,KANSAS:

SECTION ONE: The City and its local government partners urge the Kansas Legislature to fully fund state FY 1999 demand transfer state aid programs for local governments, without artificial "caps" or restrictions.

SECTION TWO: The Governing Body of the City of Lenexa, Kansas, which is directly accountable to our citizens, pledges in good faith to utilize such additional revenues to control property taxes and finance essential services; and

SECTION THREE: A copy of this resolution be sent to the legislators representing the City of Lenexa, Kansas, Governor Graves and to other local units of government within Johnson County, Kansas.

PASSED by the Governing Body this 17th day of February, 1998.

APPROVED by the Governing Body this 17th day of February, 1998.

CITY OF LENEXA CORPORATE SEAL KANSAS

[SEAL]

Joan Bowman

Joan Bowman, Mayor

ATTEST:

Sandra Howell

Sandra Howell, Administration Director/City Clerk

APPROVED AS TO FORM:

Cynthia L. Harmison

Cynthia L. Harmison, City Attorney

\\SERVER2\VOL1\DATA\LEGAL\WINWORD\37caps.doc

KANSAS
DEPARTMENT ON AGING

Docking State Office Building
915 S.W. Harrison, 150-S
Topeka, KS 66612-1500
Phone (785) 296-4986
Fax (785) 296-0256

Bill Graves
Governor

Thelma Hunter Gordon
Secretary of Aging

Testimony to the House Appropriations Committee
by Senior Services Commissioner Denise Clemonds,
Kansas Department on Aging

Mr. Chairman and members of the committee, thank you for the opportunity to testify in support of HB 2989 today.

The concept of assisted living and residential health care facilities is to provide a homelike, non-institutional setting for individuals who are so frail they need a supportive environment, but who do not need complete care in a nursing facility. We endorse this concept, which supports our KDOA mission of enhancing security, dignity and independence for seniors.

In those areas with populations large enough to support them, assisted living and residential health care facilities have proven to be a wonderful alternative to nursing facilities. However, many communities, particularly rural ones, have a limited, but very real, need for these settings.

We believe the intent of this legislation is to create those alternative long-term care facilities for citizens of rural areas where there is some need, but not enough demand to support freestanding assisted living facilities, or even a whole wing or floor of residential health care. We wholeheartedly support and encourage this.

As of March 16 there were still 45 counties that had no assisted living or residential health care facilities, at least partially because of the current requirement that an entire wing or floor has to be converted. Only four of those counties had even as much as board and care homes for seniors. Frail seniors in those counties have greatly limited choices, necessitating loss of either security or independence. Once in a nursing facility, there often is no alternative to staying there, even though a Resident Status Review shows the resident no longer needs the full services of a nursing facility.

To provide the non-institutional setting envisioned by the ALF/RHCF concept requires a clear distinction of the area of a building devoted to independent residential care, which is achieved in this legislation by requiring the area to be converted to be contiguous.

KDOA asks for your support of this bill. We believe that as consumers become more aware of options to nursing facility care, there will be even more demand for those options. Thank you. I'll be happy to answer any questions you might have.

Appropriations
3-18-98
Attachment 11

KAHSA
KANSAS ASSOCIATION OF
HOMES AND SERVICES FOR THE AGING

TESTIMONY IN SUPPORT OF HOUSE BILL 2989

To: Representative Phil Kline, Chair, and Members,
House Appropriations Committee

From: Debra Zehr, Vice President, Policy/Education

Date: March 18, 1998

Thank you, Mr. Chairman, and Members of the Committee. The Kansas Association of Homes and Services for the Aging represents more than 150 not-for-profit long-term care, housing, and community service providers throughout the State.

We ask for your support of House Bill 2989.

Senate Bill 8, as passed by the 1995 Kansas Legislature, created several new adult care home licensure categories, in order to give elderly Kansans more long-term care service options. The Residential Health Care licensure category was created expressly for the purpose of allowing nursing facilities to convert portions of their facilities to a less intense, more home-like environment similar to assisted living. We have seen remarkable growth of both Assisted Living (AL) and Residential Health Care (RHC) in some areas of the state. Between December of 1996 and 1997, 1350 new AL/RHC beds were added around the state. At the same time, the number of Nursing Facility beds dropped by over 650.

While many communities have seen AL/RHC grow and flourish, there are still 45 counties in the state that have no assisted living or residential health care. (See Attachment 1.) All of these counties have a nursing facility or long-term care hospital unit. Current statute requires that a nursing facility convert an entire wing or floor to RHC. This is problematic is rural areas, where populations are sparse and facilities are small. Because of the physical configuration of these facilities, most would have to convert one third to one half of their entire facility. Local markets will not support this relatively large number of AL/RHC beds.

A specific example is Moundridge Manor, an 82 bed nursing facility operated by the Mennonite Church, in Moundridge, Kansas. Several residents have been identified through KDOA's Resident Status Review process that could possibly be served at a lighter level of care. The Manor is unable to convert an entire wing of their building, but could convert a six-room section. If they could convert six rooms, some of the residents flagged by the RSR could shift to this lighter level of care. The facility would receive payment under the HCBS/FE waiver. Not only would the older persons of Moundridge and vicinity have a new service option in their local community, but also the state would save money. (See attachment 2.)

Thank you. I would be happy to answer questions at this time.

Appropriations
3-18-98
Attachment 12

700 SW HARRISON, SUITE 1106
TOPEKA, KANSAS 66603-3759
785-233-7443
FAX: 785-233-9471

ATTACHMENT 1

Kansas Counties without Assisted Living/Residential Health Care

(Based on a KDHE report, December 1997, and *Kansas Seniors and Their Families: Estimating the Senior Population and Impairment Levels*, Aging Research Institute, 1993)

	COUNTY	1995 Population	Total persons aged 65+
1.	Barber	5,810	1,408
2.	Chase	2,876	729
3.	Chautaqua	4,141	1,101
4.	Cheyenne	3,067	849
5.	Clark	2,313	595
6.	Doniphan	7,983	1,712
7.	Edwards	3,587	875
8.	Elk	3,195	992
9.	Ellsworth	6,673	1,494
10.	Gove	3,051	633
11.	Grant	7,230	734
12.	Gray	5,474	784
13.	Greeley	1,783	290
14.	Hamilton	2,333	506
15.	Harper	6,980	1,742
16.	Haskell	3,912	462
17.	Hodgeman	2,177	436
18.	Jewell	3,939	1,107
19.	Kiowa	3,606	932
20.	Lane	2,319	515
21.	Lincoln	3,506	1,015
22.	Logan	3,040	763
23.	Mitchell	6,831	1,528
24.	Morris	6,199	1,420
25.	Morton	3,390	535
26.	Ness	3,899	1,012
27.	Norton	5,690	1,305
28.	Osborne	4,539	1,316
29.	Pawnee	7,184	1,425
30.	Rawlins	3,196	689
31.	Republic	6,318	1,815
32.	Rice	10, 352	2,194
33.	Rooks	5,708	1,375
34.	Rush	3,647	1,010
35.	Scott	5,127	906
36.	Sheridan	2,897	555
37.	Sherman	6,669	1,313
38.	Smith	4,911	1,463
39.	Stanton	2,416	283
40.	Stevens	5,256	796
41.	Trego	3,588	969
42.	Wallace	1,782	303
43.	Washington	6,859	2,057
44.	Wichita	2,675	398
45.	Woodson	3,935	1,956

3/98

KAHSA ILLUSTRATION

82 Bed Nursing Facility Converts 6 Beds to Residential Health Care Units.
Assumption: 6 Medicaid Residents Transfer to Residential Health Care Units

NF		HCBS	
$63.59	Medicaid Rate Per Diem		
0.78	Patient Liability		
$49.60	Medicaid Cost Per Diem - All Funds		
30	Days Per Month		
$1,488.01	Medicaid Cost Per Month	$801.00	HCBS Cost Per Month - Average
6	Individuals	6	Individuals
$8,928.04	Medicaid Cost Per Month for 6	$4,806.00	HCBS Cost Per Month for 6

SAVINGS: $8,928.04 Less $4,806.00 = $4,122.04 Savings Per Month for 6 Individuals

$4,122.04 x 12 months = $49,464.43 Annual Savings to NF Medicaid Program

13

Madison Manor, Inc.

P.O. Box 277
MADISON, KANSAS 66860
316-437-2470 : Fax 316-437-2246

TESTIMONY IN SUPPORT OF HOUSE BILL 2989

To: Representative Phil Kline, Chair, and Members
House Appropriations Committee

From: Jerry Unruh, Administrator

Date: March 18, 1998

Thank you, Mr. Chairman, and Members of the Committee. Madison Manor is a fifty-two bed non-profit nursing facility located in Madison, Kansas. I am also Administrator of Pleasant View Village, a sixteen apartment independent living complex located next to the Manor.

I am here to ask for your support of House Bill 2989.

Madison is located twenty miles south of Emporia. We have a beautiful setting in the Flint Hills. Madison has a population of 900. The Manor enjoys excellent community support and has always had an adequate occupancy.

We are providing Home Care Services and looking into certifying our facility for Medicare reimbursement. In order to provide a full range of services we need to be able to provide Residential Health Care services(RHC).. The current RHC statute requires that a nursing facility convert an entire wing or floor to RHC. Our Manor has two resident care wings. One wing has 29 beds and the second wing has 23 beds. We do not feel we have a need for 23 or 29 RHC beds. House Bill 2989 would provide the vehicle for us to provide RHC.

It is important to the Madison Community that a full range of services be available for our older population. We respectfully request that you support House Bill 2989. Your support of this bill will be support for small rural communities which are excellent places for persons to retire and live their last days.

Thank you. I would be happy to answer questions at this time.

Appropriations
3-18-98
Attachment 13

14

KANSAS
DEPARTMENT OF HEALTH & ENVIRONMENT
BILL GRAVES, GOVERNOR
Gary R. Mitchell, Secretary

Testimony Presented to

The House Appropriations Committee

March 18, 1998

by

Gary R. Mitchell
Secretary of Health and Environment

HB 2989

Mr. Chairman and members of the Committee, thank you for the opportunity to appear before you today to discuss House Bill 2989, which would amend K.S.A. 39-923 and repeal a requirement for specific nursing facilities. The department supports the concept of allowing selected nursing facilities with fewer than 60 licensed beds to convert less than a wing or a floor to residential care when these services are not available in the county in which the nursing facility is located.

The statutes related to adult care homes were amended in 1995 to provide for two new licensure categories: assisted living and residential health care. I would like to review with you the impact of this change on the availability of assisted living and residential health care to Kansas citizens.

- In 1995 there were 1,622 licensed units in assisted living and residential health care facilities.
- In January of 1998 there were 5,308 units in assisted living and residential health care facilities.
- In 1995 only 42 counties had licensed assisted living/residential health care facilities.
- Today 73 counties have licensed assisted living/residential health care facilities.

Appropriations
3-18-98
Attachment 14

- The occupancy rate for assisted living/residential health care facilities has been approximately 65 percent over the past two years.

Discussions at the committee level in 1995 suggested that residential health care should be distinctly different in services and operation from a nursing facility. The intent was that a residential health care facility within a nursing facility would be located within a distinct portion of the facility and services and environment would support the assisted living concepts of independence, privacy, autonomy and choice. The issue before the committee today is that there are areas of the state where assisted living/residential health care facilities are not available. The question is how to ensure the availability of this housing option without undermining the assisted living concept.

- Ninety-nine (99) nursing facilities in Kansas have fewer than 60 licensed beds.

- Sixty-five (65) of the nursing facilities with fewer than 60 licensed beds are located in counties which currently have facilities licensed to provide residential care.

- Twenty-four (24) nursing facilities with fewer than 60 licensed beds are located in counties which do not have a licensed residential health care facility.

If residential health care is to survive in Kansas as a care delivery system which is different from nursing facility care, there must be a limit on who can convert less than a wing or a floor to this level of care. The current language in the bill would allow a facility to convert one bed to residential health care. The question must be asked as to how a facility can provide a distinctly different environment for one or two persons? Requiring at least four residents would hopefully ensure there would be a small community of individuals in a distinct part of the facility receiving care and services which are different from those provided in the nursing facility.

The department would like to make the following recommendations:

- Section 1 (a) (6) "Residential Health Care Facility" be adopted as printed in the proposed bill.

- Section 1 (f) be amended as follows:

  Nursing facilities with less than 60 beds *and located in a county which does have a facility licensed to provide residential health care* shall have the option of licensing to care for *four or more* individuals in a contiguous portion of the facility.

The increase in alternative housing choices for frail elders has significantly increased since the passage of Senate Bill 8 in 1995. It is important, however, to ensure that the momentum for change continues to support the concept of residential health care as a distinctly different service delivery system from nursing facilities.

I appreciate the opportunity to comment on HB 2989. I thank you for your time and consideration and I would be pleased to answer any questions you might have.

FEDERICO CONSULTING

A Public Affairs Group

Government Affairs
Public Relations
Regulatory Counsel
JOHN J. FEDERICO, J.D.

Testimony Offered In Support Of HB 2989

On Behalf Of Alternative Living Services, Inc

House Appropriations Committee

March 18, 1998

My name is John J. Federico of Federico Consulting appearing on behalf of Alternative Living Services (previously known as Sterling House). I stand in support of HB 2989.

Sterling House owned and operated 19 free-standing assisted living centers across Kansas, and had recently expanded into 5 other states before they merged with Alternative Living Services, Inc. The combined company is now one of the largest providers of assisted living housing in the country and takes its role as an industry leader very seriously.

As such, we are very protective of the "philosophy" surrounding new, better, alternative housing & care options for our frail elderly. What I mean by that is that ALS is committed to preserving, developing, and improving housing & care options that serve as alternatives to the traditional nursing home setting. By supporting residential health care and assisted living models we are providing a much needed and much desired housing option to our senior citizen population (as evidenced by the tremendous growth of the assisted living industry!)

The intent of this bill is to provide these same housing alternatives to the our rural communities. We support this wholeheartedly but urge the Committee to consider an amendment to the bill. In an effort to support the philosophy behind these alternative models, the units must be residential in more than just name. As such we would recommend that no less than 10% of the total bed count be converted to ensure a "residential" feel to that portion of the facility. Please see the attached balloon amendment.

Thank you for your time and your consideration.

John J. Federico
Federico Consulting

Appropriations
3-18-98
Attachment 15

816 SW Tyler · Suite 300-A · Topeka, KS · 66612-1635

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15-2

(22) "Activities of daily living" means those personal, functional activities required by an individual for continued well-being, including but not limited to eating, nutrition, dressing, personal hygiene, mobility, toileting.

(23) "Personal care" means care provided by staff to assist an individual with, or to perform activities of daily living.

(24) "Functional impairment" means an individual has experienced a decline in physical, mental and psychosocial well-being and as a result, is unable to compensate for the effects of the decline.

(25) "Kitchen" means a food preparation area that includes a sink, refrigerator and a microwave oven or stove.

(26) The term "intermediate personal care home" for purposes of those individuals applying for or receiving veterans' benefits means residential health care facility.

(b) The term "adult care home" shall not include institutions operated by federal or state governments, except institutions operated by the Kansas commission on veterans affairs, hospitals or institutions for the treatment and care of psychiatric patients, child care facilities, maternity centers, hotels, offices of physicians or hospices which are certified to participate in the medicare program under 42 code of federal regulations, chapter IV, section 418.1 *et seq.* and amendments thereto and which provide services only to hospice patients.

(c) Facilities licensed under K.S.A. 39-1501 et seq. and amendments thereto or K.S.A. 75-3307b and amendments thereto or K.S.A. 39-923 as an intermediate personal care home or with license applications on file with the licensing agency as intermediate personal care homes on or before January 1, 1995, shall have the option of becoming licensed as either an assisted living facility or a residential health care facility without being required to add kitchens or private baths.

(d) Nursing facilities in existence on the effective date of this act changing licensure categories to become residential health care facilities shall be required to provide private bathing facilities in a minimum of 20% of the individual living units.

(e) Facilities licensed under the adult care home licensure act on the day immediately preceding the effective date of this act shall continue to be licensed facilities until the annual renewal date of such license and may renew such license in the appropriate licensure category under the adult care home licensure act subject to the payment of fees and other conditions and limitations of such act.

15-2

(f) Nursing facilities with less than 60 beds converting a portion of the facility to residential health care shall have the option of licensing to care for less than six individuals within a contiguous portion of the facility.

but not less than 10% of their total bed count

~~(f)~~ *(g)* The licensing agency may by rule and regulation change the

BILL GRAVES
Governor

DAN STANLEY
Secretary of Administration

JOHN T. HOULIHAN
Director of Purchases
900 S.W. Jackson, Room 102-N
Landon State Office Building
Topeka, KS 66612-1286
(785) 296-2376
FAX (785) 296-7240

DEPARTMENT OF ADMINISTRATION
Division of Purchases

HOUSE APPROPRIATIONS COMMITTEE
TESTIMONY
SENATE BILL NO. 5
MARCH 18, 1998

Presented by John T. Houlihan
Director of Purchases

Mr. Chairman and members of the committee. I am John Houlihan, Director of Purchases. Thank you for the opportunity to speak on behalf of the Department of Administration in support of Senate Bill No 5.

The purpose of Senate Bill No.5 is to amend K.S.A. 75-3739, the competitive bid statute, which has been changed little since 1953. These changes will allow the Division of Purchases to be more responsive to the needs of state agencies and the vendor community. This bill is essentially the same as Senate Bill No. 402 which was passed by the 1996 Legislature, but vetoed by the Governor because of an unacceptable amendment added by the House of Representatives. Senate Bill No.5 will allow the following:

1. With the approval of the Secretary of Administration, the Director of Purchases may delegate authority to any state agency to make purchases of less than $25,000 under certain prescribed conditions and procedures.

2. Allow all purchases estimated to be less than $25,000 be made after the receipt of bid solicitations by telephone, telephone facsimile or after receipt of sealed bids following at least three days' notice posted on a public bulletin board.

3. Permit purchases estimated to exceed approximately $25,000 but not more than $50,000 be made after receipt of sealed bids and at least three days' notice posted on a public bulletin board.

Appropriations
3-18-98
Attachment 16

4. Allow all purchases estimated to exceed $50,000 be made after receipt of sealed bids and notice published once in the Kansas Register not less than 10 days before date of bid opening.

5. Let the Director of Purchases obtain goods and services without competitive bids: when compatibility with existing contractual services, supplies, materials or equipment is the overriding consideration, when a used item becomes available and is subject to immediate sale, or when in the judgment of the Director of Purchases and the head of the acquiring state agency, not seeking competitive bids is in the best interests of the state. All procurements of this type that exceed $5,000 shall be reported quarterly to the Chairperson of the House Appropriations Committee, the Senate Ways and Means Committee, and the Legislative Coordinating Council.

6. Permit the Director of Purchases to determine the procedures for purchases estimated to be less than $5,000.

7. Permit state agencies to contract directly for goods and services with other state agencies, or with federal agencies, political subdivisions of Kansas, agencies of other states or subdivisions, or private nonprofit educational institutions without obtaining permission from the Director of Purchases or seeking competitive bids.

8. Allow the Director of Purchases to sponsor, conduct, or administer a cooperative purchase agreement or consortium for purchases of supplies, materials, equipment or contractual services.

9. Delegate authority to any state agency to make purchases under certain prescribed conditions and procedures when the acquisition is funded, in whole or in part, from a grant As used in this bill, a grant means a disbursement made from federal or private funds, or a combination of these sources, to a state agency.

None of these changes will have a fiscal impact on the Division of Purchases, but they will allow the division to operate in a more efficient manner and be more responsive to the needs of the state agencies and the vendor community.

This concludes my prepared testimony, are there any questions?

STATE OF KANSAS

KANSAS DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY OF TRANSPORTATION
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915 SW Harrison Street, Rm. 730
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E. Dean Carlson
SECRETARY OF TRANSPORTATION

Bill Graves
GOVERNOR

TESTIMONY BEFORE THE HOUSE APPROPRIATIONS COMMITTEE

Regarding Senate Bill 5
State Purchases
March 18, 1998

Mr. Chairman and Committee Members:

I appreciate the opportunity to appear before you today on behalf of the Department of Transportation to provide testimony in support of Senate Bill 5. I am Dale Jost, Chief of the Bureau of Fiscal Services. I feel that the amendments offered to KSA 75-3739 provide for a sound business approach in today's business climate. The low end of the purchasing spectrum has been left silent in the statutes and this new language provides the Director of Purchases in the Department of Administration with the statutory authority to determine criteria relative to procedures of purchases less than $5,000.

Senate Bill 5 provides clarification for non-competitive requirements, gives the capability to acquire used items on the spot market, utilizes compatibility as a primary consideration, and allows for those transactions deemed to be in the best interest of the state. This language is viewed as adding clarity to the statutes and allows the director to work as a business partner with the agency head in making prudent business decisions relative to expenditure of state funds.

I feel that the increased dollar limits will have dramatic impact on the ability to expedite the procurement process. Raising the various limits as proposed supports incremental growth. The Director of Purchases may delegate higher limits to the agencies where warranted, better utilizing resources of the state to manage workload. Raising the informal bidding threshold will expedite lessor dollar transactions and allow more time to be devoted to more complex or substantial purchases. Increasing the advertising limits will eliminate time used in the process for many business transactions and will remove a requirement that

Appropriations
3-18-98
Attachment 17

was viewed as a non-value added service. Many of the vendors the state deals with do not subscribe to the Kansas Register.

Posting requirements have been changed to support activities of agencies that utilize public posting and Internet posting as a means to communicate with perspective vendors. Formerly this requirement was specific to the Division of Purchases.

Agencies with approval may contract with other governmental entities non-competitively. This will expedite a large number of agreements that KDOT enters into with the universities, such as research projects. The encumbrance timeframe for these types of agreements will be dramatically shortened.

Cooperative purchasing arrangements added to the new language will allow the state to leverage purchasing power in concert with other states to realize cost reductions on joint product ventures.

We view the amendments to KSA 75-3739 as an excellent effort to modernize the procurement statutes and to align state business practices with that of the current day marketplace.

The Kansas Department of Transportation strongly endorses the passage of Senate Bill 5 in its amended form.

HOUSE APPROPRIATIONS COMMITTEE

TESTIMONY ON SENATE BILL 5
March 18, 1998

Presented by
Johnny Williams
Vice-President for Administration and Finance
Fort Hays State University

Mr. Chairman and members of the Committee, I appreciate the opportunity to represent the Regents Council of Business Officers in expressing support for Senate Bill 5. This bill allows for greater flexibility for the Director of Purchases to expedite purchases and create efficiencies and savings, not only for the Division but also for the Regents institutions. For example, Section 1.(i) permits the Director to use consortium purchasing that should result in cost savings to the institutions and the State. Section 1.(e) would permit further delegation of purchase authority to Regents institutions that meet the criteria prescribed by the Director. Section 1.(a)(5) supports the Director in purchasing equipment that must be compatible with existing systems or configurations, which is important as the Regents institutions continue to update information systems. Section 1.(j) allows the Director to delegate purchase authority to state agencies making purchases from federal or private funds. This will provide the institutions with additional purchasing flexibility in the area of research.

The Regents Council of Business Officers acknowledges the need for proper accountability and responsibility and believes that Senate Bill 5 has appropriate safeguards built in to ensure accountability from the Director of Purchases and those agencies to whom the Director delegates local authority. The Council urges the Committee's support of Senate Bill 5.

Appropriations
3-18-98
Attachment 18

Kansas Industry Procurement Council
c/o IBM Corporation
1659 E. Elm Street, Suite C
Jefferson City, Missouri 65101

Honorable Representative Phil Kline and members of the House App. Committee:

The Kansas Industry Procurement Council is in support of Senate Bill #5. The members of our council have had the opportunity to provide input to this proposed legislation through Secretary Daniel Stanley and believe in modeling best practices from other states that this is in the best interest of the State of Kansas.

On Thursday February 19th, members of our council testified before the Senate Ways and Means Committee to express our support of this pending legislation. If you have any additional questions, we would be pleased to meet with your committee or members of the house that would like further explanation.

Thank you for your support of Senate Bill #5.

Tom Talbot

Tom Talbot
Chairman
Kansas Industry Procurement Council

Appropriations
3-18-98
Attachment 19

AT&T	Compaq	Hewlett Packard	IBM
Lucent Technologies	Martin Tractor	Southwestern Bell	Xerox

20

KANSAS MENTAL HEALTH COALITION

K M H C

P. O. Box 675, Topeka, Kansas 66601-0675
Telephone: (913) 233-0755 Fax: (913) 233-4804

"Joining together in one voice on critical needs of persons with mental illness."

Statement
to the
House Appropriations Committee
March 11, 1998

Thank you for the opportunity to submit a statement in support of Substitute Senate Bill 424. We believe that the passage of this bill will provide much needed health insurance coverage for children who otherwise would not receive medically necessary health care. More specifically, we believe that the provisions of Sub.SB424 will provide coverage for mental illness that is more appropriate and equitable than commercial health insurance policies.

The Kansas Mental Health Coalition is a voluntary coalition of organizations and individuals with common interests in seeking the best possible model of care for Kansans with mental illnesses or emotional disorders.* We are dedicated to improving the lives of Kansans with mental illnesses or emotional disorders by educating public officials as well as the general public. The KMHC strives to assure that adults and children with mental illnesses or emotional disorders receive appropriate services so that individual needs are met to provide the best possible quality of care in the least restrictive environment. We believe that the passage of Sub.SB424 will assist in achieving these goals.

Thank you for considering our comments. We urge you to recommend passage of Sub.SB424.

Submitted by: Chip Wheelen, KMHC Vice Chair and Legislative Committee Co-Chair and Esther Fitzgerald, KMHC Legislative Committee Co-Chair

* See attached list of 1998 Kansas Mental Health Coalition members.

Appropriations
3-18-98
Attachment 20

Kansas Mental Health Coalition Members
1998

Member Organizations

Association of Community Mental Health Centers of Kansas

Bert Nash

Breakthrough House, Topeka

Central Kansas Mental Health Center

ComCare

Cowley County Community Mental Health Center

Family Life Center

Four County Community Mental Health Center

Franklin County CMHC

High Plains Mental Health Center

Horizon's Community Mental Health Center

Johnson & Johnson

Johnson County CMHC

Johnson County Community Mental Health Center

Kansas Hospital Association

Kansas Mental Illness Awareness Council

Kansas Organization of Nurse Leaders

Kansas Psychiatric Society

Kansas Psychological Association

Kanza Mental Health Center

Meadowlark Homestead

Menninger

Mental Health Consortium

NAMI Kansas

National Associatioin of Social Workers - Kansas Chapter

Northeast Kansas Mental Health & Guidance Center

Parkview Hospital

Pfizer

Southwest Guidance

Topeka Independent Living Resource Center

Wyandot Mental Health Center

Individual Members:

Rose Anderson
Bill Elmore
Esther Fitzgerald
Roy Menninger
Elizabeth Yost, Glaxo-Wellcome
Canda Byrne
Steve Feinstein
Ray Fitzgerald
Bryce Miller