

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman David Corbin at 10:45 a.m. on February 20, 2004, in Room 519-S of the Capitol.

All members were present except:  
Senator Lana Oleen- excused

Committee staff present:  
Chris Courtwright, Legislative Research Department  
Gordon Self, Revisor of Statutes Office  
Shirley Higgins, Committee Secretary

Conferees appearing before the committee:  
Don Giffin, Metro Kansas City Salvation Army  
Ric (Gary R.) Evans, Salvation Army Shield of Service treatment program  
Captain Charles Kennedy, Salvation Army Harbor Light Alcohol and Drug Dependency programs  
Dan Hermes, Kansas Alcohol and Drug Service Providers Association  
Hal Hudson, National Federation of Independent Business  
Marlee Carpenter, Kansas Chamber of Commerce

Others attending:  
See Attached List.

**SB 435—Income tax credits for contributions to community service providers for addiction recovery and crime prevention facilities**

Don Giffin, a volunteer and advisory board member of the Metropolitan Salvation Army Board in Kansas City, testified in support of **SB 435** on behalf of the Kansas and Western Missouri Division of the Salvation Army. At the outset, he introduced the following Salvation Army staff and advisory board members: Donn Camlin, Director, Comprehensive Alcohol and Drug Treatment Centers; Captain Eduardo Vasquez, Associate Corps Officer, Kansas City, Kansas, Hispanic Ministry; Ernest Jones, Director, Correctional Services; and Michael Klein, Divisional Government Relations Director.

Mr. Giffin explained that the bill creates a new class of community service tax credits dedicated to addiction recovery and crime prevention facilities, which will enable charitable organizations to build facilities for the treatment of drug offenders and other addicts. The credits would be issued only to contributors of \$10,000 or more and would be freely transferable in minimum amounts of \$1,000. The bill would increase the total amount of community service tax credits available annually on a statewide basis for fiscal years 2005, 2006, and 2007. The total tax credits allowed for these contributions would be increased from \$4.13 million to \$6.0 million. At least 50% of all the tax credits in those years would be given for contributions to addiction recovery and crime prevention services. Mr. Giffin went on to inform the Committee that the Salvation Army is launching a campaign in Kansas City, Kansas, to raise \$11.5 million for the construction of a Harbor Light facility which will include a 120 bed drug and rehabilitation unit. He noted that the existing 88 bed Salvation Army facility in Kansas City has deteriorated to the point that the construction of a new facility cannot be further delayed. The focus of the new facility will be on crime prevention and the reduction of incarceration and recidivism. He pointed out that Wyandotte County is not a wealthy county, and charitable giving has markedly declined in recent years. The bill would provide a program through which the Salvation Army can apply for substantial tax credits for the construction of the proposed Harbor Light facility. In conclusion, Mr. Giffin called attention to letters in support of the proposed drug and alcohol abuse facility and the Salvation Army's effective treatment program which provides hope for addicts who want to break their addiction and return to society as productive citizens. In addition, he quoted portions of an article regarding the impact of substance abuse which was placed on the Internet by the National Center on Addiction and Substance Abuse at Columbia University. (Attachment 1)

Senator Donovan commented that passage of the bill, which provides that 50% of the tax credits be applied to the Salvation Army, would result in creating a longer waiting period for those persons who are already qualified and on a waiting list. Mr. Giffin acknowledged that the bill would cause a legislative priority to be

## CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:45 a.m. on February 20, 2004, in Room 519-S of the Capitol.

imposed upon what previously has been an administrative group assigning priority to various applications.

Mr. Giffin introduced Ric Evans, the Director of Therapy for the Salvation Army Shield of Service (SOS) program in Kansas City, who discussed the Salvation Army's alcoholism and drug addiction treatment program. He noted that he is a text book example of an alcoholic, drug addict. He grew up in a very dysfunctional family, and failed at just about everything. He started smoking when he was nine and started drinking when he was eleven. He went into the service to keep from going to a reform school and got "kicked out." Over a period of 30 years, he drank unless he was in prison. In all that time, he never seriously considered stopping. In 1987, he had been out of prison for a few years and did not want to go back. However, he had not stopped drinking, and his wife had "kicked him out." While away from home and alone in Tulsa, Oklahoma, he had no money to buy a drink and seriously considered breaking into a liquor store near his hotel in order to get just one drink. At that point, he realized that he was "crazy." He returned to his hotel and noticed a newspaper article about a Salvation Army treatment center in Tulsa. After reading it, he called his wife to ask if he could come home if he got treatment. Her answer was, "Maybe." Because he did not want to lose his wife, he went home and entered a Salvation Army treatment program. He has not had a drink or any other mood altering chemical since finishing the treatment program. Mr. Evans noted that he went back to school five months after completing the program. Six months after that, the Salvation Army Shelter Service called him and asked him if he was interested in a part time job. He has been there ever since. He has earned three degrees, and he is a member of several addiction and prevention professional associations. (Attachment 2) Mr. Evans noted that he sees treatment work every day, but unfortunately, the building in which the treatment is provided is falling down and is no longer cost effective to operate. The cost to operate the SOS building is money that should be spent on providing treatment. He went on to comment that, the majority of people doing time in the penitentiary are there for things directly related to drugs and alcohol. He emphasized, "We can make a bigger difference if we're given the opportunity to do so." With this, he urged the Committee to recommend **SB 435** favorably.

Captain Charles Kennedy, Corps Officer and Supervisor of Salvation Army Harbor Light Alcohol and Drug Dependency treatment programs in Wyandotte County, followed with further testimony in support of **SB 435**. He noted that passage of the bill will provide an opportunity for a broader community investment and expanded partnership with the state in building a state-of-the-art comprehensive alcohol and drug treatment center. (Attachment 3)

Senator Goodwin asked Mr. Giffin if he would agree to the bill being amended to change the amount of the contribution to a much lower amount so that the credits would be available to smaller organizations in need in the western part of the state where it is unlikely that there are persons able to contribute \$10,000. Mr. Giffin noted that the contribution involves a relationship between the Department of Commerce, which issues the tax credits, and the Department of Revenue, which keeps track of them. In his opinion, lowering the amount would result in more administrative work for the state due to an increase in the number of small contributions.

Dan Hermes, representing Kansas Alcohol and Drug Service Providers Association, stood in support of the concept of **SB 435**. He noted that the bill limits the tax credits to the actual construction of a facility. Therefore, it would not apply to the operation of or the maintenance of facilities. He suggested that, if the Committee chooses to broaden the bill, it could be amended to include the purchase of an existing facility to be used for a treatment center.

Senator Corbin reminded the Committee that **SB 435** was referred by the Senate Federal and State Affairs Committee; therefore, it will remain alive bill after "turn around." There being no others wishing to testify, the hearing on **SB 435** was closed.

### **SB 532—Sales tax remittance credit, income tax credit, waiver of penalty and time for returns and payment of tax**

Hal Hudson, National Federation of Independent Business (NFIB), testified in support of **SB 532**, noting that the provisions in **SB 470** had been amended incorporated in **SB 532**. He explained that NFIB supports **SB 532** primarily because Section 1 would require less frequent filing and report of sales taxes collected by its

CONTINUATION SHEET

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE at 10:45 a.m. on February 20, 2004, in Room 519-S of the Capitol.

smallest members. NFIB also supports Section 2 because it would allow the Secretary of Revenue to waive additional liability for a retailer due to a reasonable error in implementing or applying the destination sourcing rule. However, Mr. Hudson suggested that New Section 4 be amended to increase the \$500 limit on the amount of income tax credit for expenditures to perhaps \$10,000. In addition, he noted that a survey of NFIB members showed that they believe that only allowing retailers 2% retention of the sales tax they collect as compensation for collecting the taxes would not be worth the additional bookkeeping effort. He explained that NFIB would support the bill with the suggested changes; however, the support is half-hearted because, to be more meaningful, it should take effect in a timelier manner. (Attachment 4)

Marlee Carpenter, Kansas Chamber of Commerce, testified in support of **SB 532**. The Chamber is in favor of the income tax credit provided in New Section 4. However, in order to help those it intends to help, Ms. Carpenter suggested that it needs to be either a refundable income tax credit, a carry forward, or a tax credit against sales tax liability. She noted that the Chamber fully supports Section 5 of the bill allowing an administrative allowance. In this regard, she called attention to a 1993 Price Waterhouse study showing that, in 1993, it cost retailers 3.42 % to collect and remit sales taxes to the Department of Revenue. She noted that switching from origin to destination based sourcing will in all probability increase the cost to remit for many retailers. In conclusion, she called attention to a list of the types of taxes for which retailers are already compensated for collection and remittance and to a chart listing state sales tax rates and vendor discounts. (Attachment 5) Ms. Carpenter noted that New Section 5 caps the total credit for retailers at \$1,000 per month and suggested that, as a way to keep the amount low but help the small retailer, perhaps the cap should be changed to \$500 and increase the administrative percentage.

Joan Wagon, Secretary, Kansas Department of Revenue, responded to questions from the Committee.

There being no others wishing to testify, the hearing on **SB 532** was closed.

The meeting was adjourned at 11:50 a.m.

The next meeting is scheduled for February 23, 2004.



SENATE ASSESSMENT AND TAXATION COMMITTEE  
GUEST LIST

DATE: February 20, 2004

NAME	REPRESENTING
Donald W. Giffen	The Salvation Army
Joan Wagner	KDOTR
Richard Cron	KDOTR
Michael Klein	The Salvation Army
Capt. Chuck Kennedy	The Salvation Army
Ric Evans,	The Salvation Army 505
Ernest Jones	Salvation Army
Dana Camlin	SALVATION ARMY
Capt. Eduardo Vazquez	Selvation Army
Jane Sieve	Keany Associates
Don Hermes	KADSPA
Kings Patton	Ks Taxpayers Network
Maxee Carpenter	Kansas Chamber
Hal Hudson	NFIB/KS





**ASSESSMENT AND TAXATION COMMITTEE**

**10:30am      Room 519-S**

*Don Giffin*  
**HEARING FOR**

**SB 435**

**FEBRUARY 20, 2004**

*Senate Assessment & Taxation  
2-20-04  
Attachment 1*

## **KEY POINTS OF SB 435**

- SB 435 creates a new class of community service tax credits dedicated to Addiction Recovery and Crime Prevention facilities (ARCP).
- These new tax credits will enable charitable organizations, like The Salvation Army, to build facilities for the treatment of drug offenders, who would otherwise occupy prison beds, and other addicts.
- These newly created ARCP tax credits will be issued to contributors of \$10,000 or more and will be freely transferable in minimum amounts of \$1,000. They will not impose an inordinate record keeping problem for state agencies.
- SB 435 increases from \$4,130,000 to \$6,000,000 the total amount of community service tax credits available annually in the state.
- For the next three years, ARCP tax credits will have priority for up to 50% of all community service tax credits.



## ***HARBOR LIGHT and SB 435***

# ***A PARTNERSHIP BETWEEN KANSAS AND THE SALVATION ARMY FOR ADDICTION RECOVERY AND CRIME PREVENTION***

## **CASE STATEMENT**

The Salvation Army, a faith based organization, is preparing to launch a capital campaign in Kansas City. The centerpiece of this campaign is an \$11.5 million Harbor Light facility in Kansas City, Kansas to which the Unified Government of Wyandotte County has given their support. Included within the proposed facility is a 120 bed drug and alcohol rehabilitation unit. This unit will treat persons released by the Department of Corrections, those referred by the Division of Social and Rehabilitative Services and in a few cases, those referred by the Veterans Administration, walk-in self referral or referrals from other agencies. This state of the art facility will focus on crime prevention within the community and reduce the incarceration and recidivism of persons consistent with the objectives of SB123 and existing Salvation Army post-release prisoner rehabilitation programs.

The need for this facility is great. Wyandotte County sends large numbers of persons for incarceration by the Department of Corrections. Almost all of those convicted have a drug and alcohol component to their history. Further, a large part of the population of Wyandotte County utilizes the services of SRS, including services for those who are drug and alcohol dependent.

Private funds will not be easy to raise. Wyandotte County is not a wealthy county and charitable giving has markedly declined in recent years. The Salvation Army is asking the State of Kansas to enact SB 435 which will provide a program by which The Salvation Army can apply for substantial tax credits for the construction of the proposed



Harbor Light facility. The availability of tax credits will make the proposed Harbor Light facility a reality years before the facility could be built without tax credits.

We believe such a program will generate benefits to the State of Kansas that will be enormous in terms of reducing the state's dollars spent on prisons for incarcerated people. Both construction and operating costs of The Salvation Army facility are far less than comparable prison facilities. By providing these rehabilitative programs for first time offenders, the prevention of crime within the community will be a measurable outcome.

Other programs of the Harbor Light facility will continue to meet the multiple needs of low-income individuals, families and children of the community. Such support services will lessen the costs to state and local governments. The Salvation Army is, according to Peter F. Drucker as quoted in Forbes Magazine, *The most effective charitable organization in the nation*. Dollars spent with it are used cost-efficiently. Drucker referenced The Army's prison and parole program in Florida: *People convicted to their first prison term in Florida...now paroled into the Salvation Army's custody...The Salvation Army has been able to rehabilitate 80% of them at a fraction of what it would cost to keep them behind bars.*

The existing Salvation Army facilities in Kansas City, Kansas have deteriorated and the construction of new facilities cannot be further delayed. Raising construction money will be extremely difficult. We respectfully ask that SB 435 be enacted so that The Salvation Army can apply for substantial tax credits for the proposed Harbor Light state of the art treatment center.

**THE SALVATION ARMY'S PROPOSED  
KANSAS TAX CREDIT LAW (SB435)**

1. What is a tax credit?

It is like a gift certificate with which you can pay your taxes to the government which issued the tax credit.

2. What did the old Kansas community service tax credit law provide for?

Originally, \$5,000,000 (later \$4,130,000) of tax credits were distributed state-wide by a committee of the Department of Commerce. They were available only to Kansas Taxpayers and were distributed by community service agencies which has received an allotment from the commerce department.

Most allotments were in the \$20-50,000 range with the largest in the range of \$250,000.

An agency's allotment could be either for a building (like the Neighborhood Tax Credit Law in Missouri) or is could be for a program, i.e., salaries, etc.

Usually, donors got a \$0.50 tax credit for each \$1 contributed.

3. What changes doe SB435 propose to make in the old law?

(a) The procedure under the old law is retained, except for addiction recovery and crime prevention (ARCP) facilities.

(b) The amount of money available for tax credits is increased to \$6,000,000.

(c) Construction of addiction recovery and crime prevention facilities is given a legislative priority to 50% of the funding for three years, but only to the extent there are qualified applications for such facilities.

4. Why is addiction recovery and crime prevention singled out for special treatment?

(a) Last year the legislature passed SB123 which, with bipartisan support, expressed a strong preference for drug and alcohol treatment for offenders convicted of certain offenses, thereby reducing the need for state prisons and saving the state money.

(b) SB435 should reduce state expenditures for prisons and prison operations.

(c) To our knowledge, The Salvation Army Harbor Light facility is the only proposed drug and alcohol facility now pending in Kansas.

5. What special procedural provisions are made for addiction recovery and crime prevention facilities?

(a) The tax credits are available to both taxpayers and non-tax payers.

(b) Only contributions of \$10,000 or more may earn ARCP tax credits.

(c) The credits (in \$1,000 amounts) can be sold or given away to taxpayers who can use them.

(d) ARCP tax credits expire in ten years. (Use it or lose it!)



## FOCUS ON TREATMENT

Judge Ernest Johnson, Chairperson Kansas Sentencing Commission:  
“...treatment is the linchpin of the proposal. (SB123). KSC members are unanimous that the KSC could not support any modification to the Bill that compromises the treatment requirement.”<sup>1</sup>

Barb Tombs:

“What is imperative to the success of the proposed policy is that adequate funding be available on an ongoing basis for the level and types of treatment required to appropriately address the escalating substance abuse problem.”<sup>2</sup>

The National Center on Addiction and Substance Abuse at Columbia University, *Shoveling Up: The Impact of Substance Abuse on State Budgets*:

“What this report reveals for the first time is that the biggest bang for the buck in terms of taming the costs of social programs will come to those states that curb substance abuse and addiction. The return is not simply in reduced state spending. It also comes in reduced crime—and most importantly in reduced human suffering not only for the addict and abuser, but for parents and children, classmates, friends and neighbors. And, it can be counted in positive economic benefits to states from productive, law-abiding, taxpaying citizens.

Addiction is a disease—a chronic, relapsing one—that untreated, has nasty and costly social consequences: illness, disability, death, learning disabilities, poor school performance, child abuse and neglect, domestic violence, crime—to name a few....the challenge to state executives and legislators is to balance the importance of holding individuals accountable for their actions with the need to provide treatment for this disease that causes and aggravates so many social problems.”<sup>3</sup>

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<sup>1</sup> Testimony, The Senate Judiciary Committee, February 12, 2003

<sup>2</sup> Testimony, The Senate Judiciary Committee, Barb Tombs, February 12, 2003

<sup>3</sup> The National Center on Addiction and Substance Abuse at Columbia University, *Shoveling Up: The Impact of Substance Abuse on State Budgets*; The National Press Club, Washington D.C., January 29, 2001



## HARBOR LIGHT

### *FULL SERVICE RECOVERY PROGRAM*

#### A life time recovery process

- The Salvation Army alcohol and drug detox and treatment programs have consistently ranked in the 90<sup>th</sup> percentile based on the State of Kansas licensure reviews
- The Department of Corrections, Division of Social and Rehabilitative Services and the Veterans Administration choose Salvation Army recovery programs because of their efficiency and cost effective competitive proposals
- Within the controlled environment of detox, treatment, and affordable housing, approximately:
  - 93% complete intermediate treatment (14-28 days),
  - 90% complete reintegration (60-90 days minimum treatment, counseling, 12 step program) and obtain job and co-pay housing expenses,
  - 85% participate in affordable housing, (one year) working and co-paying housing expenses to prepare for their move back into the community as tax paying, employed individuals. Each resident leaves with an understanding that addiction is a *life time recovery process*. Each level is advancement toward a less controlled environment.
- The goal is to enable residents to achieve self-determination and reintegration into the mainstream community, to access 12-step groups, other relapse prevention supports, education opportunities, vocational training, job placement and housing;
- Reunification of families comes through greater understanding and education of all family members on the addiction of alcoholism and drugs;
- Success stories:
  - “SOS and AA saved my life”, former parolee with 15 years sobriety
  - “Thanks to SOS and AA I have a successful business and a meaningful life” former DOC and SOS resident
  - “SOS gave me a start and today I own several businesses, pay taxes and love life”, former DOC and SOS resident
  - “I was a high school dropout. Sobriety motivated me to get a Masters Degree and I’m grateful for the start I received from SOS”, former DOC and SOS resident.

(prepared by A. Michael Klein, ACSW, LCSW, Divisional Government Relations Director, The Salvation Army, 816-968-0404, [mike\\_klein@usc.salvationarmy.org](mailto:mike_klein@usc.salvationarmy.org))



# Department of Development Planning and Zoning

701 North 7th Street, 4th floor  
Kansas City, Kansas 66101  
August 29, 2000

Phone: (913) 573-5750  
Fax: (913) 573-5745

The Salvation Army  
c/o Captain Charles Kennedy  
701 Washington Boulevard  
Kansas City, KS 66102

**RE: SPECIAL PERMIT #SP-2000-28**

The request for a special use permit for a Harbor Light facility (which includes a campus of buildings composed of a chapel and classrooms; multi-purpose/gymnasium; families and single women's shelter; transitional housing; and a drug/alcohol treatment center at 6711 and 6723 State Avenue of which you were previously notified was approved by the Unified Board of Commissioners on July 27, 2000. It was approved subject to:

- A. Buildings must be set back at least 10' from side property lines.
- B. Parking lots must be set back at least 6' from the east and west property lines.
- C. Screening being delayed along the east and west lines until justified by adjacent development, except adjacent to 6701 State Avenue where it needs to be accomplished by fencing or landscaping or a combination of each, as preferred by the owner of 6701 State Avenue.

If you do not believe that these conditions are being met, or have other concerns, please contact us at any time. Thank you for your interest.

**THE CITY PLANNING AND ZONING DIVISION**



District Court of Kansas  
29th Judicial District

Chambers of  
Hon. Cordell D. Meeks, Jr.  
Judge of the District Court  
Division Six



Peggy J. Dwight  
Admin. Asst./Bailiff  
Laurel Tubbs, C.S.R.  
Official Court Reporter

Wyandotte County Courthouse  
710 N. 7th Street  
Kansas City, Kansas 66101  
(913) 573-2926

January 14, 2000

Major Ronald Gorton  
The Salvation Army  
701 Washington Boulevard  
Kansas City, KS 66101

Dear Major Gorton:

My experience as a district judge for the past 19 years has given me the opportunity to observe the impact of alcohol and drugs upon this community. In my opinion addiction to alcohol and drugs and the illicit commercial activity which it spawns are the single largest factors contributing to street crime in Wyandotte County.

Time and again, I have seen young men and women become victims of addiction only to move into crime followed by prison, release back to this community, a return to drugs and alcohol and a renewed life of crime. It is a vicious cycle that leads to lawlessness, street gangs and the placing of law abiding citizens in constant fear. It is important that this cycle be broken.

I am aware that The Salvation Army now operates a treatment program with a capacity for only 88 persons who are addicted to alcohol and drugs. This program provides residential treatment for addicts who hope to break their addiction and return to society as productive law abiding citizens. The program provides both residential and after-care support and, while its success cannot be precisely measured, many of its graduates have achieved their goals and become productive citizens.

I encourage you to expand The Salvation Army treatment program in Wyandotte County. It is a needed improvement for many who otherwise would be without hope.

Sincerely,

  
Cordell D. Meeks, Jr.

"PERSONAL AND UNOFFICIAL"

1 - 10

Office of The  
**DISTRICT ATTORNEY**  
Of The 29th Judicial District of Kansas

Wyandotte County Justice Complex  
710 N. 7th Kansas City, Kansas 66101

(913) 873-2851  
Fax (913) 573-2948

**DISTRICT ATTORNEY**  
Nick A. Tomasic

March 9, 2000

Major Ronald Gorton  
The Salvation Army  
701 Washington Boulevard  
Kansas City, Kansas 66101

Dear Major Gorton:

The problem of alcohol and drug abuse is, in my opinion, a significant contributing factor to crimes in Wyandotte County. The litany of social ills that flows from addictions is known all too well to local law enforcement officials and prosecutors.

I commend The Salvation Army in its efforts to rehabilitate victims of addiction and urge you to continue and expand your current programs. Your work in Wyandotte County is needed.

Yours truly,

*Nick A. Tomasic*  
**NICK A. TOMASIC**  
District Attorney

NAT:lkf



OFFICE of the SHERIFF  
WYANDOTTE COUNTY  
710 NORTH 7TH STREET  
KANSAS CITY, KANSAS 66101

PHONE: (913) 573-2861  
FAX: 573-2972

LEROY GREEN, JR.  
SHERIFF

RICK MELLOTT  
UNDERSHERIFF

March 14, 2000

Major Ronald Gorton  
Salvation Army  
701 Washington Blvd.  
Kansas City, Kansas 66101

Dear Major Gorton:

Speaking from a law enforcement point of view and twenty-one (21) years of experience in law enforcement, has given me a closer look of how drugs and alcohol have infested the community of Wyandotte County, Kansas.

This increase usage of drugs and alcohol in Wyandotte County, Kansas has lead to more people to committing crimes such as, murder, rape, robbery and assaults.

This problem goes far beyond crimes besides increasing our population of the jail, which is already at capacity. Facilities are being torn apart, children are being abandoned and innocent citizens are being attacked and robbed by drug and alcohol addicts to finance their addiction. I could go on and on.

I would like to take this opportunity to express, my full approval in favor of building a new expanded treatment facility in Wyandotte County, Kansas.

Sincerely,

LeRoy Green, Jr.  
Sheriff of Wyandotte  
County, Kansas





# POLICE DEPARTMENT

## BUREAU OF FIELD OPERATIONS



Major Ronald Miller  
Bureau Director

Captain Roger Villanueva  
Assistant Bureau Director

March 16, 2000

Major Ron Gorton, Commander  
Kansas City Kansas Salvation Army  
701 Washington Blvd.  
Kansas City, Kansas 66101

Dear Major Gorton:

I would like to take this opportunity to support the efforts of the Salvation Army in your effort to relocate the alcohol / drug detoxification facility currently located at 7<sup>th</sup> and Nebraska. I know that this building is old and is not ADA compatible.

For many years this facility has assisted people in need as well as assisting the police officers by providing a location where officers may escort those who cannot care for themselves and otherwise have no other place to go for assistance.

Your efforts in the community these past many years have been commendable and I hope your efforts to locate another suitable location will result in many more years of assistance to the community.

Sincerely,

Major Ronald Miller, Director  
Bureau of Field Operations

cc: James Swafford  
Chief of Police

File

13  
1-12



CATHOLIC CHURCH OFFICES  
ARCHDIOCESE OF KANSAS CITY IN KANSAS  
12615 PARALLEL PARKWAY  
KANSAS CITY, KANSAS 66109  
(913) 721-1570 FAX (913) 721-1577

March 9, 2000

Major Ron Gorton  
Salvation Army  
701 Washington Boulevard  
Kansas City, KS 66101

Dear Major Gorton,

We understand that the Salvation Army is considering the expansion of its services in Wyandotte County in three areas, viz., (1) alcohol and drug detoxification, treatment, and reintegration; (2) emergency housing for the homeless and transitional housing for those needing subsidized low-income housing; and (3) expanded youth programs.

We commend you for your history of long service for the community and especially in the area of substance abuse at 1200 North 7<sup>th</sup> Street, Kansas City, Kansas. We also understand that the Salvation Army has a treatment program for at least 88 persons who are addicted to alcohol or drugs. These current programs certainly address the needs of our community and Wyandotte County in particular.

We believe the new programs are needed and we encourage you to expand your programs to meet the needs of Wyandotte County.

Your Friend in Christ,

+ *James P. Keleher*

Archbishop James Patrick Keleher

1 - 14  
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**THE NATIONAL CENTER ON  
ADDICTION AND SUBSTANCE ABUSE  
AT COLUMBIA UNIVERSITY**

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**Shoveling Up: The Impact of Substance Abuse on State Budgets**

**January 29, 2001  
The National Press Club  
Washington, D.C.**

Substance abuse and addiction is the elephant in the living room of American society. Too many of our citizens deny or ignore its presence. Abuse and addiction involving illegal drugs, alcohol and cigarettes are implicated in virtually every domestic problem our nation faces: crime; cripples and killers like cancer, heart disease, AIDS and cirrhosis; child abuse and neglect; domestic violence; teen pregnancy; chronic welfare; the rise in learning disabled and conduct disordered children; and poor schools and disrupted classrooms. Every sector of society spends hefty sums of money shoveling up the wreckage of substance abuse and addiction. Nowhere is this more evident than in the public spending of the states.

The heaviest burden of substance abuse and addiction on public spending falls on the states and programs of localities that states support. Of the two million prisoners in the United States, more than 1.8 million are in state and local institutions. States run the Medicaid programs where smoking and alcohol abuse impose heavy burdens in cancer, heart disease and chronic and debilitating respiratory ailments and where drug use is the largest cause of new AIDS cases. States fund and operate child welfare systems--social services, family courts, foster care and adoption agencies--where at least 70 percent of the cases of abuse and neglect stem from alcohol- and drug-abusing parents. The states are responsible for welfare systems that are overburdened with drug- and alcohol-abusing mothers and their children. State courts handle the lion's share of drunk driving and drug sale and possession cases. States pour billions of dollars into elementary and secondary public school systems that are more expensive to operate because of drug- and

alcohol-abusing parents and teenagers. ✓

Governors and state legislatures have the largest financial, social and political interest in preventing and treating all substance abuse and addiction, whether it involves alcohol, tobacco or illegal drugs, and especially among children and teens. While the federal government has heavy responsibilities to fund biomedical research, classify and regulate chemical substances and interdict illegal drugs, the brunt of failure to prevent and treat substance abuse and the cost of coping with the wreckage of this problem falls most heavily on the backs of governors and state legislatures across America. ✓

✓ For three years, The National Center on Addiction and Substance Abuse at Columbia University has been scouring the fine print of 1998 budgets of the states in an unprecedented effort to measure the impact of substance abuse and addiction on their health, social service, criminal justice, education, mental health, developmentally disabled and other programs in 16 budget categories. Forty-five of the states, the District of Columbia and Puerto Rico responded to our survey--the most extensive and sophisticated ever conducted in this field--and answered the endless questions of our staff. Based on an exhaustive analysis of the data collected, we also estimated the total costs of substance abuse to the budgets of the five states (Indiana, Maine, New Hampshire, North Carolina and Texas) that did not respond to our inquiries.

The results are stunning, especially given that in every case we made the most conservative assumptions about the burden that substance abuse imposes on state budgets. Four findings are particularly striking. In 1998: ✓

- Of the \$620 billion total the states spent, \$81.3 billion--a whopping 13.1 percent--was used to deal with substance abuse and addiction. ✓
- Of every such dollar states spent, 96 cents went to shoveling up the wreckage of substance abuse and addiction and only four cents was used to prevent and treat it. ✓
- The states spend 113 times as much to clean up the devastation substance abuse and addiction visit on children as they do to prevent and treat ✓

it.

- Each American paid \$277 per year in state taxes to deal with the burden of substance abuse and addiction in their social programs and only \$10 a year for prevention and treatment.
- Of the \$453.5 billion states spent in the 16 budget categories of public programs we examined, \$81.3 billion--17.9 percent--was linked to substance abuse and addiction.

This report is a clarion call for a revolution in the way governors and state legislators think about and confront substance abuse and addiction. States that want to reduce crime, slow the rise in Medicaid spending, move more mothers and children from welfare to work and responsible and nurturing family life must shift from shoveling up the wreckage to preventing children and teens from abusing drugs, alcohol and nicotine and treating individuals who get hooked.

The next great opportunity to reduce crime is to provide treatment and training to drug and alcohol abusing prisoners who will return to a life of criminal activity unless they leave prison substance free and, upon release, enter treatment and continuing aftercare. The remaining welfare rolls are crowded with individuals suffering from substance abuse and addiction. The biggest opportunity to cut Medicaid costs is by preventing and treating substance abuse and addiction. Governors who want to curb child abuse, teen pregnancy and domestic violence in their states must face up to this reality: unless they prevent and treat alcohol and drug abuse and addiction, their other well intentioned efforts are doomed.

The choice for governors and state legislators is this: either continue to tax their constituents for funds to shovel up the wreckage of alcohol, drug and nicotine abuse and addiction or recast their priorities to focus on preventing and treating such abuse and addiction.

State spending on children is the cruelest misallocation of taxpayer funds. We know that a child who gets through age 21 without smoking, abusing alcohol or using illegal drugs is virtually certain never to do so. It is a slap in the face of this knowledge for states to spend 113 times more to shovel up the wreckage of

children savaged by substance abuse and addiction in social, criminal justice and education programs than they spend to encourage children to stay away from these substances and treat those who ignore that advice.

This unprecedented report looks behind the traditional budget labels--education, criminal justice, transportation, health care, child welfare, welfare, mental health--to detect just how many of their taxpayer dollars the states spend to deal with the financial burden that unprevented and untreated substance abuse and addiction impose on public programs. It is our hope that exposing these heretofore hidden costs will encourage governors and state legislatures to make sensible investments in comprehensive efforts to reduce the use of tobacco, alcohol and illegal drugs, particularly by children.

States spend some \$25 billion a year shoveling up after the savage impact of substance abuse on our children. The largest share is spent on the burden of substance abuse to the education system--\$16.5 billion; another \$5.3 billion is spent for children who are victims of child abuse and neglect; nearly \$3 billion is spent for substance-involved youth in the state juvenile justice systems. By comparison, pennies are spent to prevent these problems. This is perhaps the worst example of current investment policies because of the enormous payoff that could be realized by preventing addiction in the first place.

Children are key to the lasting success of any effort to curb the costs of substance abuse. Prevention and treatment efforts, especially those directed to children, must cover all substances. First, sale of any of these substances to children is illegal, and for good reason. Second, tobacco, alcohol and illegal drugs all affect the dopamine systems in the brain and, with repeated use, can change the structure of the brain itself resulting in cravings and addiction. Finally, most individuals who fall prey to abuse and addiction are involved with more than one substance.

What this report reveals for the first time is that the biggest bang for the buck in terms of taming the costs of social programs will come to those states that curb substance abuse and addiction. The return is not simply in reduced state spending. It also comes in reduced crime--and most importantly in reduced human



suffering not only for the addict and abuser, but for parents and children, classmates, friends and neighbors. And, it can be counted in positive economic benefits to states from productive, law-abiding, taxpaying citizens.

Addiction is a disease--a chronic, relapsing one--that, untreated, has nasty and costly social consequences: illness, disability, death, learning disabilities, poor school performance, child abuse and neglect, domestic violence, crime--to name a few. Our fear of these consequences often leads us to respond with tough sanctions. It is of course important to hold individuals accountable for their conduct. But the first line of defense is prevention and we can do a much better job at it. Treatment is no sure bet, but success rates of good programs exceed those of many long shot cancer therapies on which we spend millions of dollars. And if we fail to treat the disease, there is little hope of stemming these consequences.

America is not the Garden of Eden and the challenge to state executives and legislators is to balance the importance of holding individuals accountable for their actions with the need to provide treatment for this disease that causes and aggravates so many social problems. It is our hope that this report will help these public officials find that balance.

Governors and state legislators (as well as mayors, city councils and county officials) hold critical keys to the future of our nation. It is the states, in concert with local governments, which face day-to-day the tasks of moving individuals from welfare to work, reshaping our prison and criminal justice systems, dealing with child abuse and neglect, responding to highway accidents, assuring public safety, administering mental health programs, and helping with the process of educating our children. Successfully accomplishing these tasks will require many different programs and strategies. What this report makes clear is that these programs and strategies will be of limited value if they fail to deal with substance abuse and addiction. Energetic, effective and comprehensive efforts to prevent substance abuse and addiction and treat those who fall prey to these problems hold the promise of freeing up billions of dollars of state funds for other pressing needs and reducing the burden on taxpayers.

This undertaking has been CASA's most ambitious

public policy analysis. To accomplish it we convened an extraordinary advisory panel of distinguished public officials, researchers and representatives of the National Governors' Association, the National Conference of State Legislatures, the National Association of State Budget Officers and the National Association of State Alcohol and Drug Abuse Directors. We assembled a team of experts in economics, epidemiology and state government budgeting and finance. We reviewed some 400 articles, books and other publications on substance abuse and public spending. We extensively interviewed state budget officers, devised a survey instrument and tested it in California, Florida and New York in order to refine it before sending it to all the states. The survey captured 1998 spending in 16 budget categories for the 47 responding jurisdictions.

Some caveats are appropriate. The complexity of this unprecedented effort means that this report should be regarded as a work in progress that will be refined in the future; that complexity has led us in every case to use the most conservative assumptions.

In several areas, such as public housing, higher education and state employee healthcare, because of lack of data, we were unable to assess the impact of substance abuse and addiction, and this report contains no costs in these areas.

*As a result, this report significantly underestimates the impact of substance abuse on state budgets.* ✓ ✓

*This report covers only state costs.* It does not cover federal matching funds that states spend (e.g., on Medicaid and welfare); federal government costs; the spending of local governments (which bear most of the law enforcement burden), the costs to parochial and private schools and other private sector costs (such as employee health care, lost productivity and facility security) which are the subject of ongoing CASA analyses.

Finally, the human suffering of addicts, abusers and their families and friends are incalculable.

This report continues CASA's ongoing Analysis of the Impact of Substance Abuse and Addiction on America's Systems and Populations. We expect that it will form the basis of a forthcoming conference on

substance abuse and state budgets as part of our series of *CASACONFERENCES*.

The report contains a list of the seasoned experts who served on our advisory board and worked as our consultants, who made an invaluable contribution. We are greatly indebted to each of them. Let me single out particularly Dall W. Forsythe, Ph.D., at the Rockefeller Institute, former budget director of New York State and director of public finance with Lehman Brothers who helped to structure the project and the report; Brian Roherty, former executive director of the National Association of State Budget Officers and former budget director in Minnesota who opened the doors of many state budget offices; and Donald Boyd, director, and Deborah Elwood, former senior researcher, at the Fiscal Studies Program, Rockefeller Institute of Government, who helped to design and administer the state survey and analyze the data it elicited. With regret we note that one of our advisors, Gloria Timmer, former executive director of the National Association of State Budget Officers, whose expert advice and good spirit enriched our work, died last year.

Susan E. Foster, M.S.W., CASA's Vice President and Director of Policy Research and Analysis, is the principal investigator and staff director for this effort. She was ably assisted by CASA Research Associate Darshna P. Modi, M.P.H. and data analyst, Liz Peters. David Man, Ph.D., CASA's librarian, and library assistants Barbara Kurzweil and Ivy Truong were a big help. Jane Carlson, as usual, tackled the administrative chores with efficiency and good spirit.

For the financial support that made this undertaking possible, the Board of Directors of CASA and our staff of professionals extend our appreciation to The Starr Foundation, The Robert Wood Johnson Foundation, the Carnegie Corporation of New York, Primerica Financial Services, the National Institute on Drug Abuse, the National Institute on Alcohol Abuse and Alcoholism and The Abercrombie Foundation.

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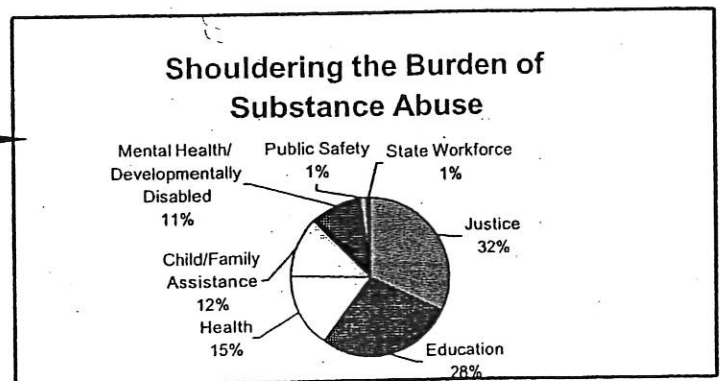
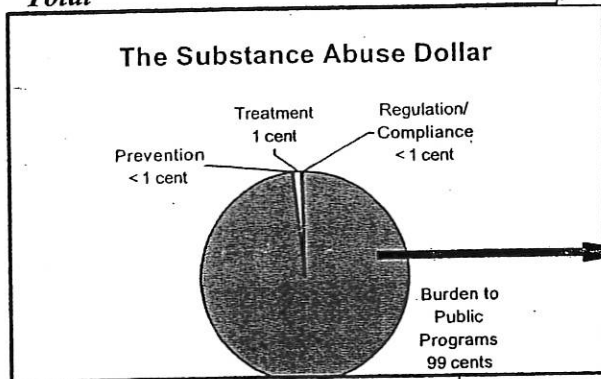
\*The National Center on Addiction and Substance Abuse at Columbia University is neither affiliated with, nor sponsored by, the National Court Appointed Special Advocate Association (also known as "CASA") or any of its member organizations, or any other organizations with the name of "CASA".  
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# Kansas ✓

## Summary of State Spending on Substance Abuse (1998)\*

	State Spending by Category (\$000)	Spending Related to Substance Abuse			
		Amount (\$000)	Percent	As Percent of State Budget	Per Capita
<b>Affected Programs:</b>	<b>\$4,982,580.8</b>	<b>\$575,085.3</b>		<b>9.3</b>	<b>\$219.81</b>
<b>Justice</b>	248,616.2	185,153.2		3.0	70.77
Adult Corrections	190,233.0	148,758.3	78.2		
Juvenile Justice	58,383.2	36,394.9	62.3		
Judiciary	NA	NA	NA		
<b>Education (Elementary/Secondary)</b>	<b>1,885,227.8</b>	<b>161,167.0</b>	<b>8.5</b>	<b>2.6</b>	<b>61.60</b>
<b>Health</b>	<b>372,045.0</b>	<b>88,488.7</b>	<b>23.8</b>	<b>1.4</b>	<b>33.82</b>
<b>Child/Family Assistance</b>	<b>153,999.0</b>	<b>67,672.9</b>		<b>1.1</b>	<b>25.87</b>
Child Welfare	84,100.0	55,717.6	66.3		
Income Assistance	69,899.0	11,955.3	17.1		
<b>Mental Health/Developmentally Disabled</b>	<b>252,113.0</b>	<b>61,207.5</b>		<b>1.0</b>	<b>23.39</b>
Mental Health	107,703.0	50,281.9	46.7		
Developmentally Disabled	144,410.0	10,925.6	7.6		
<b>Public Safety</b>	<b>40,600.0</b>	<b>6,269.9</b>	<b>15.4</b>	<b>0.1</b>	<b>2.40</b>
<b>State Workforce</b>	<b>2,029,979.8</b>	<b>5,126.1</b>	<b>0.3</b>	<b>0.1</b>	<b>1.96</b>
<b>Regulation/Compliance:</b>	<b>1,073.0</b>	<b>1,073.0</b>	<b>100.0</b>	<b>&lt;0.01</b>	<b>0.41</b>
Licensing and Control	968.0	968.0			
Collection of Taxes	105.0	105.0			
<b>Prevention, Treatment and Research:</b>	<b>8,376.2</b>	<b>8,376.2</b>	<b>100.0</b>	<b>0.1</b>	<b>3.20</b>
Prevention	1,512.5	1,512.5			
Treatment	6,863.6	6,863.6			
Research	0	0			
<b>Total</b>		<b>\$584,534.4</b>		<b>9.4</b>	<b>\$223.42</b>



Total State Budget	\$6,208 M
♦ Substance Abuse	\$ 585 M
♦ Medicaid	\$ 422 M
♦ Transportation	\$ 656 M
♦ Higher Education	\$1,183 M
Population	2.6 M

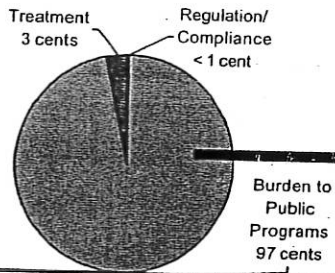
\* Numbers may not add due to rounding. Tobacco and alcohol tax revenue total \$123,665,000; \$47.56 per capita.

# Missouri

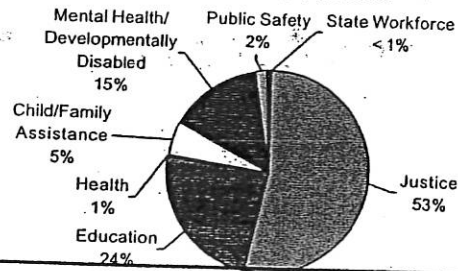
## Summary of State Spending on Substance Abuse (1998)\*

	State Spending by Category (\$000)	Spending Related to Substance Abuse			
		Amount (\$000)	Percent	As Percent of State Budget	Per Capita
<b>Affected Programs:</b>	<b>\$6,928,833.9</b>	<b>\$1,325,790.9</b>		<b>12.5</b>	<b>\$245.19</b>
<b>Justice</b>	<b>864,448.3</b>	<b>699,253.3</b>		<b>6.6</b>	<b>129.32</b>
Adult Corrections	750,662.2	612,361.1	81.6		
Juvenile Justice	52,649.9	35,349.7	67.1		
Judiciary	61,136.2	51,542.5	84.3		
<b>Education (Elementary/Secondary)</b>	<b>3,062,755.2</b>	<b>316,876.2</b>	<b>10.3</b>	<b>3.0</b>	<b>58.60</b>
<b>Health</b>	<b>28,603.2</b>	<b>8,903.0</b>	<b>31.1</b>	<b>0.1</b>	<b>1.65</b>
Child/Family Assistance	219,745.6	67,164.7		0.6	12.42
Child Welfare	59,620.9	42,205.3	70.8		
Income Assistance	160,124.7	24,959.4	15.6		
<b>Mental Health/Developmentally Disabled</b>	<b>515,624.8</b>	<b>201,864.5</b>		<b>1.9</b>	<b>37.33</b>
Mental Health	358,411.5	186,180.9	51.9		
Developmentally Disabled	157,213.3	15,683.6	10.0		
<b>Public Safety</b>	<b>144,887.0</b>	<b>25,209.3</b>	<b>17.4</b>	<b>0.2</b>	<b>4.66</b>
State Workforce	2,092,769.8	6,519.9	0.3	0.1	1.21
<b>Regulation/Compliance:</b>	<b>4,536.8</b>	<b>4,536.8</b>	<b>100.0</b>	<b>&lt;0.01</b>	<b>0.84</b>
Licensing and Control	4,150.0	4,150.0			
Collection of Taxes	386.7	386.7			
<b>Prevention, Treatment and Research:</b>	<b>41,670.9</b>	<b>41,670.9</b>	<b>100.0</b>	<b>0.4</b>	<b>7.71</b>
Prevention	NA	NA			
Treatment	41,670.9	41,670.9			
Research	0	0			
<b>Total</b>		<b>\$1,371,998.5</b>		<b>12.9</b>	<b>\$253.74</b>

### The Substance Abuse Dollar



### Shouldering the Burden of Substance Abuse



Total State Budget	\$10,599 M
◆ Substance Abuse	\$ 1,372 M
◆ Medicaid	\$ 839 M
◆ Transportation	\$ 1,071 M
◆ Higher Education	\$ 928 M
Population	5.4 M

\* Numbers may not add due to rounding. Tobacco and alcohol tax revenue total \$141,276,000; \$26.16 per capita.

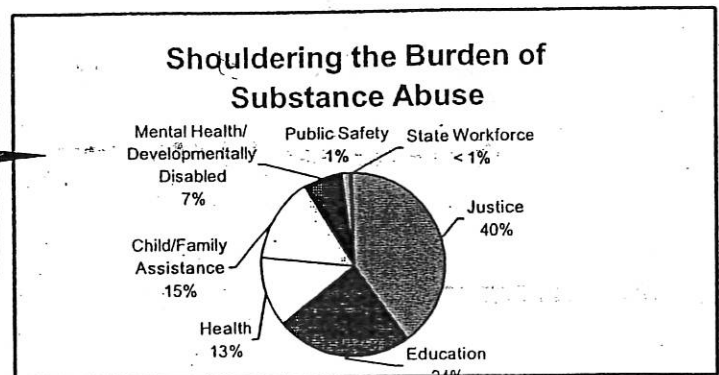
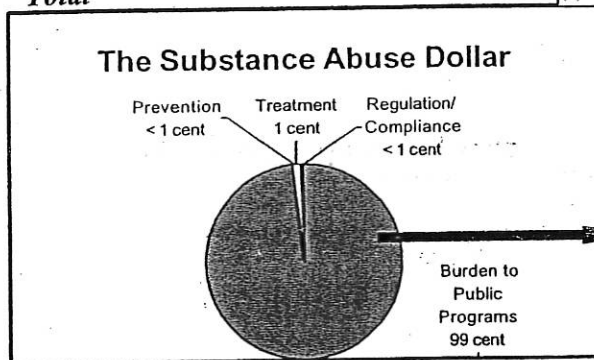
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# Iowa

## Summary of State Spending on Substance Abuse (1998)\*

	State Spending by Category (\$000)	Spending Related to Substance Abuse			
		Amount (\$000)	Percent	As Percent of State Budget	Per Capita
<b>Affected Programs:</b>	<b>\$3,678,682.4</b>	<b>\$720,839.4</b>		<b>9.2</b>	<b>\$252.54</b>
<b>Justice</b>	<b>360,526.0</b>	<b>289,077.2</b>		<b>3.7</b>	<b>101.27</b>
Adult Corrections	222,200.0	179,754.3	80.9		
Juvenile Justice	36,845.0	24,373.5	66.2		
Judiciary	101,481.0	84,949.3	83.7		
<b>Education (Elementary/Secondary)</b>	<b>1,714,014.0</b>	<b>170,379.3</b>	<b>9.9</b>	<b>2.2</b>	<b>59.69</b>
<b>Health</b>	<b>404,148.0</b>	<b>91,781.4</b>	<b>22.7</b>	<b>1.2</b>	<b>32.15</b>
<b>Child/Family Assistance</b>	<b>190,824.0</b>	<b>106,105.1</b>		<b>1.4</b>	<b>37.17</b>
Child Welfare	143,892.0	100,523.4	69.9		
Income Assistance	46,932.0	5,581.7	11.9		
<b>Mental Health/Developmentally Disabled</b>	<b>165,066.0</b>	<b>50,616.8</b>		<b>0.7</b>	<b>17.73</b>
Mental Health	85,586.0	43,506.8	50.8		
Developmentally Disabled	79,480.0	7,110.1	8.9		
<b>Public Safety</b>	<b>41,271.0</b>	<b>10,487.1</b>	<b>25.4</b>	<b>0.1</b>	<b>3.67</b>
<b>State Workforce</b>	<b>802,833.4</b>	<b>2,392.6</b>	<b>0.3</b>	<b>&lt;0.01</b>	<b>0.84</b>
<b>Regulation/Compliance:</b>	<b>1,589.0</b>	<b>1,589.0</b>	<b>100.0</b>	<b>&lt;0.01</b>	<b>0.56</b>
Licensing and Control	1,589.0	1,589.0			
Collection of Taxes	NA	NA			
<b>Prevention, Treatment and Research:</b>	<b>11,428.8</b>	<b>11,428.8</b>	<b>100.0</b>	<b>0.2</b>	<b>4.00</b>
Prevention	1,654.0	1,654.0			
Treatment	9,774.8	9,774.8			
Research	0	0			
<b>Total</b>		<b>\$733,857.2</b>		<b>9.4</b>	<b>\$257.10</b>



Total State Budget	\$7,810 M
◆ Substance Abuse	\$ 734 M
◆ Medicaid	\$ 553 M
◆ Transportation	\$ 605 M
◆ Higher Education	\$2,213 M
Population	2.9 M

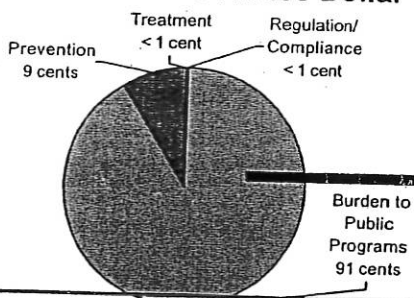
\* Numbers may not add due to rounding. Tobacco and alcohol tax revenue total \$119,988,000; \$41.38 per capita.

# Oregon

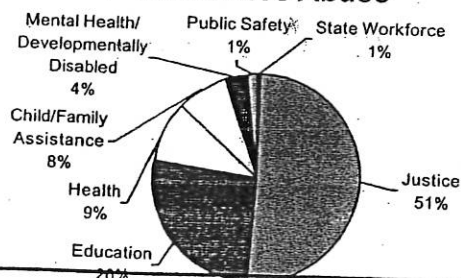
## Summary of State Spending on Substance Abuse (1998)\*

	State Spending by Category (\$000)	Spending Related to Substance Abuse			
		Amount (\$000)	Percent	As Percent of State Budget	Per Capita
<b>Affected Programs:</b>	<b>\$5,034,874.0</b>	<b>\$823,131.9</b>		<b>8.2</b>	<b>\$253.80</b>
<b>Justice</b>	524,927.0	419,085.6		4.2	129.22
Adult Corrections	465,300.0	379,134.0	81.5		
Juvenile Justice	59,627.0	39,951.6	67.0		
Judiciary	NA	NA	NA		
<b>Education (Elementary/Secondary)</b>	<b>2,112,110.0</b>	<b>217,295.1</b>	<b>10.3</b>	<b>2.2</b>	<b>67.00</b>
<b>Health</b>	<b>347,495.0</b>	<b>78,098.2</b>	<b>22.5</b>	<b>0.8</b>	<b>24.08</b>
<b>Child/Family Assistance</b>	<b>142,508.0</b>	<b>62,615.3</b>		<b>0.6</b>	<b>19.31</b>
Child Welfare	66,574.0	47,040.8	70.7		
Income Assistance	75,934.0	15,574.4	20.5		
<b>Mental Health/Developmentally Disabled</b>	<b>342,543.0</b>	<b>29,947.9</b>		<b>0.3</b>	<b>9.23</b>
Mental Health	906.0	469.2	51.8		
Developmentally Disabled	341,637.0	29,478.7	8.6		
<b>Public Safety</b>	<b>43,177.0</b>	<b>11,377.3</b>	<b>26.4</b>	<b>0.1</b>	<b>3.51</b>
<b>State Workforce</b>	<b>1,522,114.0</b>	<b>4,712.5</b>	<b>0.3</b>	<b>0.1</b>	<b>1.45</b>
<b>Regulation/Compliance:</b>	<b>1,592.0</b>	<b>1,592.0</b>	<b>100.0</b>	<b>&lt;0.01</b>	<b>0.49</b>
Licensing and Control	1,592.0	1,592.0			
Collection of Taxes	NA	NA			
<b>Prevention, Treatment and Research:</b>	<b>77,711.0</b>	<b>77,711.0</b>	<b>100.0</b>	<b>0.8</b>	<b>23.96</b>
Prevention	77,486.0	77,486.0			
Treatment	225.0	225.0			
Research	0	0			
<b>Total</b>		<b>\$902,434.9</b>		<b>9.0</b>	<b>\$278.25</b>

### The Substance Abuse Dollar



### Shouldering the Burden of Substance Abuse



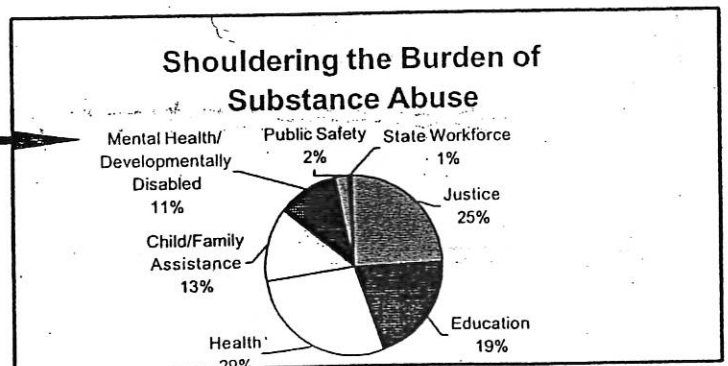
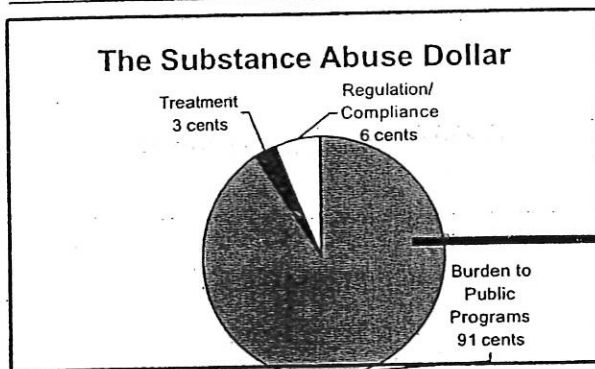
Total State Budget	\$10,010 M
◆ Substance Abuse	\$ 902 M
◆ Medicaid	\$ 656 M
◆ Transportation	\$ 538 M
◆ Higher Education	\$ 1,234 M
Population	3.2 M

\*Numbers may not add due to rounding. Tobacco and alcohol tax revenue total \$217,554,000; \$ 67.99 per capita.

# Nebraska

## Summary of State Spending on Substance Abuse (1998)\*

	State Spending by Category (\$000)	Spending Related to Substance Abuse			
		Amount (\$000)	Percent	As Percent of State Budget	Per Capita
<b>Affected Programs:</b>	<b>\$1,967,751.16</b>	<b>\$264,665.4</b>		<b>7.4</b>	<b>\$159.82</b>
<b>Justice</b>	<b>87,514.0</b>	<b>66,440.8</b>		<b>1.9</b>	<b>40.12</b>
Adult Corrections	73,451.0	57,624.6	78.5		
Juvenile Justice	14,063.0	8,816.1	62.7		
Judiciary	NA	NA	NA		
<b>Education (Elementary/Secondary)</b>	<b>594,625.0</b>	<b>51,537.4</b>	<b>8.7</b>	<b>1.5</b>	<b>31.12</b>
<b>Health</b>	<b>308,145.0</b>	<b>72,813.4</b>	<b>23.6</b>	<b>2.1</b>	<b>43.97</b>
<b>Child/Family Assistance</b>	<b>64,297.0</b>	<b>35,612.1</b>		<b>1.0</b>	<b>21.50</b>
Child Welfare	51,489.0	34,284.9	66.6		
Income Assistance	12,808.0	1,327.2	10.4		
<b>Mental Health/Developmentally Disabled</b>	<b>112,833.0</b>	<b>29,925.8</b>		<b>0.8</b>	<b>18.07</b>
Mental Health	53,286.0	25,076.4	47.1		
Developmentally Disabled	59,547.0	4,849.4	8.1		
<b>Public Safety</b>	<b>23,053.0</b>	<b>6,343.6</b>	<b>27.5</b>	<b>0.2</b>	<b>3.83</b>
<b>State Workforce</b>	<b>777,284.6</b>	<b>1,992.5</b>	<b>0.3</b>	<b>0.1</b>	<b>1.20</b>
<b>Regulation/Compliance:</b>	<b>17,492.0</b>	<b>17,492.0</b>	<b>100.0</b>	<b>0.5</b>	<b>10.56</b>
Licensing and Control	720.0	720.0			
Collection of Taxes	16,772.0	16,772.0			
<b>Prevention, Treatment and Research:</b>	<b>8,945.7</b>	<b>8,945.7</b>	<b>100.0</b>	<b>0.3</b>	<b>5.40</b>
Prevention	NA	NA			
Treatment	8,945.7	8,945.7			
Research	0	0			
<b>Total</b>		<b>\$291,103.1</b>		<b>8.2</b>	<b>\$175.78</b>



Total State Budget	\$3,560 M
♦ Substance Abuse	\$ .291 M
♦ Medicaid	\$ 273 M
♦ Transportation	\$ 435 M
♦ Higher Education	\$1,038 M
Population	1.7 M

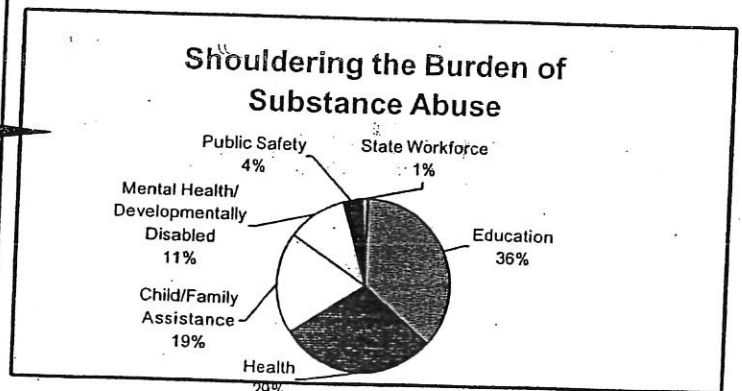
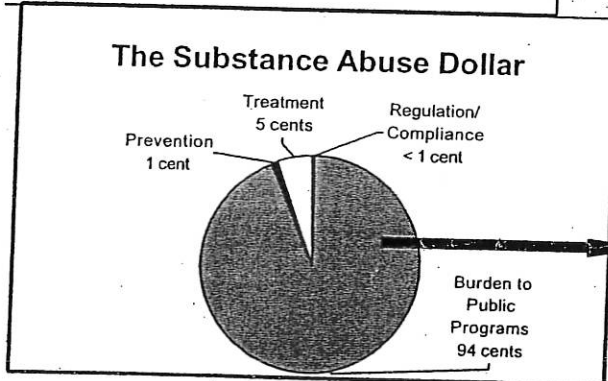
\* Numbers may not add due to rounding. Tobacco and alcohol tax revenue total \$63,981,000; \$37.64 per capita.

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# Arizona

## Summary of State Spending on Substance Abuse (1998)\*

	State Spending by Category (\$000)	Spending Related to Substance Abuse			
		Amount (\$000)	Percent	As Percent of State Budget	Per Capita
<b>Affected Programs:</b>	<b>\$5,736,814.7</b>	<b>\$871,595.5</b>		<b>9.0</b>	<b>\$191.47</b>
<b>Justice</b>	<b>617,004.1</b>	<b>450,552.4</b>		<b>4.7</b>	<b>98.97</b>
Adult Corrections	517,994.1	388,556.9	75.0		
Juvenile Justice	66,971.0	38,894.6	58.1		
Judiciary	32,039.0	23,101.0	72.1		
<b>Education (Elementary/Secondary)</b>	<b>2,119,390.0</b>	<b>153,786.2</b>	<b>7.3</b>	<b>1.6</b>	<b>33.78</b>
<b>Health</b>	<b>510,930.6</b>	<b>122,809.1</b>	<b>24.0</b>	<b>1.3</b>	<b>26.98</b>
Child/Family Assistance	165,342.0	78,862.7		0.8	17.32
Child Welfare	114,657.0	71,275.8	62.2		
Income Assistance	50,685.0	7,586.9	15.0		
<b>Mental Health/Developmentally Disabled</b>	<b>206,600.0</b>	<b>45,664.0</b>		<b>0.5</b>	<b>10.03</b>
Mental Health	90,025.0	38,074.2	42.3		
Developmentally Disabled	116,575.0	7,589.8	6.5		
<b>Public Safety</b>	<b>52,083.0</b>	<b>15,554.0</b>	<b>29.9</b>	<b>0.2</b>	<b>3.42</b>
<b>State Workforce</b>	<b>2,065,465.0</b>	<b>4,367.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.96</b>
<b>Regulation/Compliance:</b>	<b>3,499.0</b>	<b>3,499.0</b>	<b>100.0</b>	<b>&lt;0.01</b>	<b>0.77</b>
Licensing and Control	3,032.0	3,032.0			
Collection of Taxes	467.0	467.0			
<b>Prevention, Treatment and Research:</b>	<b>56,069.2</b>	<b>56,069.2</b>	<b>100.0</b>	<b>0.6</b>	<b>12.32</b>
Prevention	6,676.0	6,676.0			
Treatment	49,393.0	49,393.2			
Research	0	0			
<b>Total</b>		<b>\$931,163.7</b>		<b>9.6</b>	<b>\$204.55</b>



Total State Budget	\$9,683 M
◆ Substance Abuse	\$ 931 M
◆ Medicaid	\$ 662 M
◆ Transportation	\$ 982 M
◆ Higher Education	\$1,588 M
Population	4.6 M

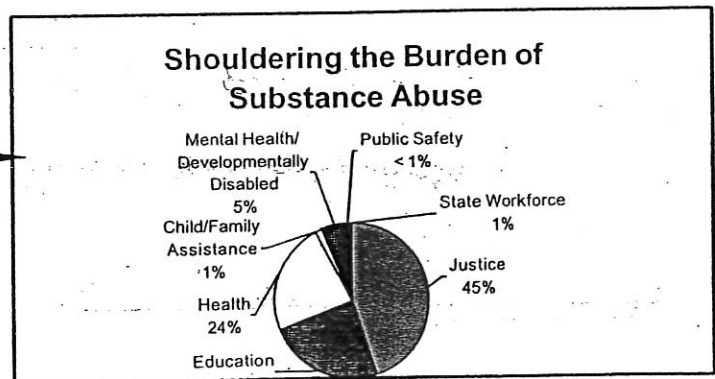
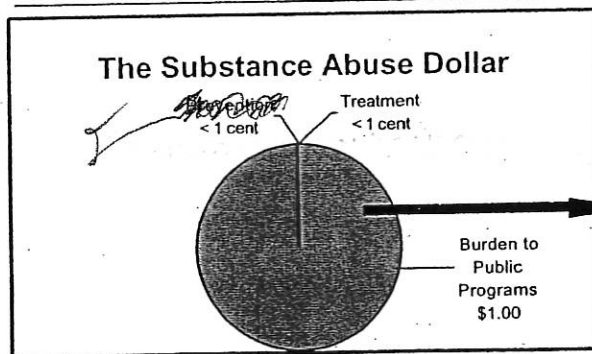
\* Numbers may not add due to rounding. Tobacco and alcohol tax revenue total \$219,343,000; \$47.68 per capita.



# Colorado

## Summary of State Spending on Substance Abuse (1998)\*

	State Spending by Category (\$000)	Spending Related to Substance Abuse			
		Amount (\$000)	Percent	As Percent of State Budget	Per Capita
<b>Affected Programs:</b>	<b>\$5,708,737.0</b>	<b>\$845,374.5</b>		<b>12.4</b>	<b>\$217.25</b>
<b>Justice</b>	462,593.0	379,297.9		5.6	97.47
Adult Corrections	370,000.0	303,932.3	82.1		
Juvenile Justice	NA	NA	NA		
Judiciary	92,593.0	75,365.7	81.4		
<b>Education (Elementary/Secondary)</b>	<b>1,884,000.0</b>	<b>201,704.5</b>	<b>10.7</b>	<b>3.0</b>	<b>51.83</b>
<b>Health</b>	<b>827,000.0</b>	<b>201,797.4</b>	<b>24.4</b>	<b>3.0</b>	<b>51.86</b>
<b>Child/Family Assistance</b>	<b>91,670.0</b>	<b>8,434.2</b>		<b>0.1</b>	<b>2.17</b>
Child Welfare	135.0	96.6	71.6		
Income Assistance	91,535.0	8,337.6	9.1		
<b>Mental Health/Developmentally Disabled</b>	<b>124,652.0</b>	<b>46,042.6</b>		<b>0.7</b>	<b>11.83</b>
Mental Health	78,663.0	41,612.5	52.9		
Developmentally Disabled	45,989.0	4,430.1	9.6		
<b>Public Safety</b>	<b>651.0</b>	<b>595.1</b>	<b>91.4†</b>	<b>&lt;0.01</b>	<b>0.15</b>
<b>State Workforce</b>	<b>2,318,171.0</b>	<b>7,502.7</b>	<b>0.3</b>	<b>0.1</b>	<b>1.93</b>
<b>Regulation/Compliance:</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Licensing and Control	NA	NA			
Collection of Taxes	NA	NA			
<b>Prevention, Treatment and Research:</b>	<b>548.0</b>	<b>548.0</b>	<b>100.0</b>	<b>&lt;0.01</b>	<b>0.14</b>
Prevention	340.0	340.0			
Treatment	208.0	208.0			
Research	0	0			
<b>Total</b>		<b>\$845,922.5</b>		<b>12.4</b>	<b>\$217.39</b>



Total State Budget	\$6,821 M
• Substance Abuse	\$ 846 M
• Medicaid	\$ 827 M
• Transportation	\$ 564 M
• Higher Education	\$1,491 M
Population	3.9 M

\* Numbers may not add due to rounding. Tobacco and alcohol tax revenue total \$97,081,000; \$24.89 per capita.

† Colorado did not report any spending for highway safety or local law enforcement.

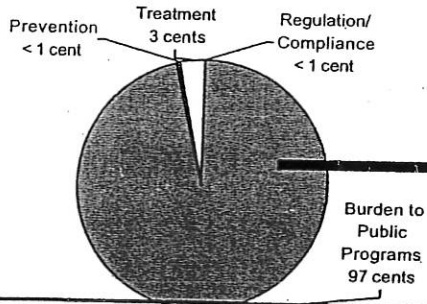
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# Illinois

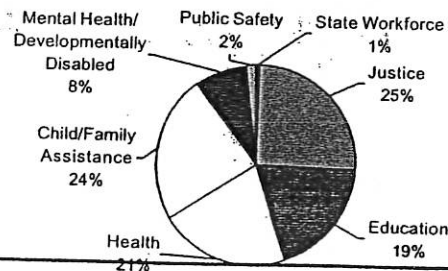
## Summary of State Spending on Substance Abuse (1998)\*

	State Spending by Category (\$000)	Spending Related to Substance Abuse			
		Amount (\$000)	Percent	As Percent of State Budget	Per Capita
<b>Affected Programs:</b>	<b>\$16,185,973.1</b>	<b>\$2,766,734.8</b>		<b>12.2</b>	<b>\$230.54</b>
<b>Justice</b>	<b>887,172.7</b>	<b>710,144.8</b>		<b>3.1</b>	<b>59.12</b>
Adult Corrections	805,063.4	655,239.9	81.4		
Juvenile Justice	82,109.3	54,904.9	66.9		
Judiciary	NA	NA	NA		
<b>Education (Elementary/Secondary)</b>	<b>5,176,589.5</b>	<b>529,676.8</b>	<b>10.2</b>	<b>2.3</b>	<b>44.10</b>
<b>Health</b>	<b>2,430,940.7</b>	<b>582,717.9</b>	<b>24.0</b>	<b>2.6</b>	<b>48.51</b>
<b>Child/Family Assistance</b>	<b>1,116,309.2</b>	<b>651,044.8</b>		<b>2.9</b>	<b>54.20</b>
Child Welfare	856,165.6	603,883.1	70.5		
Income Assistance	260,143.6	47,161.7	18.1		
<b>Mental Health/Developmentally Disabled</b>	<b>790,651.6</b>	<b>233,163.1</b>		<b>1.0</b>	<b>19.41</b>
Mental Health	377,908.6	195,144.0	51.6		
Developmentally Disabled	412,743.0	38,019.1	9.2		
<b>Public Safety</b>	<b>125,711.5</b>	<b>42,573.9</b>	<b>33.9</b>	<b>0.2</b>	<b>3.54</b>
<b>State Workforce</b>	<b>5,658,597.9</b>	<b>17,413.5</b>	<b>0.3</b>	<b>0.1</b>	<b>1.45</b>
<b>Regulation/Compliance:</b>	<b>3,681.9</b>	<b>3,681.9</b>	<b>100.0</b>	<b>&lt;0.01</b>	<b>0.31</b>
Licensing and Control	3,121.4	3,121.4			
Collection of Taxes	560.5	560.5			
<b>Prevention, Treatment and Research:</b>	<b>98,095.2</b>	<b>98,095.2</b>	<b>100.0</b>	<b>0.4</b>	<b>8.17</b>
Prevention	12,505.8	12,505.8			
Treatment	85,589.4	85,589.4			
Research	0	0			
<b>Total</b>		<b>\$2,868,511.9</b>		<b>12.6</b>	<b>\$238.81</b>

### The Substance Abuse Dollar



### Shouldering the Burden of Substance Abuse



Total State Budget	\$22,727 M
◆ Substance Abuse	\$ 2,869 M
◆ Medicaid	\$ 3,583 M
◆ Transportation	\$ 2,492 M
◆ Higher Education	\$ 2,247 M
Population	12.0M

\* Numbers may not add due to rounding. Tobacco and alcohol tax revenue total \$525,455,000; \$43.79 per capita.

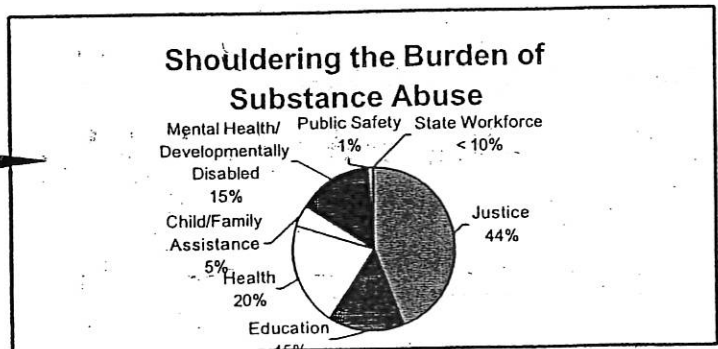
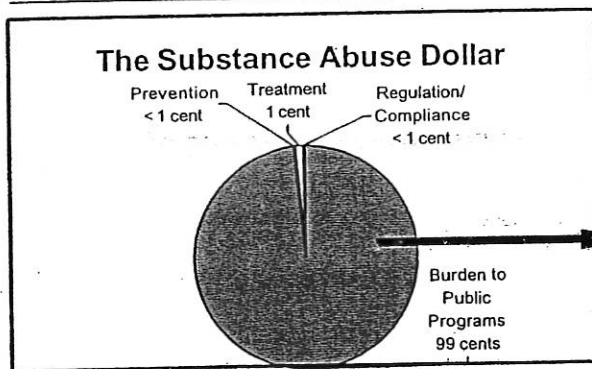
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# Ohio

## Summary of State Spending on Substance Abuse (1998)\*

	State Spending by Category (\$000)	Spending Related to Substance Abuse			
		Amount (\$000)	Percent	As Percent of State Budget	Per Capita
<b>Affected Programs:</b>	<b>\$11,607,126.0</b>	<b>\$2,903,902.7</b>		<b>10.2</b>	<b>\$258.99</b>
<b>Justice</b>	1,700,233.0	1,293,180.4		4.5	115.33
Adult Corrections	1,470,079.0	1,149,682.9	78.2		
Juvenile Justice	230,154.0	143,497.5	62.3		
Judiciary	NA	NA	NA		
<b>Education (Elementary/Secondary)</b>	4,957,865.0	424,017.6	8.6	1.5	37.82
<b>Health</b>	2,381,281.0	593,891.7	24.9	2.1	52.97
<b>Child/Family Assistance</b>	783,167.0	134,027.9		0.5	11.95
Child Welfare	NA	NA	NA		
Income Assistance	783,167.0	134,027.9	17.1		
<b>Mental Health/Developmentally Disabled</b>	1,557,933.0	423,268.6		1.5	37.75
Mental Health	792,999.0	370,305.0	46.7		
Developmentally Disabled	764,934.0	52,963.5	6.9		
<b>Public Safety</b>	158,607.0	35,344.6	22.3	0.1	3.15
<b>State Workforce</b>	68,040.0	171.9	0.3	<0.01	0.02
<b>Regulation/Compliance:</b>	<b>5,162.0</b>	<b>5,162.0</b>	<b>100.0</b>	<b>&lt;0.01</b>	<b>0.46</b>
Licensing and Control	3,762.0	3,762.0			
Collection of Taxes	1,400.0	1,400.0			
<b>Prevention, Treatment and Research:</b>	<b>41,943.0</b>	<b>41,943.0</b>	<b>100.0</b>	<b>0.2</b>	<b>3.74</b>
Prevention	7,594.0	7,594.0			
Treatment	34,349.0	34,349.0			
Research	0	0			
<b>Total</b>		<b>\$2,951,007.7</b>		<b>10.4</b>	<b>\$263.19</b>



Total State Budget	\$28,518 M
◆ Substance Abuse	\$ 2,951 M
◆ Medicaid	\$ 5,720 M
◆ Transportation	\$ 2,022 M
◆ Higher Education	\$ 2,211 M
Population	11.2 M

\* Numbers may not add due to rounding. Tobacco and alcohol tax revenue total \$401,742,000; \$35.87 per capita.

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1-30

**(Gary R.) Ric Evans** is the Director of Therapy for The Salvation Army Shield of Service (SOS), a full-service treatment program in Kansas City, Kansas. In addition, he is an Adjunct Instructor of Pharmacology, Ethics, and HIV/Medical High Risk at Kansas City Kansas Community College. Mr. Evans is uniquely qualified as an addiction counselor because of his background. He has now been in recovery for seventeen years after 30 years of alcoholism and drug addiction, which included three different periods of incarceration in the penitentiary.

Mr. Evans holds the following degrees and certifications, all achieved since his recovery began in March of 1987:

Master of Liberal Arts, Baker University.

Bachelor of Arts in Management and Human Resources, Mid-America Nazarene University.

Associate of Arts in Addiction Counseling, Kansas City Kansas Community College.

CADC III-(KAAP) Kansas Association of Addiction Professionals.

NCAC II-(NAADAC) National Association of Addiction Professionals.

CAODAC (AAPS) Addiction and Prevention Services , State of Kansas.

HIV/AIDS Counselor and Educator, Kansas Department of Health and Human Services.

#### PROFESSIONAL ACCOMPLISHMENTS:

Published Writer, both fiction and non-fiction.

Public Speaker and Workshop Presenter.

Former Board Member at Large, KAAP.

Oral Examination Board Chair, KAAP Certification Board.

Board Member Kansas Addiction Educators Coalition.

#### INTERESTS AND ACTIVITIES:

Collector of Sports Memorabilia, Trading Cards, Coins, Stamps, Comics, Books, Toys, etc.

Writes Horror Fiction.

Spending quality time with Family.

*Senate Assessment + Taxation  
2-20-04  
Attachment 2*

**ASSESSMENT AND TAXATION COMMITTEE  
HEARING SB 435  
FEBRUARY 20, 2004**

Mr. Chairman and Members of the Assessment and Taxation committee, I am Captain Chuck Kennedy, Corps Officer and Supervisor of The Salvation Army Harbor Light Alcohol and Drug Dependency residential treatment and outpatient programs in Wyandotte County. Other programs include a day care center, homeless shelter for mothers and children, emergency and homeless prevention assistance. The Salvation Army is among the largest Faith-based Social Services Agencies in Kansas providing multiple programs and services for individuals, families and children.

I want to thank you for the opportunity you provided to The Salvation Army to speak on behalf of this important and timely Senate Bill 435. SB 435 as discussed by Mr. Giffin and Ric Evans will provide the opportunity for a broader community investment and expanded partnership with the state in building a state of the art comprehensive alcohol and drug treatment center. I ask for your favorable consideration in passing this bill.

We are available now to answer any questions you might have.

Captain Charles Kennedy  
Corps Officer  
701 Washington Blvd  
Kansas City, Ks 66101  
913-371-1171

*Senate Assessment + Taxation  
2-20-04  
Attachment 3*

# LEGISLATIVE



# TESTIMONY

KANSAS

Statement by  
Hal Hudson, Kansas State Director  
National Federation of Business  
Before the  
Senate Committee on Assessment and Taxation  
Friday, February 20, 2004

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to speak in support of Senate Bill 532.

We are in support of Senate Bill 532 primarily because of the provisions of section 1 that would require less frequent filing and reporting of sales taxes collected by our smallest members.

We also like Section 2, subsection (2) that would allow the secretary of revenue to waive additional liability for a retailer due to a reasonable error in implementing or applying the destination sourcing rules. As you have heard, even those who are trying to comply with this section of the law are being cited by KDOR for errors in their reports. Sometimes these are simple mathematical errors resulting from rounding of percentages.

New Sec. 4, granting a \$500 income tax credit for qualified expenditures to comply with destination sourcing, seems miserly. May retailers, trying to bring their accounting systems into compliance have spent \$2,500, \$10,000 or more. We'd like to see that amount increased to something like 50% of the documented costs, up to some amount – perhaps a \$10,000 limit.

As for New Sec. 5., it is even more miserly, considering the ongoing cost of compliance.

As you know, the Legislative Agenda of NFIB/Kansas is determined by direct ballot, survey or questionnaire of our members. Last summer, we asked our members if retailers should be allowed to retain a 2% of the sales tax they collect as compensation for serving as the state's tax collectors – comparable to that of our neighboring states.

Of the respondents to our survey, 77% said, "YES." Of the 14% who said, "NO," some said 2% was such a small amount of the tax they collect, it would not be worth the additional bookkeeping and reporting effort.

Obviously, those folks would think that 0.5% was insignificant. It would seem that only very large retailers, who may collect sales taxes of \$1,000 a month or more, would find 0.5% worthwhile.

Consider what 0.5% would yield as payment for services rendered. The retailer who collects \$100 per month in sales tax would be allowed to keep \$0.50. For \$1,000 in tax the retailer would keep \$5.00. And retailers can't reach the \$1,000 limit until they collect and remit \$20,000 a month in taxes. I suggest to you that there is very little difference in the time and effort spent by the retailer who retains \$5.00 and the one who can keep \$1,000. With an automated, computerized system, the larger firm may find the job less burdensome than the smaller firm.

Having said this, I think this bill gets the "camel's nose" into the tent, and we would like to support it with all the changes becoming effective now, not at some time in the future. Thus, my support of S.B. 532 is only half-hearted. Perhaps S.B. 532, either before or after it is passed out of this committee, could be amended to be more meaningful, and take effect in a timelier manner.

Thank you for your attention.

*The National Federation of Independent Business (NFIB) is the nation's largest small-business advocacy group. A nonprofit, nonpartisan organization founded in 1943, NFIB represents the consensus views of its 600,000 members in Washington and all 50 state capitals, including nearly 6,000 members in Kansas. More information is available on-line at [www.nfib.com/ks](http://www.nfib.com/ks).*



## Legislative Testimony

SB 470<sup>532</sup>

February 18<sup>20</sup>, 2004

Testimony before the Kansas Assessment and Taxation Committee  
By Marlee Carpenter, Vice President Government Relations

Chairman Corbin and members of the committee:

I am Marlee Carpenter representing The Kansas Chamber of Commerce and the Kansas Retail Council. The Kansas Retail Council is an affiliate of The Kansas Chamber that represents more than 600 retailers in the state of Kansas.

For many years, The Kansas Chamber has advocated an administrative allowance for Kansas' retailers. Today, they must collect and remit taxes to the Kansas Department of Revenue without compensation for their time and expenses. The Streamlined Sales Tax Project has heightened the visibility of this weakness in our tax collection system.

I have attached a 1993 Price Waterhouse Cooper study that shows how much it costs retailers in Kansas to collect and remit sales tax. This study was undertaken before the impact of destination based tax requirements.

The Kansas Department of Revenue already compensates some retailers for the collection and remittance of other types of taxes to the state. I have attached a list of these taxes to my testimony as well.

The Kansas Chamber of Commerce and Kansas retailers support an administrative allowance. We ask that the legislature approve compensation of the time and expenses incurred by retailers in collecting the state's taxes.

Thank you for your time and I will be happy to answer any questions.

*The Kansas Chamber is the statewide business advocacy group, with headquarters in Topeka. It is working to make Kansas more attractive to employers by reducing the costs of doing business in Kansas. The Kansas Chamber and its affiliate organization, The Kansas Chamber Federation, have nearly 7,500 member businesses, including local and regional chambers of commerce and trade organizations. The Chamber represents small, large and medium sized employers all across Kansas.*

*Senate Assessment & Taxation  
2-20-04  
Attachment 5*



**THE KANSAS  
CHAMBER**

The Force for Business

835 SW Topeka Blvd.

Topeka, KS 66612-1671

785-357-6321

Fax: 785-357-4732

E-mail: [info@kansaschamber.org](mailto:info@kansaschamber.org)

[www.kansaschamber.org](http://www.kansaschamber.org)

## Legislative Testimony

SB 470

February 18, 2004

Testimony before the Kansas Assessment and Taxation Committee  
By Marlee Carpenter, Vice President Government Relations



THE KANSAS  
CHAMBER

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### Types of Administrative Allowance allowed in Kansas

- **Kansas Use Tax.** *Kansas provides the retailers of Missouri, Oklahoma, Nebraska and Colorado an allowance for the collection of Kansas' use tax.*
- **Transient Guest Tax.** *Transient guest tax is collected by hotels and motels and forwarded to the Kansas Department of Revenue (KDOR) where it is processed and returned to the city or other taxing entity for use by the local Convention and Visitors Bureau. The amount returned to the local taxing jurisdiction is the amount "less 2% administrative fee" retained by KDOR.*
- **Lottery Ticket Sales Commission.** *Lottery ticket retailers are allowed to keep a commission off of the lottery tickets they sell.*
- **Motor Fuel Tax.** *The distributor of motor fuels is allowed to retain 2.5% of the motor fuel tax for ordinary losses that may have resulted from physical loss while handling such motor-vehicle fuels.*



# KANSAS RETAIL COUNCIL

## Estimate of the Costs to Retailers of Collecting Sales and Use Taxes in Kansas

January 26, 1993

*Price Waterhouse*



*Price Waterhouse*



January 26, 1993

Mr. Bud Grant  
Executive Director  
Kansas Retail Council  
500 Bank IV Tower  
One Townsite Plaza  
Topeka, KS 66603

Dear Mr. Grant:

We are pleased to present our estimate of the costs that retailers incur when collecting sales taxes for the state of Kansas. The estimate is based on a nationwide study that we conducted in 1990 and has been updated to reflect subsequent changes in sales, prices, and wages. In addition, from information supplied in interviews with retailers in Kansas, we refined our national model to reflect the policies and procedures of retailers in the state.

If you have questions regarding any aspect of the report, please call Dr. Fredric Laughlin or Mr. Charles Samuelson at (202) 296-0800.

Very truly yours,

*Price Waterhouse*

This report conveys the findings of our study to estimate the costs that retailers incur when collecting and remitting sales taxes<sup>1</sup> for the state of Kansas. Forty five states and the District of Columbia levy a sales tax on retail sales. The consumer pays the tax at the time he or she makes the purchase. The retailer collects the sales tax and remits it to the state. The retailer incurs costs when collecting sales taxes from consumers on behalf of the state. In 1990, we conducted a study to estimate the average collection costs nationwide. This national study drew on site visit data, responses from almost 1,000 retailers, and a computer model to perform the detailed cost calculations.

To tailor our national study to the state of Kansas, we:

- Refined a few of the model parameters (e.g., sales tax rate, percentage of taxable sales to total)
- Updated sales and cost data
- Tested the cost profile assumptions used in our national study by interviewing retailers in Kansas

A. Changes to the Model

We developed our estimate of the cost of collecting sales taxes in Kansas by updating and tailoring our 1990 national model to reflect changes in sales, wages, and non-wage costs since we collected the data. We also added an estimate of the costs of collecting and remitting sales taxes that are associated with the use of proprietary credit. Exhibit 1 summarizes these changes.

B. Results

Using 1990 data, our model estimates that the national average cost of collecting sales taxes is 3.48 percent of sales tax liability. As shown in Exhibit 1, our model estimates the cost of collecting sales taxes in Kansas is approximately 3.42 percent of sales tax liability. After adjusting the model for the impact of changes identified in Section A above, costs as a percentage of sales tax liability in Kansas decrease to 2.86 percent.<sup>2</sup> The new model's estimate of costs as a percentage of sales tax liability is lower than in the national model because the increase in the value of retail sales and sales tax liability is greater than the increase in wages and other costs.

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<sup>1</sup> Throughout this report, the term sales tax refers to both sales and use tax.

<sup>2</sup> Because the calculation required multiple runs of the model for each state in the nation, we did not develop an updated national estimate of the cost as a percentage of sales tax liability.

## Adjustments Made to National Model to Incorporate More Recent Data

<b>TOTAL FOR KANSAS USING DATA FROM NATIONAL MODEL</b>	<b>3.42%</b>
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Adjustment	Role in Model	Percentage increase*	Impact on Costs as a Percentage of Sales Tax Liability
Retail Sales	Estimates aggregate retail sales volume in Kansas	27.2%	Decrease
Wages	Estimates the wage costs of conducting the activities required to collect and remit sales taxes	9.9%	Increase
Other Costs	Estimates the non-wage costs of conducting the activities required to collect and remit sales taxes	14.4%	Increase
Proprietary Credit	Estimates the cost of conducting sales tax-related activities used for proprietary credit operations	n/a †	Increase

<b>TOTAL FOR KANSAS USING UPDATED DATA</b>	<b>2.86%</b>
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\* Since 1990 study.

† This category of costs was not computed in the original study.

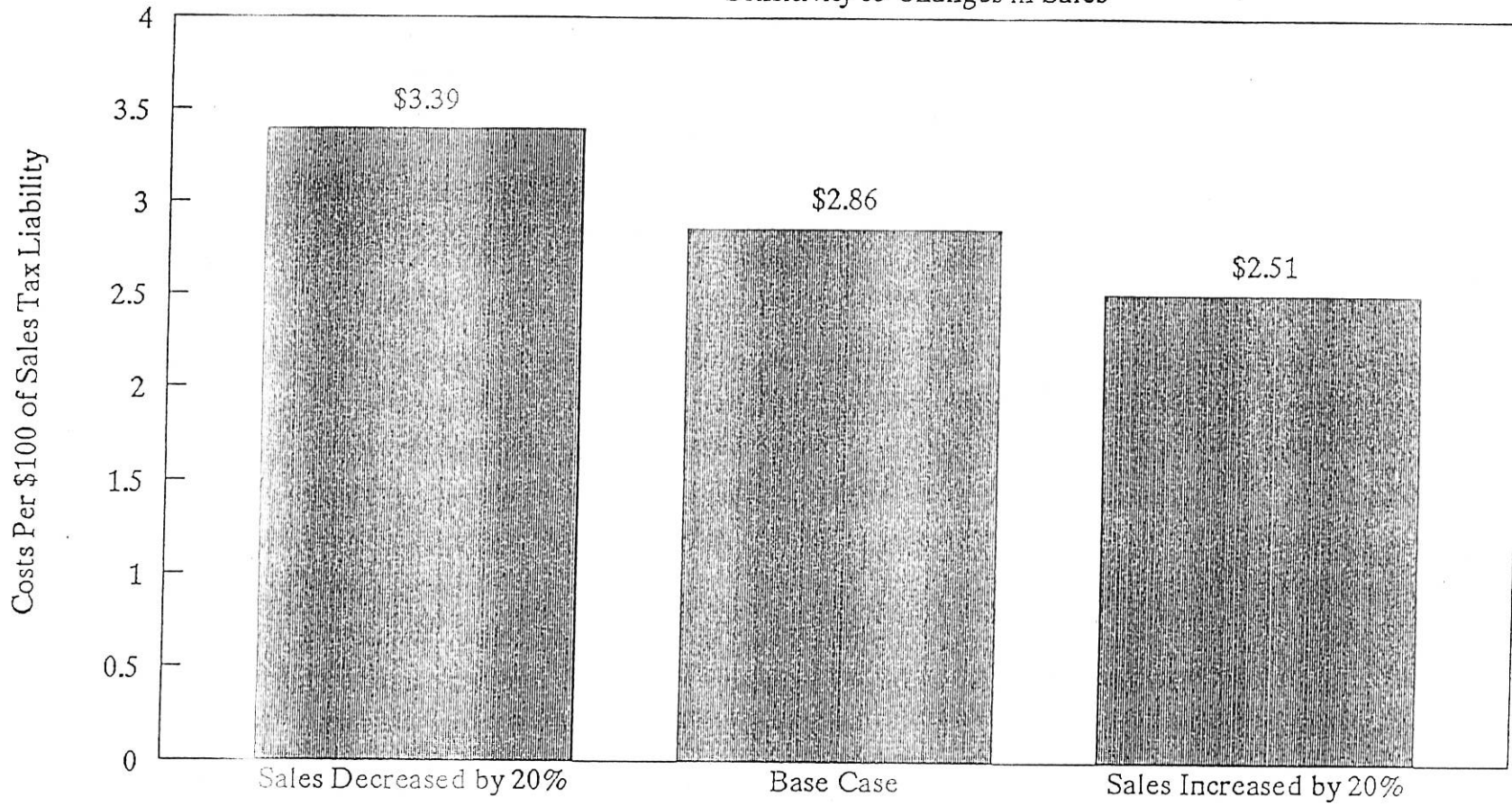
To help determine how our findings can change when we change some of the assumptions in our model, we have conducted a sensitivity analysis. In our sensitivity analysis, costs as a percentage of sales tax liability decrease to 2.51 percent when we increase sales by 20 percent and increase to 3.39 percent when we decrease sales by 20 percent. Likewise, costs as a percentage of sales tax liability increase to 3.01 percent when we increase wages by 20 percent and decrease to 2.71 percent when we decrease wages 20 percent. The data in Exhibit 2 show how our sensitivity analysis affects the cost per \$100 of sales tax collected.

The data in our model indicate that costs vary greatly across retailer types and even among retailers of the same type. Factors that can drive retailers' costs include:

- Average transaction size (number of items per transaction) -- The greater the number of items in a transaction, the greater the cost of processing that transaction
- Average transaction value (dollar value per transaction) -- A transaction with a small dollar value requires the same processing costs as a transaction with a larger dollar value. The data we collected show the average transaction value in a large store tends to be smaller than the average transaction value in a mid-sized store
- Retailer size (dollar value of sales) -- The data in our model indicate that costs as a percentage of sales tax liability vary between different sized retailers. In general, large retailers with multiple outlets have lower costs as a percentage of sales tax liability than small stores for two reasons: first, because there is a fixed amount of effort that must go into completing any tax return and for large retailers this effort is the smallest part of their total work and second because larger retailers can enjoy economies of scale and scope to perform a particular task for stores at several locations
- Percentage of taxable sales -- Any business must incur certain fixed costs to give it the capability to remit sales taxes to the government. As a retailer's percentage of taxable sales decreases, its costs as a percentage of sales tax liability will increase. In general, stores with a higher percentage of taxable sales incur a relatively lower cost as a percentage of sales tax liability than stores with a lower percentage of taxable sales

# SALES TAX COSTS IN KANSAS

Sensitivity to Changes in Sales

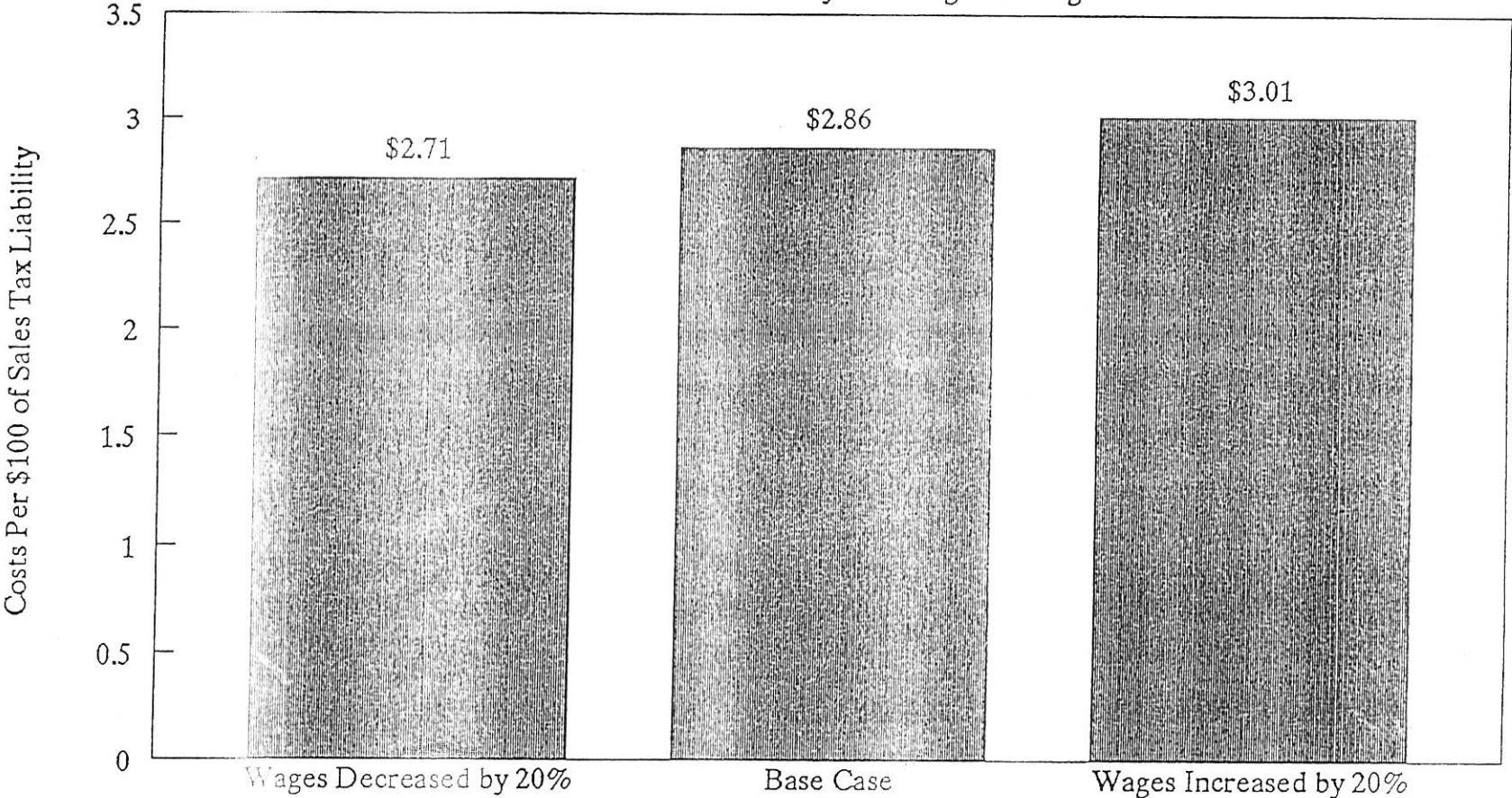




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# SALES TAX COSTS IN KANSAS

Sensitivity to Changes in Wages



- Use of proprietary credit -- It is more expensive for stores to remit sales taxes for purchases made with commercial credit cards (e.g., Visa or Mastercard) than purchases made with proprietary credit.<sup>3</sup> Stores that rely more on proprietary credit incur lower costs than stores that rely more on the use of commercial credit cards
- Automation -- Certain businesses, because they rely on high value, low volume sales, are more likely to use manual cash registers. The relatively high cost of manual processing will result in a greater cost as a percentage of sales tax liability for those businesses that employ lower technology in their stores. For example, furniture stores rely on manual processing more than any other type of retailer in our study. Stores with a relatively high level of automation incur lower costs as a percentage of sales tax liability than comparable stores that rely on manual processing
- Deliveries and Returns -- Retailers who deliver purchases to an address outside their own taxing jurisdiction must ensure that the proper sales taxes are paid to the taxing jurisdiction in which the purchase is made. Likewise, retailers who accept returns for purchases made in a different taxing jurisdiction must credit the sales taxes that it paid in the purchasing jurisdiction. Retailers who encounter these jurisdictional issues incur relatively higher costs as a percentage of sales tax liability than retailers who operate solely within one taxing jurisdiction

From the data we collected, transactions in some large stores include fewer items and have a lower average value than transactions in mid-sized stores. This means that large stores must process more transactions than mid-sized stores to generate the same \$100 in sales (or sales tax liability). This increased number of transactions increases the cost of processing for some of the larger retailers.

### C. Conclusions

Based on the analysis described above, we estimate that it costs retailers in Kansas \$2.86 to collect every \$100 in sales tax.

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<sup>3</sup> This is because commercial credit card fees relate to the total price (including sales tax). There are no fees (but there are costs) associated with collecting sales taxes for the use of proprietary credit cards. Our model assumes that the cost of proprietary credit operations is equal to the cost of commercial credit card operations minus an imputed profit that commercial credit card companies earn on each transaction. For example, if there is a 6 percent sales tax, a 4 percent commercial credit card fee, and a \$10.00 sale, the commercial credit card fee is \$0.424 (4 percent of \$10.60). If the retailer did not have to collect any sales tax, the credit card fee would be \$0.40. The retailer incurs the \$0.024 (\$0.424 minus \$0.40) cost solely because the state has imposed a sales tax.

## STATE SALES TAX RATES AND VENDOR DISCOUNTS

(January 1, 2001)

STATE	STATE SALES TAX RATE	RANK	VENDOR DISCOUNT	MAX/MIN
ALABAMA	4.0%	37	5.0%-2.0% (1)	
ALASKA		N/A		
ARIZONA (10)	5.0%	19	1.0%	\$10,000/year (max)
ARKANSAS	5.125%	18	2.0%	\$1,000/month (max)
CALIFORNIA (3)	5.75%	16	None	
COLORADO	2.9%	46	3.33% (4)	
CONNECTICUT	6.0%	8	None	
DELAWARE		N/A		
FLORIDA	6.0%	8	2.5%	\$30/report (max)
GEORGIA	4.0%	37	3.0%-0.5% (1)	
HAWAII	4.0%	37	None	
IDAHO	5.0%	19	None (5)	
ILLINOIS	6.25%	6	1.75%	\$5/year (min)
INDIANA (2)	5.0%	19	1.0%	
IOWA	5.0%	19	None	
KANSAS	4.90%	33	None	
KENTUCKY	6.0%	8	1.75%-1.0% (1)	
LOUISIANA	4.0%	37	1.1%(9)	
MAINE	5.0%	19	None (5)	
MARYLAND	5.0%	19	1.2%-0.9% (1)	
MASSACHUSETTS	5.0%	19	None	
MICHIGAN	6.0%	8	0.5% (6)	\$6/month (min)
MINNESOTA	6.5%	3	None	
MISSISSIPPI	7.0%	1	2.0%	\$50/month (max)
MISSOURI	4.225%	36	2.0%	
MONTANA		N/A		
NEBRASKA	5.0%	19	2.5%-0.5% (1)	
NEVADA	6.5%	3	1.25%	
NEW HAMPSHIRE		N/A		
NEW JERSEY	6.0%	8	None	
NEW MEXICO	5.0%	19	None	
NEW YORK	4.0%	37	3.5%	\$85/month (max)
NORTH CAROLINA	4.0%	37	None	
NORTH DAKOTA	5.0%	19	1.5%	\$255/quarter (max)
OHIO	5.0%	19	0.75%	
OKLAHOMA	4.5%	35	2.25%	\$3,000/month (max)
OREGON		N/A		
PENNSYLVANIA	6.0%	8	1.0%	
RHODE ISLAND	7.0%	1	None	
SOUTH CAROLINA	5.0%	19	3.0%-2.0% (1)	\$3,000/year (max)
SOUTH DAKOTA	4.0%	37	None	
TENNESSEE	6.0%	8	2.0%-1.15% (1)	\$25/report (max)
TEXAS	6.25%	6	0.5% (7)	
UTAH	4.75%	34	1.5%	
VERMONT	5.0%	19	None (5)	
VIRGINIA (3)	3.5%	45	4.0%-2.0% (8)	
WASHINGTON	6.5%	3	None	
WEST VIRGINIA	6.0%	8	None	
WISCONSIN	5.0%	19	0.5%	
WYOMING	4.0%	37	None	
DIST. OF COLUMBIA	5.75%	16	1.0%	\$5,000/month (max)
U. S. MEDIAN	5.0%		2.0%-1.5% (1)	28 states allow vendor discounts

(1) In some states, the vendors' discount varies by the amount paid. In AL and SC, the larger discounts apply to the first \$100. In GA and NE, the larger discount applies to the first \$3,000. In TN and KY, the larger discounts apply to the first \$2,500 and \$1,000, while MD applies the larger discount to annual collections of \$6,000. The lower discounts apply to remaining collections above these amounts.

(2) Utilities are not permitted to take discount.

(3) Rate does not include a statewide local rate of 1.25% in CA and 1.0% in VA.

(4) Vendor discount applies to the state taxes collected. Discount for local option sales tax varies from 0% to 3.33%.

(5) Vendors are allowed to keep any excess collections prescribed under the bracket system.

(6) Vendor discount only applies to the first 4.0% of the tax.

(7) An additional discount of 1.25% applies for early payment.

(8) Discount varies; 4% of the first \$62,500, 3% of the amount to \$208,000, and 2% of the remainder.

(9) The vendors discount is scheduled to increase to 1.5% on July 1, 2001 in Louisiana.

(10) Tax rate scheduled to increase to 5.6% on 6/1/01.