Approved: March 14, 2006
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE

The meeting was called to order by Chairman Kenny Wilk at 9:00 A.M. on February 14, 2006 in Room 519-S of the Capitol.

All members were present except:
Representative Lana Gordon- excused
Representative Nancy Kirk- excused

Committee staff present:
Chris Courtwright, Legislative Research Department
Rose Marie Glatt, Committee Secretary

Conferees appearing before the committee:
Representative Kathe Decker
Representative Pat George
Stephen McAnnally, Clay County Appraiser
Paul Styers, Equipment Company
Karl Peterjohn, KS Taxpayers' Network
Tony Folsom, DOR, Division of Property Valuation
Don Moler, League of KS Municipalities
Mark Desetti, Kansas NEA
Chad Austin, Hospital Association
Reginald L. Robinson, Board of Regents

Others attending:
See attached list.

HCR 5027 - Constitutional amendment to limit appraised valuation increases of real property used for residential purposes to consumer price index for property tax purposes.

Proponents:

Representative Kathe Decker, sponsor of the bill, said that all tax payers need to have their homes valued according to a fair market value and she requested that the Legislature let the citizens of Kansas have a vote on this Constitutional amendment (Attachment 1).

Stephen McAnnally, Clay County Appraiser, quoted the Kansas Constitution, "Except as otherwise hereinafter specifically provided by this section, the legislature shall provide for a uniform and equal basis of valuation and rate of taxation of all property subject to taxation." He said establishing a statewide maximum increased valuation increase to the average consumer price index provides for just such a uniform and equal basis of valuation (Attachment 2).

Paul Styers, Equipment Company testified in support of **HCR 5027**, and said that stabilizing residential property taxes should include all property owners and exclude no one. He offered three amendments for the Committee's consideration: 1) Let the bill encompass all classes of property both real and personal, 2) Limit the rate of tax increases to the lesser of the CPI or the annual appraised value, and 3) Preclude any state, county, city or local taxing authority from circumventing the amendment with mill levy increases (Attachment 3).

Karl Peterjohn, KS Taxpayers' Network, testified that **HCR 5027** would limit appraisal increases to the growth in the CPI as calculated by the federal government. He said that the resolution is a good start but needs to be broadened to cover all of the classes of taxable property in this state, not just residential (Attachment 4).

Neutral:

Tony Folsom, appeared as a neutral party for the Department of Revenue. Included in their testimony were eight issues that they believed need to be acknowledged and discussed prior to implementation (Attachment 5).

MINUTES OF THE House Taxation Committee at 9:00 A.M. on February 14, 2006 in Room 519-S of the Capitol.

Opponents:

Don Moler, League of KS Municipalities, said that the legislation creates disparities between valuations of properties in Kansas and as a result treats taxpayers in an inequitable fashion. Another concern was that it opened up all of Section 1 of Article 11, of the Kansas Constitution to amendment and modification with the possibility of a significant change to the state property tax system (Attachment 6).

Mark Desetti, Kansas NEA, said that although the legislation would tie residential appraised valuations for tax purposes to the CPI-U, and would allow for appraisal increased below the CPI-U, it would also prohibit increases above the CPI-U. This would ignore market forces and would serve, over time, to either starve local units of government causing cuts in services or force local units of government to set ever increasing mill levies to make up the difference (Attachment 7).

After a period of questions and answers, the Chairman closed the hearing on **HCR 5027.**

HB 2685 - Income tax credit for taxpayer contributions to educational institutions to be used in programs designed to train and educate licensed medical professionals.

The Chairman opened the hearing on **HB 2685.**

Representative George, sponsor of the bill, testified that in light of the shortage of nurses, technicians, therapists, and other health care professions, **HB 2685** would provide an incentive through income tax credits to individuals or entities who make contributions to higher education institutions. Those contributions are to be used to further the course of study designed to educate health care professionals. He directed attention to correspondence attached to his testimony from Sheila Frahm, Executive Director, KS Association of Community College Trustees. She reiterated the benefits that would result to higher education if the bill were to pass (Attachment 8).

Chad Austin, Vice President, Government Relations, KHA, said that the bill is a significant step toward establishing an adequate and qualified supply of health care professionals in Kansas. The resources that would result from enacting **HB 2685** would assist in recruiting and retaining qualified faculty, and potentially expanding current programs to train additional health care professionals (Attachment 9).

Reginald L. Robinson, President and CEO, Kansas Board of Regents provided written testimony in support of the legislation (Attachment 10).

After discussion about the accounting process starting with donations to the issuance of tax credits the Chairman closed the hearing of **HB 2685.**

The Chairman made general announcements regarding the schedule for the upcoming week and adjourned the meeting at 10:45 A.M. The next meeting is February 15, 2006.

HOUSE TAXATION COMMITTEE GUEST LIST

DATE: Feb. 14, 2006

NAME	REPRESENTING
Rep Kathe Decker	
MR STEPHEN G. McAnally	CLAY COUNTY, KS.
PAUL STYERS	BUSINESS
MARK DESETTI	KNEA
David Cunningham	KASB
Roger Hamm	KDOR
Karl Peterjohn	KS Taxpayers Network
Jack A. Luschen	Business
Robert K. Rozelich	Business
T.C. Anderson	KSCPA
Sue Clair	K-State
Hal Hudson	NFIB/KS
Derek Hein	Hein Law Firm
Mark Ward	D.M. Ward Construction
Erik Sartorius	City of Overland Park
[illegible] Johnston	Sen. Bruce

STATE OF KANSAS

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TOPEKA

HOUSE OF REPRESENTATIVES

REPRESENTATIVE, SIXTY-FOURTH DISTRICT
CLAY, DICKINSON, GEARY, AND RILEY COUNTIES

STATE CAPITOL
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COMMITTEE ASSIGNMENTS
CHAIRPERSON: EDUCATION
SELECT COMMITTEE ON SCHOOL FINANCE
MEMBER: CORRECTIONS AND JUVENILE JUSTICE

Testimony in regards to
HCR 5027
2-14-06

Thank you Chairman Wilk and members of the House Tax Committee for hearing HCR 5027 today.

In my life away from the Kansas Legislature, I am a Real Estate Appraiser. I have been working for the Veterans Administration as well as lending institutions for the past 18 years. In that amount of time I have seen trends of all types in property values, where I have worked in cities of Manhattan and Junction City, communities such as Clay Center and Wamego and small towns such as Wakefield, Flush and Longford. In some of the small communities in Clay County I have appraised every sale or refinance in the town.

I live approximately 50 miles from one of the main work areas of Fort Riley. I am thrilled to see the reassignment of soldiers to the area; the economic impact is tremendous on the state and the region. Reports from the Fort Riley housing authority say there will be a shortage of 6000 homes in the area. The free market process of supply and demand will take front and center in the housing market. This is a sellers market, high prices being demand driven instead of market driven.

When a house sells in a neighborhood the sale price is used as information for the county to set property values. It makes sense, if a home just like yours sells for $80,000, then yours should be worth $80,000, right? In a sales market driven atmosphere this is correct, in a demand driven market this is not the case.

What happens when you are not interested in selling your home? Under the reappraisal system properties are reevaluated every two years. The property values are set accordingly, comparing them to properties like the subject which have sold on the open market. When the market is falsely inflated it results in the property tax values being set at an inflated demand driven market rather than a true sales market.

House Taxation
2-14-06
Attachment 1

In Riley County, according to the county appraiser's office, selling prices have increased 15 to 20% from what they were last year with the largest margin of growth in homes under $199,000. This is the price range of a fairly modest home in Manhattan. In Ogden, Ks which sets on the east edge of Fort Riley, there's no grocery store, only one church, and two filling stations, a 3 bedroom 1700 SF slab home is selling at or over $200,000. Last year I was appraising the same homes for $150,000.

This is not the only area of Kansas experiencing this type of increase but I know the market around Pottawatomie, Geary, Riley, and Clay counties. All tax payers need to have their homes valued according to a fair market value please let the citizens of Kansas have a vote on this issue.

Kathe Decker

February 14. 2006

House Concurrent Resolution No. 5027

Stephen G. McAnally
Registered Mass Appraiser
Clay County, Kansas

County Appraiser in a primarily agricultural based county experiencing an aggressive market influenced by a greater than average demand for housing. The market's primary influence is considered to be the expansion of Fort Riley.

As outlined in the Clay County Abstracts of Appraised Values for the years 2001 to 2005, Clay County consisted of:

YEAR	PARCELS Residential & Farm Sites	APPRAISED	INCREASE
2005	3,699	$ 195,772,210	6%
2004	3,705	$ 184,515,474	5%
2003	3,695	$ 175,156,572	3%
2002	3,698	$ 169,331,648	4%
2001	3,673	$ 162,742,086	
PROJECTED			
2006	**3,704**	**$ 213,580,176**	**9%**

Sales for the same time frame which involved the property indicator as a dwelling:

YEAR	# OF SALES	MEDIAN	AVERAGE
2005	91*	72,500	77,120
2004	138	60,000	63,789
2003	127	55,500	61,867
2002	110	54,000	56,681

*Does not include all sales fourth quarter, 2005.

According to the U.S. Bureau of the Census, the median household income in Clay Center, Kansas has increased by 5,967 dollars during the period 2000 to 2005, or 995 dollars a year. Noteworthy, forty-five percent of the population falls below the median household income level of $38,358 (2005).

The anticipated tax increased financial burden on the forty-five percent of the population least capable of handling should be considered during the decision process. The same forty-five percent that are constantly facing increased medical, transportation, and home heating fuel increases.

Taxpayers have the two opportunities to appeal their appraised value during a taxing cycle. During the informal or payment under protest hearing phase of the appraisal cycle, many of those conducted are not directly related to the increased valuation, but to the impact on the increased tax dollars. Those most often express this concern are on fixed incomes.

The agricultural valuation of land in the state of Kansas uses eight years of data. Using such a length of time allows for less severe changes, then would be experienced if the appraisal of such land were based on current market trends.

As outlined in the constitution of the state of Kansas, "Except as otherwise hereinafter specifically provided by this section, the legislature shall provide for a uniform and equal basis of valuation and rate of taxation of all property subject to taxation.

Establishing a statewide maximum increased valuation increase to the average consumer price index provides for just such a uniform and equal basis of valuation.

To: Kansas House Committee on Taxation
From: Paul Styers

Subject: Property Tax Reform and Stabilization

While I am an advocate of stabilizing residential property taxes, I don't feel the amendment as proposed is all encompassing or equitable to all classes of property owners. The spirit of the amendment should include all property owners and exclude no one.

As the committee is aware there are several classes of both real and personal property. As the amendment is currently written, it only pertains to residential property.

If an amendment is passed by this committee and presented for a vote in both the house and the senate, my suggestions would be as follows:

1. Let the bill encompass all classes of property both real and personal.

2. Limit the rate of tax increases to the lesser of the Consumer Price Index (CPI) or the annual appraised value.

3. Preclude any state, county, city or local taxing authority from circumventing the amendment with mil levy increases.

In closing I would like to express my appreciation to the committee for underwriting this initiative to give Kansas citizens relief regarding property tax spikes year to year and offering a common-sense stabilizing formula for future property taxation. Your efforts if passed by the requisite number of votes in both the House and the Senate will bode well for all citizens and stimulate, in perpetuity, future economic growth for the state of Kansas.

Encl: Suggested amendment language.

Sincerely,

Paul Styers
11432 High Drive
Leawood, KS 66211
913-681-5225
pauls@styersequipment.com

Date: February 14, 2006

From: Paul Styers, Leawood
To: Kansas House Committee on Taxation

Subject: Constitutional Amendment for Real and Personal Property Taxation.

Sec. 2 The following statement shall be printed on the ballot with the amendment as a whole.

"Explanatory statement. This amendment would provide limitations upon the increase of the appraised valuation for all **real and personal property** subject to taxation."

"A vote for this proposition would limit the annual increase in real and personal property taxes to the <u>lesser</u> of the Consumer Price Index (CPI) rate of inflation or the annual county appraised value from one tax period to another for all classes of property. This proposition would also provide that for **real or personal property** used for any purpose **(commercial, residential, farming etc.)** the appraised valuation for new or newly improved **real or personal property** in the initial year shall be based on the comparison with values of other comparable **real or personal property** of known or recognized value, and the appraised valuation for **real or personal property** which has been sold shall be adjusted to an amount equal to the sales price of such **real or personal property be it more or less in value.**

The legislature is expressly authorized to enact necessary legislation to administer the provisions contained in this amendment.

"A vote against this proposition would maintain the current system of property taxation."

Sec 3. This resolution, if approved by two-thirds of the members elected (or appointed) and qualified to the House of Representatives, and two-thirds of the members elected (or appointed) and qualified to the Senate shall be entered on the journals, together with the yeas and nays. The secretary of state shall cause this resolution to be published as provided by law and shall cause the proposed amendment to be submitted to the electors of the State of Kansas at the general election to be held on November 7, 2006.

KANSAS TAXPAYERS NETWORK
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February 14, 2006

Testimony Supporting HCR 5027
By Karl Peterjohn, Executive Director

Early in the 2006 legislative session I presented this committee with the comparison of effective property tax rates on residential and commercial property in Kansas and our four neighboring states from data reported by Kansas Inc. These numbers and percentages are a vivid demonstration of the need for HCR 5027.

HCR 5027 would limit appraisal increases to the growth in the Consumer Price Index (CPI) as calculated by the federal government. Oklahoma has a provision in their property tax that limits increases on an annual basis for residential property.

However, HCR 5027 should be strengthened by adding this protection to all classes of taxable property in this state. While the comparison with neighboring states' residential property taxes shows that Kansas is the second highest, behind only Nebraska in our five state region, the problem with commercial and industrial property is even worse. In this category the Kansas tax rate has the highest property tax rate among these five states. This is one of the reasons that the Kansas economy is struggling.

It is a reason why a number of proposals for various special tax provisions are regularly brought before state, county, and city governments for everything from property tax abatements, industrial revenue bond funding, star bonds, tax increment finance districts, and other special provisions. Kansas Taxpayers Network's view is that high tax rates in Kansas hurts business but it also hurts Kansans' ability to find jobs and it is a reason that income in Kansas is well below the national average.

If we could create low tax rates this would reduce the need for the special provisions and unique exceptions that are continually being carved out of state law. HCR 5027 is a good start but needs to be broadened to cover all of the classes of taxable property in this state, not just residential.

JOAN WAGNON, SECRETARY

KANSAS

DEPARTMENT OF REVENUE
DIVISION OF PROPERTY VALUATION

KATHLEEN SEBELIUS, GOVERNOR

MEMORANDUM

TO: **Honorable Kenny Wilk**
Chairman, House Taxation Committee

FROM: **Mark S. Beck, Director**
Tony R. Folsom, Deputy Director

DATE: **February 14, 2006**

SUBJECT: **HCR 5027**

HCR 5027 would place before the electorate an amendment to section 1 of article 11 of the Kansas Constitution to provide that the appraised value of residential real property may not increase from one tax period to another by more than the percentage increase of the consumer price index. To calculate the allowable percentage increase, the CPI of the 12-month period ending August 31st of the first calendar year preceding the taxable year at issue is compared to the CPI of the 12-month period ending August 31st of the second calendar year preceding the taxable year at issue. As an example for the 2007 valuation year, the CPI for the 12-month period ending August 31, 2006 is compared to the CPI for the 12-month period ending August 31, 2005.

The amendment would further provide that the appraised value of new or newly improved residential real property in its initial year of valuation would be based on the comparison of values of other comparable residential real properties whose valuations have been subjected to the CPI limitations set forth in the preceding paragraph.

Additionally, the amendment would provide that the appraised valuation of residential real property that has sold would be adjusted to the sales price.

Finally, it would be provided that the legislature may provide by law for such legislation as is necessary to administer the provisions of the amendment.

DOCKING STATE OFFICE BUILDING, 915 SW HARRISON ST., ROOM 400, TOPEKA, KS 66612-1585
Voice 785-296-2365 Fax 785-296-2320 http://www.ksrevenue.org/

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Attachment 5

The amendment raises several issues that need to be acknowledged and discussed prior to implementation. Today, we are simply attempting to bring some of these issues to the forefront as you consider this concurrent resolution.

Current Law:

- Under current law, residential real properties are to be valued uniformly and equally as of January 1 of each year at fair market value. (Article 11 Section 1 of the Kansas Constitution; K.S.A. 79-501 and K.S.A. 2005 Supp. 79-503a).

Discussion:

- Residential real property is not limited to single-family properties but also includes duplexes, townhomes, condominiums, apartment buildings, manufactured housing, mobile home parks and many adult care homes.

- Owners of residential **personal** property would not benefit from this measure. As an example, a manufactured home with a permanent foundation that is placed upon land owned by another separate land owner is considered residential personal property under K.S.A. 79-340.

- The amendment indicates that the appraised value shall be adjusted to the sales price without any consideration of whether the sale was an arm's length transaction. Also, when is the valuation to be adjusted? At the time of the sale or at the next January 1st?

- Residential ratio studies and county compliance measures would be affected in that there basically would not be a ratio study for residential properties.

- Holding annual value increases will eventually shift the tax burden to areas with stable or declining valuations, which are typically the older lower valued residential areas.

- In areas of high growth, properties that have sold will carry a bigger tax load than properties that have not sold.

- There will be a property tax shift to commercial properties, public utility properties, agricultural land, not-for-profit properties, vacant lots, oil and gas leaseholds, heavy trucks, boats, etc.

- Limiting the growth in residential properties will limit the growth in the revenues generated by the school levy.

LKM
League of Kansas Municipalities

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To: House Taxation Committee

From: Don Moler, Executive Director

Re: Opposition to HCR 5027

Date: February 14, 2006

First I would like to thank the Committee for allowing the League to testify today in opposition to HCR 5027. We oppose this legislation for several reasons but first and foremost is the fact that it creates disparities between valuations of properties in Kansas and as a result treats taxpayers in an inequitable fashion.

As we understand the legislation it would freeze the appraised valuation of all real property used for residential purposes to the percentage increase in the consumer price index. This creates inequities because for property owners who retain ownership of the property, their property could only increase by a very limited amount, while new or newly improved real property would be valued in its initial year based upon comparison with values of other real property in the area. Also, in the case of real estate sales, the value for tax purposes would be established as the selling price (fair market value) of the real property when sold. Thus a situation could be easily occur where two identical properties, sitting on adjacent lots, could have vastly different appraised valuations based on the artificial capping of values which is found in HCR 5027. This creates inequities between the properties and the property owners and we think is an unfortunate shift in policy direction. Essentially this bill would take us back to the pre 1988 years in which the valuation of property was all over the map in Kansas with some property owners having very, very low appraised valuations with others having very much higher appraised valuations, despite the fact that the properties were very comparable in actual fair market value.

Our second major concern about this piece of legislation is that it opens up all of Section 1 of Article 11 of the Kansas Constitution to amendment and modification. The Committee needs to fully appreciate that all of the assessed valuations, as found in Section 1 of Article 11, would be subject to modification and could open up an enormous can of worms in dealing with the potential change to the State property tax system. For those who remember this issue in the late 1980's, it was nothing short of traumatic. I would urge great caution before opening up this can of worms again. I would be happy to answer any questions the Committee may have concerning the League's opposition to HCR 5027. Thank you very much.

House Taxation
2-14-06
Attachment 6

KANSAS NATIONAL EDUCATION ASSOCIATION / 715 SW 10TH AVENUE / TOPEKA, KANSAS 66612-1686

Mark Desetti, testimony
House Taxation Committee
HCR 5027

February 14, 2006

Mr. Chairman, members of the committee, thank you for the opportunity to submit testimony on House Concurrent Resolution 5027. We stand today in opposition to this constitutional amendment.

> *(b) (1) Except as otherwise provided by paragraph (2) of this subsection, the appraised valuation of all real property used for residential purposes, shall not increase from one taxable year to the next such year by a percentage exceeding the percentage by which the average consumer price index for all urban consumers published by the federal department of labor as of the close of the 12-month period ending on August 31 of the first calendar year preceding the appropriate taxable year exceeds such index as of such period ending on August 31 of the second calendar year preceding the appropriate taxable year.*

This subsection would tie residential appraised valuations for tax purposes to the CPI-U, an attempt to link property tax increases to some measure of inflation. While this allows for appraisal increases *below* the CPI-U, it prohibits increases above the CPI-U. This ignores market forces. Property can increase or decrease in value. An increase in value is welcome when we are preparing to sell a property but we seem to hate finding out our home is increasing in value when we are not preparing to sell. Limiting the appraised valuation to the CPI-U will only serve to decrease revenue for all branches of government that utilize property taxes. Cities, counties, school districts, libraries, etc. will be forced to cut services or increase mill levies.

> *(2) The appraised valuation for new or newly improved real property used for residential purposes, in its initial year of valuation, shall be based upon the comparison with values of other real property of known or recognized value which is subject to the provisions of paragraph (1). The appraised valuation of real property used for residential purposes which has been sold shall be adjusted to an amount equal to the sales price of such real property when sold. The legislature may provide by law for such legislation as is necessary to administer the provisions of subsection (b).*

This subsection establishes a two-tiered tax system not unlike the one set in California after the passage of Proposition 13. That proposition was much more punishing to government services than this one would be but both create disparate tax systems. If I own my home for ten years and the assessed valuation increases by the CPI-U while the actual market valuation increases in the same period by twice the CPI-U, the new homeowner will pay property taxes at a vastly larger level than current homeowners in the same neighborhood. Two houses with the same market value on the same block have significantly different tax burdens.

If I put an addition on to my house, the addition would be taxed at a different level than the rest of my house. It is conceivable that one could pay more in taxes on a 120 square foot family room addition than for the 2000 square feet of the rest of the house.

The bottom line problem with such a proposal is that it will serve, over time, to either starve local units of government causing cuts in services or force local units of government to set ever increasing mill levies to make up the difference. Either way, the resident who depends on quality schools, fire and police protection, a good public library, and well-maintained residential streets is the loser.

House Taxation
2-14-06
Attachment 7

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STATE OF KANSAS

TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
ENVIRONMENT
FINANCIAL INSTITUTIONS
TAXATION
TRANSPORTATION

Summary of Bill #2685
A bill enhancing health field education opportunities

Mr. Chairman and members of the committee. Thank you for this opportunity to brief you on House Bill #2685

This bill provides income tax credits to individuals, or entities, that make contributions to higher education institutions. The contributions are to be used to further the course of study designed to educate health care professionals. We are all aware of the current critical shortage of nurses, technicians, therapists, and other health care professionals. My involvement in both the local hospital and community college has made me keenly aware of these shortages.

We continue to lose qualified health care instructors because they are able to earn substantially more in the private sector. The private sector is paying higher salaries because of the shortage. And to complete the circle, we have more of a shortage because of the lack of qualified health care instructors.

Acknowledging this crisis in the health fields, and aware of the many demands on our budget, this bill was designed to provide higher education some immediate help in this critical area. This bill will encourage individuals and entities to make contributions to the higher education school of their choice.

Mr. Chairman,

It is my hope that this committee will pass out HB #2685 favorably for passage.

Respectively Submitted,

Pat George

House Taxation
2-14-06
Attachment 8

KANSAS ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES
700 SW Jackson, Suite 1000 • Topeka, KS 66603-3757 • Phone: 785-357-5156 • Fax: 785-357-5157
Sheila Frahm, Executive Director • E-mail: frahm@kacct.org • Website: www.kacct.org

TO: House Taxation Committee
Rep. Kenny Wilk, Chairman
From: Sheila Frahm, Executive Director
Date: February 15, 2006
RE: HB 2685 – Contributions/tax credits & health care professional's education

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to express our appreciation for the hearing you have scheduled for House Bill 2685, sponsored by Representatives George and Otto.

Through academic class preparation and specialized allied health care programs, the Kansas public community colleges are major providers of education for these much needed future health care professionals. We encourage your serious review of House Bill 2685. The tax credit provisions provided by this bill could become an intentional way for interested Kansas citizens/taxpayers to combine their interest in promoting the training of quality health care leaders and at the same time receiving a taxpayer benefit.

Certainly the community colleges and other providers of higher education would benefit from this support and the flexibility it could provide for our programs. The health care programs are high cost programs and require very highly qualified staff and clinical opportunities. The contributions would be used for needed scholarship programs, teaching awards and professorship chairs, and/or construction of new buildings/repair or expansion of existing buildings, and equipment for these much needed programs. Additionally, our students along with local hospitals and health care providers would be the real benefactors of this tax credit opportunity.

We stand ready to provide the committee any additional information about our colleges and the allied health care programs provided for our students and the citizens across Kansas.

KANSAS HOSPITAL
KHA
ASSOCIATION

Thomas L. Bell
President

To: **House Taxation Committee**

From: **Chad Austin**
Vice President, Government Relations

Subject: **House Bill 2685**

Date: **February 14, 2006**

The Kansas Hospital Association is grateful for the opportunity to provide testimony in support of House Bill 2685. The proposed legislation would provide a tax credit to Kansas taxpayers that contribute to a Kansas education institution to further a health care profession course of study.

In 2003, Kansas hospitals employed nearly 54,000 health care professionals. This number represents only a fraction of the total number of health care professionals that work in numerous other settings such as physician offices and nursing homes. Across Kansas and the nation, hospitals and other types of health care providers are beginning to feel the effects of an aging workforce and an increasing demand for health care services. Since 2003, the vacancy rate for registered nurses in Kansas community hospitals has fluctuated between 4.9 and 11.1 percent. As of July 2005, there were more than 450 nursing positions open in Kansas community hospitals. The overall vacancy rate for health care positions in Kansas hospitals was 4.5% in 2005. For these reasons, it is critical to begin taking the appropriate precautions to ensure that all Kansans have accessible and quality health care services.

House Bill 2685 is a significant step towards establishing an adequate and qualified supply of health care professionals in Kansas. The financial contributions obtained through the proposed legislation would allow for additional health professional scholarships, faculty development and expansion of health professional programs that would serve as a foundation for future growth and development. According to a study conducted by KHA in 2002, between 40 and 54 percent of the faculty members in Kansas nursing programs were reported to be over the age of 50. The resources that would result from enacting House Bill 2685 would assist in recruiting and retaining qualified faculty, and potentially expanding current programs to train additional health care professionals.

The success of the Kansas health care system depends on the availability of properly educated and trained professionals. The Kansas Hospital Association and its members request your support for House Bill 2685. Thank you for your consideration of our comments.

House Taxation
2-14-06
Attachment 9

Kansas Hospital Association

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W.(

KANSAS BOARD OF REGENTS

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February 14, 2006

Representative Kenny Wilk
Chairman
House Taxation Committee
Statehouse, Room 426-S
Topeka, KS 66612

Representative Tom Thull
Ranking Member
House Higher Taxation Committee
DSOB
Topeka, KS 66612

Dear Chairman Wilk and Ranking Member Thull:

Thank you for the opportunity to share in writing my views regarding House Bill 2685 as your committee considers this important legislation. On behalf of the Board of Regents, I am happy to support this legislation that would, through changes in the state's taxation policies, encourage Kansans to support the state's institutions of higher education.

Across the country, it has become increasingly the case that private dollars provide critical funding for the nation's colleges and universities. Such funding has always been an essential ingredient for private institutions of higher education. In recent years, these private dollars have also become critically important for public colleges and universities as they work to provide the range of educational opportunities that Kansans require as they seek to compete effectively in the global economy of the twenty-first century. Legislation like House Bill 2685, which would use tax policy to encourage Kansans to support the state's postsecondary institutions (both public and private), provides an important example of how state policy can be used to advance important state goals.

Kansans are generous in their support of colleges and universities in our state. House Bill 2685 would create opportunities to enhance that generosity, and thereby further enable our state's postsecondary institutions to meet the educational demands of its citizens in this time when postsecondary education is more critical than ever for Kansans who want to contribute to our state's economy and build prosperous lives for themselves and their families.

The Board of Regents is pleased to support this legislation. Thank you for your consideration.

Sincerely,

RL Robinson

Reginald L. Robinson
President and CEO

House Taxation
2-14-06
Attachment 10