

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chair Sharon Schwartz at 9:00 A.M. on March 1, 2007, in Room 514-S of the Capitol.

All members were present except:
Representative Tom Burroughs - excused

Committee staff present:
Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Becky Krahl, Legislative Research Department
Aaron Klaassen, Legislative Research Department
Michele Alishahi, Legislative Research Department
Amy Deckard, Legislative Research Department
Leah Robinson, Legislative Research Department
Heather O'Hara, Legislative Research Department
Jim Wilson, Revisor of Statutes
Nikki Feuerborn, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees appearing before the committee:
Stephen Iliff, member of 2010 Commission
Ron Thornburg, Secretary of State
Randall Allen, Executive Director, Kansas Association of Counties
Bill Buntin, Mayor, City of Topeka
Jerry Mayo, Commissioner, Clay County
Cliff Mayo, Commissioner, Finney County
Tom Finney, Clerk, Zeandale Township
Don Moler, Executive Director, League of Kansas Municipalities
Gary Fuller, Mayor, Garden City
Dawn Kuhn, Council Member, City of Shawnee
Jeff Wagaman, State Treasurer's Office

Others attending:
See attached list.

- Attachment 1 2010 Commission Minority Report by Stephen Iliff
- Attachment 2 Comparative School Data provided by Stephen Iliff
- Attachment 3 Budget Committee Report on Health Care Stabilization Fund Board of Governors
- Attachment 4 Budget Committee Report on Office of the Governor, Lieutenant Governor, Attorney General, Secretary of State, State Treasurer, Insurance Department
Testimony on Local Ad Valorem Tax Reduction (LAVTR) by:
 - Attachment 5 Randall Allen
 - Attachment 6 Bill Buntin
 - Attachment 7 Jerry Mayo
 - Attachment 8 Cliff Mayo
 - Attachment 9 Tom Finney
 - Attachment 10 Don Moler
 - Attachment 11 Gary Fuller
 - Attachment 12 Dawn Kuhn
- Attachment 13 Written Testimony on LAVTR by:
Bill Oswalt, President, Kansas Legislative Policy Group
- Attachment 14 Matt Shatto, Assistant City Administrator, on behalf of City of Lenexa
- Attachment 15 Tim Norton, Commissioner-Second District, Sedgwick County
- Attachment 16 Erik Sartorius, on behalf of the City of Overland Park
- Attachment 17 Dee Stuart, Mayor of Park City

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on March 1, 2007, in Room 514-S of the Capitol.

HB 2387, **HB 2395** and **HB 2547** were referred to the Social Services Budget Committee.

The Chair recognized Stephen Iloff, member of the 2010 Commission, who testified with regard to the Minority Report he wrote in connection with the 2010 Commission report (Attachment 1). Mr. Iloff also provided information on school comparisons (Attachment 2). Mr. Iloff stated that his reason for submitting the minority report is because he felt the Commission did not have accurate information and accountability as to how school districts are spending the funds they receive from the State.

Representative George, member of the Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Health Care Stabilization Fund Board of Governors for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 3). The motion was seconded by Representative Bethell. Motion carried.

Representative George, member of the Social Services Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Health Care Stabilization Fund Board of Governors for FY 2008 and moved for the adoption of the Budget Committee recommendation for FY 2008 (Attachment 3). The motion was seconded by Representative Bethell. Motion carried.

Representative Yoder, Chair of the General Government Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Secretary of State for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 4). The motion was seconded by Representative Lane. Motion carried.

Representative Yoder, Chair of the General Government Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Secretary of State for FY 2008 and moved for the adoption of the Budget Committee recommendation for FY 2008 (Attachment 4). The motion was seconded by Representative Lane.

Some members of the Committee felt that the proviso language as offered with reference to a presidential primary should give more flexibility to the Secretary of State in establishing a date for a presidential primary. The Budget Committee noted that it was their intent to make sure that the votes of Kansans would have an impact on who is chosen for the presidential nominee.

Representative Tapanelli made a substitute motion to delete the February 5th date in Item No. 2 of the Budget Committee report on the Secretary of State for FY 2008 and insert language to provide flexibility to the Secretary of State by indicating that the presidential primary must be held on or before February 29th. The motion was seconded by Representative Pottorff. Motion carried.

Ron Thornburg, Secretary of State, stated that February 5 is the earliest date that a presidential primary can be held in order for the Kansas delegates to be recognized and have an impact in determining who will be the presidential nominee. Secretary Thornburg indicated that a Task Force has been appointed to determine if and when a presidential primary should be held in order to have the greatest impact. Secretary Thornburg noted that if the Legislature appropriates \$2 million funding for a primary, it will cover all costs of the election with no additional cost to individual counties.

Representative Yoder renewed the motion to adopt the Budget Committee recommendation for the Secretary of State for FY 2008 as amended. The motion was seconded by Representative Lane. Motion carried.

Representative Lane, member of the General Government Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Office of the Governor for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 4). The motion was seconded by Representative Pottorff. Motion carried.

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on March 1, 2007, in Room 514-S of the Capitol.

Representative Lane, member of the General Government Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Office of the Governor for FY 2008 and moved for the adoption of the Budget Committee recommendation for FY 2008 (Attachment 4). The motion was seconded by Representative Pottorff.

Representative Carlin made a substitute motion to delete Item 2(a) from the Budget Committee recommendation on the Office of the Governor for FY 2008 and return to the Governor's recommendation. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Lane renewed the motion to adopt the Budget Committee recommendation for the Office of the Governor for FY 2008 as amended. The motion was seconded by Representative Feuerborn. Motion carried.

Chair Schwartz recognized Randy Allen, Executive Director, Kansas Association of Counties, who appeared before the Committee to present testimony on the effects of the Local Ad Valorem Tax Reduction (LAVTR) Revenue Transfer (Attachment 5). Mr. Allen stated that the loss of the LAVTR and other demand transfer funds has resulted in a loss of local services and an increase in local property taxes. He urged the Committee to restore the LAVTR revenue transfer.

The following city and county representatives provided testimony in support of LAVTR demand transfers:

- Bill Bunten, Mayor, City of Topeka (Attachment 6).
- Jerry Mayo, Commissioner, Clay County (Attachment 7).
- Cliff Mayo, Commissioner, Finney County (Attachment 8).
- Tom Finney, Clerk, Zeandale Township (Attachment 9).
- Don Moler, Executive Director, League of Kansas Municipalities (Attachment 10).
- Gary Fuller, Mayor, Garden City (Attachment 11).
- Dawn Kuhn, Council Member, City of Shawnee (Attachment 12).

Written testimony was received from:

- Bill Oswalt, President, Kansas Legislative Policy Group (Attachment 13).
- Matt Shatto, Assistant City Administrator, on behalf of City of Lenexa (Attachment 14).
- Tim Norton, Commissioner-Second District, Sedgwick County (Attachment 15).
- Erik Sartorius, on behalf of the City of Overland Park (Attachment 16).
- Dee Stuart, Mayor of Park City (Attachment 17).

The meeting was recessed at 11:00 a.m. and reconvened at 11:35 a.m.

Representative Beamer, member of the General Government Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Lieutenant Governor for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 4). The motion was seconded by Representative Powell. Motion carried.

Representative Beamer, member of the General Government Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Lieutenant Governor for FY 2008 and moved for the adoption of the Budget Committee recommendation for FY 2008 (Attachment 4). The motion was seconded by Representative Lane. Motion carried.

Representative Pottorff, member of the General Government Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Attorney General for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 4). The motion was seconded by Representative Lane. Motion carried.

Representative Pottorff, member of the General Government Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Attorney General for FY 2008 and moved for the adoption of the Budget Committee recommendation for FY 2008 (Attachment 4). The motion was seconded by Representative Lane. Motion carried.

Representative Yoder, Chair of the General Government Budget Committee, presented the Budget

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on March 1, 2007, in Room 514-S of the Capitol.

Committee report on the Governor's budget recommendation for the State Treasurer for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 4). The motion was seconded by Representative Beamer. Motion carried.

Representative Yoder, Chair of the General Government Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the State Treasurer for FY 2008 and moved for the adoption of the Budget Committee recommendation for FY 2008 (Attachment 4). The motion was seconded by Representative Beamer. Motion carried.

Jeff Wagaman, State Treasurer's office, responded to a question from the Committee noting that the Learning Quest KIDS program was created by the 2006 Legislature as a 3-year pilot program capped at 400 participants with funding from the State General Fund (SGF). The Governor's budget recommendation moves the funding to a special revenue fund. At the present time, there are 100 participants in the program.

Representative Pottorff, member of the General Government Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Insurance Department for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 4). The motion was seconded by Representative Lane. Motion carried.

Representative Pottorff, member of the General Government Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Insurance Department for FY 2008 and moved for the adoption of the Budget Committee recommendation for FY 2008 (Attachment 4). The motion was seconded by Representative Lane. Motion carried.

The meeting was adjourned at 11:50 a.m. The next meeting of the Committee will be held at 9:00 a.m. on March 2, 2007.


Sharon Schwartz, Chair

House Appropriations Committee
March 1, 2007
9:00 A.M.

NAME	REPRESENTING
Bob Howe	HCSF
Stacey Woolington	HCSF
Karl Seebach	Hue Law Firm
Dodie Wellshear	USA
Whitney Damron	City of Topeka
Bill Brady	Capitol Shelves

**Following is a Minority Report filed by
2010 Commission Member, Steve Iliff**

2006 Committee Reports - 2010 Commission Minority Report

HOUSE APPROPRIATIONS

DATE 3-01-2007
ATTACHMENT 1

Recommendation for a Comprehensive Standardized Consistent, Accounting System

Subtitle: No Legislator Left Behind

A proposal for the 2010 Commission by Steve Iliff
December 18, 2006

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Introduction

Every child must have the opportunity to receive an education. In America we recognize education as a basic right and value it as an essential in accomplishing liberty and happiness. In Kansas things are no different. Governor Sebelius has again challenged us to continue to search for the means by which the educational system can improve and flourish. We would all embrace a plan guaranteed to educate every child. Crafting such a plan is the goal of countless think-tanks, bureaucracies, private-institutions, individuals and commissions. However, other than a heaving and shifting from one ideology to another, not much has been accomplished. Not only is success in education measured differently, but the avenue to that success has huge variants. A child, not a product, is the outcome, and herein lies the rub.

As a member of the 2010 Commission I have had the privilege of being able to observe first hand the complexity of designing and implementing a solid educational foundation for Kansas children. Each of us on the commission has our own biases as to what we would like to see addressed or changed. My colleagues on the commission know I have strong opinions regarding what creates a successful school but I offer those along with everyone else's opinions. However, regarding the area of budgeting and financial accountability, I offer expertise not rhetorical opinions and I believe the state must make substantial changes. I offer this recommendation in a minority report because the 2010 Commission initially recommended it then reversed their position and chose not to recommend.

Issues in Funding and Spending Education Dollars

Educational revenue and expenses are very difficult to understand for either the layman or the expert not intimately involved with operations. Legislators are required to fund the public schools in Kansas adequately and equitably across the state but must know where the money goes in order to make this determination.

Legislators are continually being asked to provide more funds for education and do not understand where the money is going or how it is being used. This is like writing a blank check to the school system by the taxpayers.

All legislators and taxpayers have a strong desire to have the best education possible for each student in the system delivered at the most affordable price. Governor Sebelius has recognized the taxpayer's concern and stated it as one of the reasons she hired Standard and Poor's to perform their evaluations.

The State of Kansas is responsible to comply with Federal Guidelines and be able to show that Federal money has been used according to the purposes it was given.

The legislature holds in trust all the money taxed from the people to be used in the best interest of the people and take no more than is absolutely necessary to provide for education.

The only way anyone (legislator, commissioner, taxpayer, administrator or educator) can possibly know how well the educational system is doing in general or particular is by having an accurate accounting system for both financial, demographic and educational assessments that are consistently applied from year to year, school to school and district to district and then to the industry as a whole.

All parties from principals, superintendents, board members, legislators, taxpayers and even members of the Department of Education and Post Audit Division agree that there is no consistent or comparable accounting in the school systems of Kansas even at the district level and consequently no one can truly understand where money is going or compare one school building to another in the State of Kansas Education System, a 4 billion dollar business. You can't hold people accountable if you can't account.

Our 2010 Commission Chairperson, Rochelle Chronister, has been repeatedly quoted saying, "Show me the data." before she will make recommendations. This recommendation will provide a system for showing the financial, demographic and testing data in a coherent manner in order that sound decisions and recommendations can be made in a timely fashion.

At least 6 out of the 12 duties given to the 2010 Commission include words like determine, evaluate, monitor, review, and ensure the Kansas system is efficient and effective. All of these words and duties are meaningless without a system that will capture information in a comprehensive, methodical, orderly and consistent fashion.

Therefore I recommend:

A comprehensive accounting system with appropriate chart of accounts with clear definitions and well trained coders that should be begin effective with the 2007-2008 school year down to the school level.

The system would be designed and put into place by a small group of independent accountants, information technology consultants with the aid of retired principals and superintendents and post auditors.

The key to the success of this system would be a bipartisan approach with the full support of the governor and the leaders of both houses.

The Accounting Manual will be reviewed and put into place for all schools and districts. Be aware that since this has not been done intensively before that there will be significant changes over the next 2 years as schools implement and retrain their staffs or review the possibility of outsourcing this one function to a centralized accounting firm or state organization.

Reasons Why Implementation is so important:

Tax dollars are a trust and should be used very carefully and effectively. No more tax dollars should be requested or approved unless a compelling cause can be demonstrated.

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The disbursement of funds calls for their use in an efficient and effective manner. This cannot be judged unless it can be measured. It can't be measured unless there is an accounting system. And one cannot determine who is doing better than whom unless the system is comparable among the schools. And one cannot determine if there is improvement unless the system can compare one year to the next and is consistent in its coding.

It will improve Education in Kansas

In order to get the best results in the classroom we must be able to provide resources where they will be most effective. We must understand costs, methods and personnel that produce those results. Ideally we would build a model. But since we already have schools in operation we can find which ones are operating most effectively and observe how they do it.

Data Mining will highlight Best Practices

Researchers are looking for best practices as well as poor practices. The only way they can confirm their hypothesis is with good data. They must be able to access the exact same data that is available to all those in the education community. If they can't get good data they will waste time, get false results, or open themselves to the accusation that they are comparing apples to oranges. But who can blame them when the current accounting system is so designed that it renders the apples to apples comparison impossible.

Data mining is used constantly by investors, scientific researchers, the military and businesses of all kinds. Sound decisions depend on good data.

Capturing the data should be neutral. Republican and Democrat, principal and board member, taxpayer and legislator should all want accurate data. If the data is captured well and available then the real debate can begin about what is best for the children of Kansas. Without it, we can never know what is best for the children. This was one of the goals mentioned by Governor Sebelius in the new initiative she passed in 2004.

Find out where the heroes are and reward them

The only way anyone can really know who the heroes are is by comparison. Which principals and teachers are getting more results with less money and more challenging student population? The only way to know is to have a reporting system that highlights them. They are out there.

It will Encourage Competition among the public schools

Districts and schools should compete with other districts and schools for better methods, outcomes and costs. Each will vie for efficiencies, lower turnover ratios, faster training and on going development and assessments that will be accurate and fair and continually improving.

In America we all believe that competition brings out the best in each of us. We see this on the field of athletics, fine arts, commerce and the military. Education is no different. The best run schools and districts should be rewarded publicly and financially and become the models and trainers of the districts that are struggling.

It is Good Business

All businesses run better when they can measure how well they are doing against a budget, against previous years and against other like entities in their industry. The number one reason businesses in the free market fail is because of poor financial business planning and controls. Schools will not fail because they have access to tax dollars but they will waste time and money. But it will still cause them to fail in delivering the scarce resources to where it is most needed.

An Accounting System is a good Internal Control

Good accounting records are an essential part of good internal controls to protect the money that has been entrusted to you. A four billion dollar industry should have them.

It would be easier in the long run for administrators

Once the system is in place and coders are trained, the request for audits would only be to verify source documents and even these could be scanned and put on a hard drive so auditors would not have to bother the schools for more information. It is the only way to ensure the money is getting into the classroom every year and in every school. Currently when auditors and legislators request details there is an intense amount of administrative work to produce such documents.

Legislators would be fulfilling their responsibilities

Legislators can't legitimately fulfill their responsibilities unless they are voting for or against measures which they understand and get reports on.

Taxpayers must believe in the system

Our system is based upon voluntary compliance. Compliance is based on trust in the system and our governors and legislators to administer taxes and use funds for the general welfare while controlling costs. Governor Sebelius desired the school districts to be more accountable to the taxpayers when she initiated the Standard and Poor's audit in 2004. But Standard and Poor's only audited 4-6 of the 300 districts in Kansas. A good accounting system will make much easier and more comprehensive.

It will truly give board members and taxpayers local control

You can't control what you don't know. Everyone is crying out for information. They want to know where their money is going and wonder if it is being used effectively. Every board member should have their eye on other schools and be asking questions like:

How can ABC school be getting such good scores?

ABC has the same demographics as we have and don't receive any more money. How can they be so excellent?

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Where is ABC spending their money?
Why are their turnover ratios so much lower than ours?
Why did they get more money than we did?
ABC's parents just rave about their principal and teachers. Why?

You must be able to compare to see the difference. But you can't compare without comparable data.

District efficiency depends upon good accounting that is easily understood by the common taxpayer.

According to the January 2006 Post Audit Study there are 2 variables that help to make a District efficient. The first is when money is hard to come by. The second is when voters watch carefully how their tax dollars are spent. Both of these require good information systems.

Auditors and Accountants Believe a System should be Required

Barb Hinton, Post Auditor Recommends Accounting System

Barb Hinton supported a comprehensive system for the whole education community at the 11/14/06 Commission meeting. She later referred to her Post Audit Report dated March 2002 which exposes problems with the current system.

Standard and Poor's Audit

Standard and Poor's has done a very good audit at the request of Governor Sebelius and paid for with private money from the Kauffman Foundation. During testimony, they mentioned that they could not establish building indicators State wide with any accuracy because the accounting was too inconsistent from school to school and year to year.

Governor Sebelius is to be commended for commissioning such an audit and finding a way to pay for it from the private sector. She was criticized by the Educational establishment at the time but stood her ground. Standard and Poor's is doing a very helpful service to the citizens of Kansas and for our Educational Institutions.

Dale Dennis, Deputy Commissioner of Education

Dale Dennis said to the 2010 Commission on several occasions that although we have a chart of accounts for the State, no one really uses it consistently from school to school or year to year.

Generally Accepted Accounting Principles (GAAP)

These are the standards, principles, rules that govern Certified Public Accountants. All private companies, government and non profits follow these rules; the education community should be no different.

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The reason our government and the American Institute of Certified Public Accountants require GAAP that it would be impossible to loan money to or invest in companies without a reliable and standardize accounting system. The taxpayers are investing in public education and must be able to determine if their local schools are using their money wisely.

Kansas School Accounting is done with a variety of different methods so that no one can compare their financials to other schools, districts or States. This makes auditing more difficult and makes real financial management for the State impossible.

Nature of the Accounting System

The idea is that each school (elementary, secondary, charter or alternative) would be run like a business franchise (a Wal-Mart, Barnes and Noble, Wendy's or Sylvan). The franchise would be received from and monitored by each district and the department of education. There would be a standard chart of accounts that would be consistent throughout all the schools and districts in Kansas. All finances would be accounted for including grants, gifts and other critical income that would help a school be successful.

Simple and Thorough Systems

Systems should be established to get all the information from parents one time, entered into the computer and then only updated with changes. The system would monitor the location of each parent and child as long as they reside in Kansas and would follow them throughout the State. It would capture all necessary demographic information to provide good comparable data.

Each year the parent would update his/her form for those things that are likely to change; address, phone numbers, income if requesting free or reduced lunch.

Track Individual Students

Each student when they begin a school year will be checked in and be followed by the system no matter how many schools they attend. This will avoid the problems which occur when seasonal jobs or changes in residence cause students to transfer schools. Each student should be given a test at the beginning of the year and another at the end of the year to note improvement. This would give us better assessment data that could travel with the student from school to school. No one would fall through the cracks.

Nature of our world

We have all watched the headlines as Enron, Worldcom, and our own Westar have been gutted by top management. The damage was so vast because both top management and their accountants were working together. There was no independent accounting and control.

We have also recently seen with the 501 School district's poor accounting and internal controls and policies how outsiders were able to take more than \$500,000 over 18 months out of the checking account without anyone noticing. This was due to poor accounting and management practices.

Oskaloosa School District recently appears to have lost money and the superintendent has been relieved.

No system can prevent all crime, but a good system using standard best practices is the best defense. This is not to point out problems with Public Schools for Private Schools have the same problems and issues. The difference between Public and Private here is that a Private School's funding can drop dramatically if the patrons lose faith and they could go out of business.

Objections to an Accounting System

Objection 1: But we want local control!

This recommendation would not affect how the money is spent or the control on the school or district. In fact, I am for more local control not less. But it would cause each school to be accountable for costs and outcomes so they could be compared. If a school spent more but got better outcomes with a more difficult population, who would complain? If it turned out that one board was spending millions more and getting very poor assessments scores compared to a district ten miles away with the same demographics, the parents and taxpayers might like to get real local control of the board members. In fact this would be the only way they could get local control. You can't control what you don't know.

Local Control vs. Centralize accounting functions

The State would leave local control in the hands of the individual school board on how money is spent, but the accounting system, coding and internal controls would be subject to best practices and regulated by the state (i.e. the accounting function would be centralized into a home office similar to many franchises in the commercial world). All bills would be sent by the vendor to the school or district administration for approval but then be forwarded for payment to the home office for proper coding and payment.

Payroll would be handled in a similar fashion. Financials would then be posted to the internet handling confidential information confidentially.

Objection 2: We need to do more Study and have a presentation.

The Legislative Post Audit Division did a Performance Audit back in March of 2002, which looked closely at the accounting and budgeting issue. They discovered and pointed out many practices among the Kansas School Districts that vary widely from standard best practices of accounting, budgeting and internal controls. The following is their summary:

Audit Title

School District Budgets: Determining Ways to Structure the Budget Document to Make It Understandable and Allow for Meaningful Comparisons

Audit Number

02PA10

Audit Date

3/2002

Audit Abstract

The laws, policies, and practices related to school district budgets are flawed in some areas. Because of the requirements or interpretations of State law, districts are overstating some expenditures and excluding other expenditures altogether. Staffing, enrollment, and expenditure information districts report in their budgets don't tie together, and aren't always reported consistently. In some local budget documents expenditures aren't summarized or grouped into categories, making it difficult to know how much money a district is taking in, or how moneys are being spent. We developed a new format for districts' local budget documents that realigns and summarizes categories of information, includes all revenues and expenditures, and tries to address most of the problems we identified. The new budget format ultimately can be used as a tool to help identify where a district's costs may be out of line compared with peer districts, Statewide averages, or other benchmarks. District officials and board members can use it to explore the reasons for differences in greater detail, and to consider any adjustments they may need to make to increase their district's efficiency. The format presented will need to be reviewed and refined to make it as meaningful and useful as possible.

Objection 3: But it will cost too much!

First of all, no one knows how much it will cost. No other person would even think of running a business without good accounting no matter what the cost. But, in fact, it will cost less, probably much less than we are spending now. Instead of each school or district having their own part-time accountants or part time bookkeepers who are underpaid and under trained, this function would be centralized allowing the benefit of those who would perform these functions to concentrate, be better trained and using the best accounting systems and controls. It should be similar to a Franchise accounting like McDonalds, Sylan, Walmart, of Starbuck.

In addition, good accounting will show where money is misallocated so it can be better spent to improve results.

¹ <http://www.accesskansas.org/srv-postaudit/results.do>

A recent Wall Street Journal article reported that the NEA fought disclosure of their income and expense reports using this same argument. They said it would cost too much-possibly more than a billion dollars. In fact it only cost \$54,000. The accounting disclosure did show one thing; where they spent their money. Once you look at their expenditures you can see why they fought full disclosure. You can go to www.union-reports.dol.gov to see the NEA reports now that they have full disclosure.²

Philosophical Resources and References

The Fiefdom Syndrome by Robert J Herbold: This book outlines the installation of a detailed accounting system at Microsoft at a time when all their departments in each separate countries in which they represented were not communicating well with one another. They lacked a comprehensive accounting system and Bill Gates could not tell how his company was doing until months after the quarter or year end.

Who Says Elephants Can't Dance by Lou Gerstner (Gerstner was appointed CEO of IBM when it was having serious financial trouble Story behind the IBM turnaround.

In Search of Excellence by Tom Peters

Made In America by Sam Walton

Behind the Arches by John F Love

The Effective Executive by Peter Drucker

Managing the Non-Profit Organization by Peter Drucker

The E-Myth by Michael Gerber

² <http://www.opinionjournal.com/editorial/feature.html?id=110007761>

Recommendation: Fix the Free and Reduced Lunch Under-Reporting Problem Using Technology

Steve Iliff recommended fixing the current problem uncovered by the Post Audit by using technology. Using the computer and secured servers, all individuals who apply for a free lunch could enter their data on to a computer in a secure private location at the school, public library or even on the web while they are at home. They could enter their personal information, address, social security and income of their household. The computer would go to the State of Kansas computers and check the income, payroll tax returns and 1099's on file with the State for all the members of the household and return a yes or no answer. If they do qualify, they could print out a qualification sheet with a unique number on it for the parent to turn in or mail to the school. The school secretary would enter that number into the school computer and it would confirm with the State of Kansas that this individual was indeed eligible. This would have the benefit of cutting staff time, rendering auditing unnecessary, improving confidentiality and accuracy, make lying more difficult and take the administrator out of the impossible situation of confronting a cheating parent, denying his child \$600 worth of free food and, in addition, losing \$2,000 per year for his school district or following his conscience.

In addition, some penalty, other than just losing your free lunch status, should be imposed on the parent for false reporting and the administration for failure to audit and enforce the system.

Recommendation: All money provided must have measuring tools to prove results.

I believe and therefore recommend that no extra money be given to schools or districts without measuring tools that will make sure that the money given is managed effectively and with corresponding results.

Money is a Scarce Resource: It Must be Carefully Distributed and Measured for Results

I, the one CPA on the commission, do not know if any individual schools, school districts, or groups within the education establishment, really need more money. We as a commission have not studied individual schools close enough to make such a determination. I do not know whether special education students, English language learners or at-risk students need more money. Maybe they do, but I can't recommend more money because I do not know that it is necessary. I do not want the legislature to believe that I or the commission has been given enough information to confidently make any recommendation about adding more money to the current school systems.

Giving money across the board to schools when there is no measuring tool to determine if this money was effective does not make sense. Some will spend it like a homeless drunk who has just been given \$1,000 in cash. Others will use it very wisely and get some incremental improvement.

Salary increases across the board guarantee no improvement in education. It will garner appreciation from good teachers but will make it that much more difficult to remove poor teachers or teachers that do not really like to teach. The best teachers don't teach for money. It is their mission. For the worst teachers; money is a major factor.

Money in the hand of certain people will do more than in the hands of others. The Blue Ribbon Schools that testified before the Commission and the Education Committee never mentioned money as an issue. To them the *No Child Left Behind* Program has been a positive challenge and a motivator to help teachers find better more creative ways to improve scores.

Money is better used when it is difficult to come by and it is carefully watched and accounted for. In the Jan 2006 Cost Study Analysis done by the Post Audit Committee, District Efficiency was mentioned several times. When I asked Scott Frank, Legislative Post Audit's Manager of School Audits assigned to the 2010 Commission, what he meant by "district efficiency", he gave the following answer:

In conducting the statistical analysis behind the cost study, we had to control for district efficiency. Because efficiency is very difficult to impossible to observe directly at a global level, we included indirect measures that tend to be associated with efficiency. Those variables fell into two broad categories:

1) Fiscal capacity variables. All other things being equal, districts for whom money comes more easily tend to spend more. To measure this, we looked at income per pupil (for the citizens, not the district), assessed valuation per pupil, the ratio of State and federal aid to income (again for the citizens), and the local tax share (roughly, how much of the property tax in a district is the typical household responsible for?). Except for the local tax share, each of these measures was significantly related to spending.

2) Voter monitoring variables. All other things being equal, districts that have a large number of voters who are likely to pay attention and hold them accountable are likely to spend less. To measure this, we looked at the percent of adults who are college educated, the percent of the population that is 65 or older, and the percent of housing units that are owner occupied (as opposed to rentals). All of these measures were significantly related to spending.

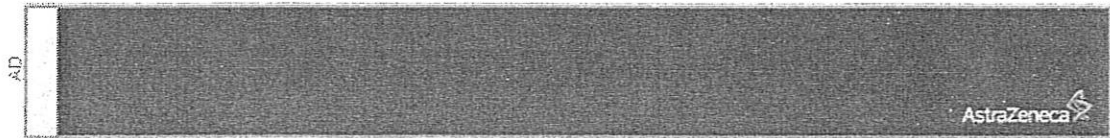
My conclusion based on that information: Districts use their money more efficiently if they find money more difficult to come by and they have a population of interested parents and taxpayers who are willing to hold them accountable. This should not surprise us for businesses and families tend to run the same way.

Standard and Poor's said:

A vital part of achieving higher standards is effective resource management—attention to *what* to spend resources on, how to spend them, and how much to spend. Allocating resources, making trade-offs, investing and directing effort toward student-achievement.¹

We don't currently have the measuring tools in place to ensure that we have effective resource management and the reports that follow the money we currently give to the system.

¹ Standard and Poor's Kansas Education Resource Management Study, Phase III, Winter 2006



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- Overview
- Academics
- Teachers/Students
- Ethnicity

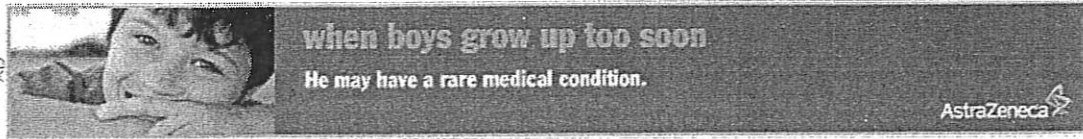
School name	Distance	GreatSchools Ratings	Students per FTE teacher	Free & reduced price lunch
<input checked="" type="checkbox"/> Pleasant Hill Elementary School see parent reviews	0	10	16	16%
<input type="checkbox"/> Jefferson West Elementary School rate this school	5.8	8	12	25%
<input type="checkbox"/> North Fairview Elementary School see parent reviews	3.6	8	13	15%
<input type="checkbox"/> McCarter Elementary School rate this school	9.1	7	16	58%
<input type="checkbox"/> Stout Elementary School rate this school	8.9	7	10	67%
<input type="checkbox"/> Elmont Elementary School rate this school	2.2	7	15	13%
<input type="checkbox"/> Indian Creek Elementary School see parent reviews	2.1	7	16	16%
<input type="checkbox"/> Rochester Elementary School see parent reviews	3.1	6	17	16%
<input type="checkbox"/> West Indianola Elementary School rate this school	3.9	6	13	14%
<input type="checkbox"/> Tecumseh North Elementary School see parent reviews	8.4	6	13	51%
<input type="checkbox"/> Lyman Elementary School see parent reviews	4.5	6	14	59%
<input type="checkbox"/> Randolph Elementary School rate this school	8.0	5	15	50%
<input type="checkbox"/> East Indianola Elementary School rate this school	4.6	5	11	61%
<input type="checkbox"/> Highland Park Central rate this school	9.2	4	13	83%
<input type="checkbox"/> Quinton Heights Elementary School rate this school	8.7	4	8	85%
<input type="checkbox"/> Meadows Elementary School see parent reviews	6.4	4	13	67%
<input type="checkbox"/> State Street Elementary School rate this school	6.4	4	12	78%
<input type="checkbox"/> Whitson Elementary School rate this school	8.5	4	14	55%
<input type="checkbox"/> Williams Science and Fine Arts Magnet School see parent reviews	7.7	3	13	71%
<input type="checkbox"/> Lowman Hill Elementary School see parent reviews	7.3	3	13	79%
<input type="checkbox"/> Royal Valley Elementary School rate this school	6.9	3	15	45%
<input type="checkbox"/> Quincy Elementary School rate this school	5.3	2	10	93%
<input type="checkbox"/> Lundren Elementary School rate this school	5.8	2	12	78%
<input type="checkbox"/> Capital City rate this school	6.9	1	3	82%
<input type="checkbox"/> Scott Computer Technology Magnet see parent reviews	7.2	1	18	90%

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HOUSE APPROPRIATIONS

DATE 3-01-2007

ATTACHMENT 2



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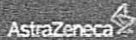
Imagining Your Ideal School: An Exercise for Setting Priorities.

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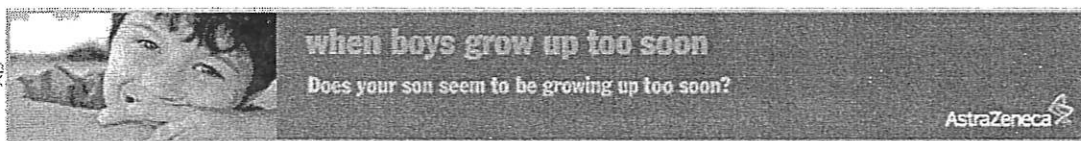
He may have a rare medical condition.



Overview	Academics	Teachers/Students	Ethnicity			KSA grade 3 math	KSA grade 3 reading
School name	Distance						
<input type="checkbox"/> Pleasant Hill Elementary School see parent reviews	0	100%	100%				
<input type="checkbox"/> Indian Creek Elementary School see parent reviews	2.1	81%	77%				
<input type="checkbox"/> Elmont Elementary School rate this school	2.2	82%	95%				
<input type="checkbox"/> Rochester Elementary School see parent reviews	3.1	94%	92%				
<input type="checkbox"/> North Fairview Elementary School see parent reviews	3.6	86%	86%				
<input type="checkbox"/> West Indianola Elementary School rate this school	3.9	87%	89%				
<input type="checkbox"/> Lyman Elementary School see parent reviews	4.5	96%	93%				
<input type="checkbox"/> East Indianola Elementary School rate this school	4.6	91%	82%				
<input type="checkbox"/> Quincy Elementary School rate this school	5.3	58%	48%				
<input type="checkbox"/> Jefferson West Elementary School rate this school	5.8	94%	91%				
<input type="checkbox"/> Lundgren Elementary School rate this school	5.8	68%	54%				
<input type="checkbox"/> Meadows Elementary School see parent reviews	6.4	81%	65%				
<input type="checkbox"/> State Street Elementary School rate this school	6.4	71%	66%				
<input type="checkbox"/> Capital City rate this school	6.9	—	—				
<input type="checkbox"/> Royal Valley Elementary School rate this school	6.9	70%	73%				
<input type="checkbox"/> Scott Computer Technology Magnet see parent reviews	7.2	47%	56%				
<input type="checkbox"/> Lowman Hill Elementary School see parent reviews	7.3	76%	71%				
<input type="checkbox"/> Williams Science and Fine Arts Magnet School see parent reviews	7.7	79%	76%				
<input type="checkbox"/> Randolph Elementary School rate this school	8.0	75%	82%				
<input type="checkbox"/> Tecumseh North Elementary School see parent reviews	8.4	89%	89%				
<input type="checkbox"/> Whilson Elementary School rate this school	8.5	80%	71%				
<input type="checkbox"/> Quinton Heights Elementary School rate this school	8.7	84%	63%				
<input type="checkbox"/> Stout Elementary School rate this school	8.9	90%	85%				
<input type="checkbox"/> McCarter Elementary School rate this school	9.1	89%	84%				
<input type="checkbox"/> Highland Park Central rate this school	9.2	91%	91%				

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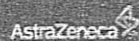
Imagining Your Ideal School: An Exercise for Setting Priorities.

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when boys grow up too soon

Does your son seem to be growing up too soon?




Overview	Academics	Teachers/Students	Ethnicity			
School name	Distance	Students per FTE teacher	Free & reduced-price lunch			
<input type="checkbox"/> Pleasant Hill Elementary School see parent reviews	0	16	16%			
<input type="checkbox"/> Indian Creek Elementary School see parent reviews	2.1	16	16%			
<input type="checkbox"/> Elmont Elementary School rate this school	2.2	15	13%			
<input type="checkbox"/> Rochester Elementary School see parent reviews	3.1	17	16%			
<input type="checkbox"/> North Fairview Elementary School see parent reviews	3.6	13	15%			
<input type="checkbox"/> West Indianola Elementary School rate this school	3.9	13	14%			
<input type="checkbox"/> Lyman Elementary School see parent reviews	4.5	14	59%			
<input type="checkbox"/> East Indianola Elementary School rate this school	4.6	11	61%			
<input type="checkbox"/> Quincy Elementary School rate this school	5.3	10	93%			
<input type="checkbox"/> Jefferson West Elementary School rate this school	5.8	12	25%			
<input type="checkbox"/> Lundgren Elementary School rate this school	5.8	12	78%			
<input type="checkbox"/> Meadows Elementary School see parent reviews	6.4	13	67%			
<input type="checkbox"/> State Street Elementary School rate this school	6.4	12	78%			
<input type="checkbox"/> Capital City rate this school	6.9	3	82%			
<input type="checkbox"/> Royal Valley Elementary School rate this school	6.9	15	45%			
<input type="checkbox"/> Scott Computer Technology Magnet see parent reviews	7.2	18	90%			
<input type="checkbox"/> Lowman Hill Elementary School see parent reviews	7.3	13	79%			
<input type="checkbox"/> Williams Science and Fine Arts Magnet see parent reviews	7.7	13	71%			
<input type="checkbox"/> School see parent reviews						
<input type="checkbox"/> Randolph Elementary School rate this school	8.0	15	50%			
<input type="checkbox"/> Tecumseh North Elementary School see parent reviews	8.4	13	51%			
<input type="checkbox"/> Whitson Elementary School rate this school	8.5	14	55%			
<input type="checkbox"/> Quinton Heights Elementary School rate this school	8.7	8	85%			
<input type="checkbox"/> Stout Elementary School rate this school	8.9	10	67%			
<input type="checkbox"/> McCarter Elementary School rate this school	9.1	16	58%			
<input type="checkbox"/> Highland Park Central rate this school	9.2	13	83%			

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when boys
grow up
too soon

AstraZeneca

School name	Distance	Ethnicity				
		Amer. Ind./ Alaskan Nat.	Asian/ Pacific Islander	Black	Hispanic	White
<input type="checkbox"/> Pleasant Hill Elementary School see parent reviews	0	—	—	—	3%	96%
<input type="checkbox"/> Indian Creek Elementary School see parent reviews	2.1	—	—	1%	4%	87%
<input type="checkbox"/> Elmont Elementary School rate this school	2.2	<1%	<1%	<1%	2%	95%
<input type="checkbox"/> Rochester Elementary School see parent reviews	3.1	<1%	—	<1%	4%	90%
<input type="checkbox"/> North Fairview Elementary School see parent reviews	3.6	—	<1%	—	2%	95%
<input type="checkbox"/> West Indianola Elementary School rate this school	3.9	<1%	—	2%	<1%	89%
<input type="checkbox"/> Lyman Elementary School see parent reviews	4.5	1%	<1%	6%	3%	86%
<input type="checkbox"/> East Indianola Elementary School rate this school	4.6	<1%	<1%	2%	3%	88%
<input type="checkbox"/> Quincy Elementary School rate this school	5.3	2%	—	7%	28%	56%
<input type="checkbox"/> Jefferson West Elementary School rate this school	5.8	<1%	—	1%	3%	95%
<input type="checkbox"/> Lundgren Elementary School rate this school	5.8	2%	—	2%	35%	53%
<input type="checkbox"/> Meadows Elementary School see parent reviews	6.4	1%	<1%	20%	8%	51%
<input type="checkbox"/> State Street Elementary School rate this school	6.4	2%	—	7%	30%	47%
<input type="checkbox"/> Capital City rate this school	6.9	4%	—	31%	8%	48%
<input type="checkbox"/> Royal Valley Elementary School rate this school	6.9	29%	—	3%	<1%	68%
<input type="checkbox"/> Scott Computer Technology Magnet see parent reviews	7.2	2%	<1%	29%	38%	21%
<input type="checkbox"/> Lowman Hill Elementary School see parent reviews	7.3	2%	<1%	30%	12%	42%
<input type="checkbox"/> Williams Science and Fine Arts Magnet see parent reviews	7.7	3%	—	39%	11%	32%
<input type="checkbox"/> Randolph Elementary School rate this school	8.0	3%	—	13%	6%	66%
<input type="checkbox"/> Tecumseh North Elementary School see parent reviews	8.4	1%	—	11%	10%	70%
<input type="checkbox"/> Whitson Elementary School rate this school	8.5	<1%	1%	8%	26%	55%
<input type="checkbox"/> Quinton Heights Elementary School rate this school	8.7	5%	—	45%	8%	31%
<input type="checkbox"/> Stout Elementary School rate this school	8.9	<1%	2%	21%	6%	51%
<input type="checkbox"/> McCarter Elementary School rate this school	9.1	2%	<1%	8%	19%	57%
<input type="checkbox"/> Highland Park Central rate this school	9.2	3%	<1%	36%	14%	35%

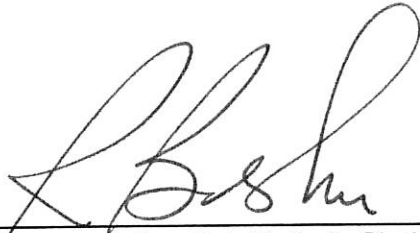
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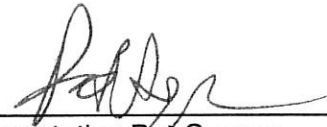
FY 2007 and FY 2008

HOUSE SOCIAL SERVICES BUDGET COMMITTEE

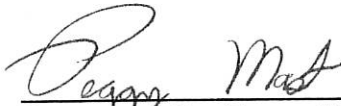
Health Care Stabilization Fund Board of Governors




Representative Bob Bethell, Chair



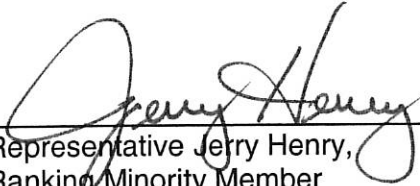
Representative Rat George



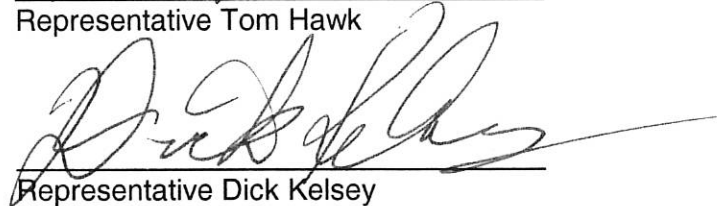
Representative Peggy Mast, Vice-Chair



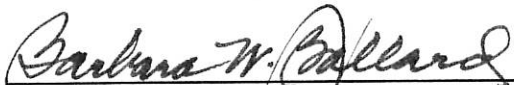
Representative Tom Hawk



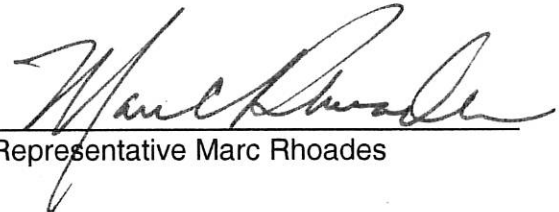
Representative Jerry Henry,
Ranking Minority Member



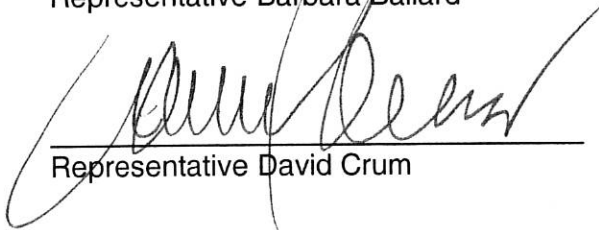
Representative Dick Kelsey



Representative Barbara Ballard



Representative Marc Rhoades



Representative David Crum

HOUSE APPROPRIATIONS

DATE 3-01-2007

ATTACHMENT 3

House Budget Committee Report

Agency: Health Care Stabilization Fund Board of Governors **Bill No.** HB 2541 **Bill Sec.** 15

Analyst: O'Hara

Analysis Pg. No. Vol. II-898

Budget Page No. 185

<u>Expenditure Summary</u>	<u>Agency Estimate FY 07</u>	<u>Governor's Recommendation FY 07</u>	<u>House Budget Committee Adjustments</u>
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	34,384,378	34,384,378	0
Subtotal - Operating	\$ 34,384,378	\$ 34,384,378	\$ 0
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	\$ 0	\$ 0	\$ 0
TOTAL	\$ 34,384,378	\$ 34,384,378	\$ 0
FTE Positions	17.0	17.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	17.0	17.0	0.0

Agency Estimate

The agency estimates FY 2007 operating expenditures of \$34,384,378 from the Healthcare Stabilization Fund, which is an increase of \$335,422, or 1.0 percent, above the amount approved by the 2006 Legislature. Of the estimated expenditures, \$5,441,667 is for the Administration program and the remaining \$28,942,711 is for the payment of claims and claims-related expenses. The increase from the amount approved is attributable to increases for the reclassification of agency employees and Kansas Savings Incentive Program (KSIP) expenditures for professional development and technology equipment.

Governor's Recommendation

The Governor concurs with the agency's revised estimate for FY 2007.

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Health Care Stabilization Fund Board of Governors **Bill No.** HB 2542 **Bill Sec.** 33

Analyst: O'Hara

Analysis Pg. No. Vol. II-898

Budget Page No. 185

<u>Expenditure Summary</u>	<u>Agency Request FY 08</u>	<u>Governor's Recommendation FY 08</u>	<u>House Budget Committee Adjustments</u>
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	0
Other Funds	34,264,628	34,299,904	(35,276)
Subtotal - Operating	\$ 34,264,628	\$ 34,299,904	\$ (35,276)
Capital Improvements:			
State General Fund	\$ 0	\$ 0	0
Other Funds	0	0	0
Subtotal - Capital Improvements	\$ 0	\$ 0	0
TOTAL	<u>\$ 34,264,628</u>	<u>\$ 34,299,904</u>	<u>\$ (35,276)</u>
FTE Positions	17.0	17.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u>17.0</u>	<u>17.0</u>	<u>0.0</u>

Agency Request

The agency requests FY 2008 operating expenditures of \$34,264,628 from the Healthcare Stabilization Fund, a decrease of \$119,750, or 0.3 percent, below the FY 2007 estimate. The request includes Administration program expenditures of \$5,321,917, a decrease of \$119,750, or 8.7 percent, below the FY 2007 amount. This decrease represents the entire decrease of the agency as there was no change in the estimate for claims-related expenses. Of this decrease, \$109,674 is in capital outlay, which reflects the absence of Kansas Savings Incentive Program (KSIP) expenditures budgeted for this purpose in FY 2007.

Governor's Recommendation

The Governor recommends expenditures of \$34,299,904, a reduction of \$84,474, or 0.2 percent, below the Governor's FY 2007 recommendation, but an increase of \$35,276, or 0.1 percent, above the agency's request. This increase is attributable to increases associated with a Governor's pay plan. The Governor's recommendation includes the addition of \$35,276 for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement.

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation, with the following adjustment:

- **Pay Plan.** Delete \$35,276, all from the Healthcare Stabilization Fund, for a 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for the pay plan adjustment and the longevity payment increase will be considered at a later time.

FY 2007 and FY 2008

HOUSE GENERAL GOVERNMENT BUDGET COMMITTEE

Office of the Governor
Lieutenant Governor
Attorney General
Secretary of State
State Treasurer
Insurance Department



Representative Kevin Yoder, Chair




Representative Rocky Fund



Representative Kasha Kelley, Vice-Chair

Representative Annie Kuether

Representative Harold Lane,
Ranking Minority Member



Representative JoAnn Pottorff



Representative Virginia Beamer



Representative Charles Roth

Representative Tom Burroughs

HOUSE APPROPRIATIONS

DATE 3-01-2007
ATTACHMENT 4

House Budget Committee Report

Agency: Office of the Governor

Bill No. 2541

Bill Sec. 12

Analyst: Robinson **Analysis Pg. No.** Vol. II-799

Budget Page No. 171

Expenditure Summary	Agency Estimate FY 2007	Governor's Recommendation FY 2007	Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 4,012,556	\$ 4,012,556	\$ 0
All Other Funds	11,004,187	11,004,187	0
TOTAL	<u>\$ 15,017,043</u>	<u>\$ 15,017,043</u>	<u>\$ 0</u>
FTE Positions	41.7	41.7	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u>41.7</u>	<u>41.7</u>	<u>0.0</u>

Agency Estimate

The agency's current year estimate of reportable expenditures is \$15,017,043, a decrease of \$4,090,480, or 21.4 percent, below the amount approved by the 2006 Legislature. Revised State General Fund expenditures increase \$146,622, or 3.8 percent, reflecting funding reappropriated from FY 2006 and an FY 2007 supplemental State General Fund request to fully fund the FY 2007 pay plan. The difference between the approved amount and the agency's revised estimate is the result of: an unlimited reappropriation of FY 2006 State General Fund savings which exceeded the anticipated reappropriation by \$144,516 and is available for expenditure without any further legislative action; a requested current year State General Fund supplemental totaling \$2,106 to fully fund the FY 2007 pay plan; and a decrease of \$4,237,102, or 27.8 percent, below the amount budgeted for all other funds expenditures in FY 2007, based largely on more recent estimates of federal funds available to the agency.

Governor's Recommendation

The Governor concurs with the agency's revised current year estimate of expenditures.

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor.

House Budget Committee Report

Agency: Office of the Governor

Bill No. 2542

Bill Sec. 27

Analyst: Robinson **Analysis Pg. No.** Vol. II-799

Budget Page No. 171

Expenditure Summary	Agency Request FY 2008	Governor's Recommendation FY 2008	Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 4,015,763	\$ 5,788,810	\$ (1,744,547)
All Other Funds	9,839,664	9,855,036	(15,370)
TOTAL	\$ 13,855,427	\$ 15,643,846	\$ (1,759,917)
FTE Positions	40.7	40.7	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	40.7	40.7	0.0

Agency Request

The agency requests an FY 2008 reportable operating budget of \$13,855,427, including \$4,015,763 from the State General Fund. The request reflects a decrease of \$1,161,616, or 7.7 percent, from all funding sources, and an increase of \$2,907, or 0.1 percent, from the State General Fund above the revised FY 2007 amount.

Governor's Recommendation

The Governor recommends an FY 2008 reportable operating budget of \$15,643,846, including \$5,788,810 from the State General Fund. The recommendation is an increase of \$1,748,419, or 12.9 percent, from all funding sources, and \$1,772,747, or 44.2 percent, from the State General Fund above the amount requested by the agency. The differences between the agency's request and the Governor's recommendation include the following:

1. The addition of \$87,547, including \$72,177 from the State General Fund, to fund the Governor's FY 2008 **pay plan** recommendations.
2. The recommended addition of \$1.0 million from the State General Fund to start a new program for **child advocacy grants**. The funding is intended to provide resources for areas of the state not currently served, incentives to meet state and federal standards, and support for operations of the existing centers.
3. The recommended shift of \$300,000 from the State General Fund for grants to **rape crisis centers** from the Kansas Department of Health and Environment to the Governor's Department.
4. The shift of \$225,000 from the State General Fund for the training component of the **domestic violence** program from the Kansas Department of Health and Environment to the Governor's Department.

5. Additional **operating expenditure** funding of \$147,370 from the State General Fund in the Administration program primarily for salaries and wages.
6. The addition of \$28,500 from the State General Fund for additional operating expenditures for the **Governor's residence** (Cedar Crest). This would provide additional funding for repairing and servicing, other contractual services, and commodities.

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor with the following adjustments and observations:

1. Delete \$87,547, including \$72,177 from the State General Fund, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for pay plan adjustments and longevity payments will be considered later.
2. Delete a total of \$1,672,370 from the State General Fund for the items listed below. These are either new programs, expanded programs, or transfers of funding from other agencies. The Budget Committee intends to review these items and give consideration to restoring them at Omnibus.
 - a. Delete \$1.0 million from the State General Fund recommended by the Governor to start a new program for child advocacy grants. The funding is intended to provide resources for areas of the state not currently served by child advocacy centers, incentives to meet state and federal standards, and support for operations of the existing centers.
 - b. Delete \$300,000 from the State General Fund for the recommended shift of funding for grants to rape crisis centers from the Kansas Department of Health and Environment to the Governor's Department.
 - c. Delete \$225,000 from the State General Fund for the recommended shift of the training component of the domestic violence program from the Kansas Department of Health and Environment to the Governor's Department.
 - d. Delete \$147,370 from the State General Fund recommended by the Governor in the Administration program, primarily for salaries and wages.

House Budget Committee Report

Agency: Lieutenant Governor

Bill No. 2541

Bill Sec. 13

Analyst: Robinson **Analysis Pg. No.** Vol. II-812

Budget Page No. 307

<u>Expenditure Summary</u>	<u>Agency Estimate FY 2007</u>	<u>Governor's Recommendation FY 2007</u>	<u>Budget Committee Adjustments</u>
Operating Expenditures:			
State General Fund	\$ 215,078	\$ 215,078	\$ 0
FTE Positions	3.5	3.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u>3.5</u>	<u>3.5</u>	<u>0.0</u>

Agency Estimate

The agency's current year estimate of expenditures is \$215,078 (all from the State General Fund), a net increase of \$20,151, or 10.3 percent, above the amount approved by the 2006 Legislature. The difference between the approved amount and the agency's revised estimate is the result of two factors: an unlimited reappropriation of FY 2006 State General Fund savings which exceeded the anticipated reappropriation by \$19,835 and is available for expenditure without any further legislative action; and a State General Fund supplemental totaling \$316 requested to fully fund the FY 2007 pay increase. Adjustments requested to the approved budget include: increased expenditures totaling \$6,288 for commodities, \$5,847 for contractual services, \$5,500 for capital outlay, and \$2,516 for salaries and wages.

Governor's Recommendation

The Governor concurs with the agency's revised current year estimate.

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor.

House Budget Committee Report

Agency: Lieutenant Governor

Bill No. 2542

Bill Sec. 28

Analyst: Robinson **Analysis Pg. No.** Vol. II-812

Budget Page No. 307

<u>Expenditure Summary</u>	<u>Agency Request FY 2008</u>	<u>Governor's Recommendation FY 2008</u>	<u>Budget Committee Adjustments</u>
Operating Expenditures:			
State General Fund	\$ 195,243	\$ 216,415	\$ (21,172)
FTE Positions	3.5	3.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u>3.5</u>	<u>3.5</u>	<u>0.0</u>

Agency Request

The agency requests an FY 2008 operating budget of \$195,243 (all from the State General Fund), a decrease of \$19,835, or 9.2 percent, below the FY 2007 revised estimate.

Governor's Recommendation

The Governor concurs with the agency's request, with the addition of \$21,172, all from the State General Fund for pay plan adjustments (\$6,529), and for additional operating expenditures (\$14,643).

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor with the following adjustments:

1. Delete \$6,529, all from the State General Fund, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for pay plan adjustments and longevity payments will be considered later.
2. Delete \$14,643, all from the State General Fund, which was recommended by the Governor to provide additional operating expenditures for the agency for consideration at Omnibus.

House Budget Committee Report

Agency: Secretary of State

Bill No. --

Bill Sec. --

Analyst: Robinson **Analysis Pg. No.** Vol. II-836

Budget Page No. 351

<u>Expenditure Summary</u>	<u>Agency Estimate FY 2007</u>	<u>Governor's Recommendation FY 2007</u>	<u>Budget Committee Adjustments</u>
Operating Expenditures:			
State General Fund	\$ 195,087	\$ 195,087	\$ 0
Federal Funds	1,045,346	1,045,346	0
All Other Funds	4,455,819	4,455,819	0
TOTAL	<u>\$ 5,696,252</u>	<u>\$ 5,696,252</u>	<u>\$ 0</u>
FTE Positions	55.0	55.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u>55.0</u>	<u>55.0</u>	<u>0.0</u>

Agency Estimate

The agency estimates current year operating expenditures of \$5,696,252, which is the approved amount. The agency estimates FY 2007 State General Fund expenditures of \$195,087, an increase of \$115,023 or 143.7 percent above the approved amount. The FY 2007 approved budget included State General Fund expenditures of \$80,064 as start-up funding to implement the provisions of 2006 Senate Substitute for House Bill 2928. The State General Fund expenditures in the revised estimate include an additional \$115,023 in Help America Vote Act (HAVA) expenditures reappropriated from FY 2006.

Governor's Recommendation

The Governor concurs with the agency's revised current year estimate.

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor.

House Budget Committee Report

Agency: Secretary of State

Bill No. 2542

Bill Sec. 30

Analyst: Robinson **Analysis Pg. No.** Vol. II-836

Budget Page No. 351

Expenditure Summary	Agency Request FY 2008	Governor's Recommendation FY 2008	Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 2,500,000	\$ 2,000,000	\$ 0
Federal Funds	1,203,135	1,205,302	(2,167)
All Other Funds	4,521,962	4,619,879	(97,917)
TOTAL	<u>\$ 8,225,097</u>	<u>\$ 7,825,181</u>	<u>\$ (100,084)</u>
FTE Positions	55.0	55.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u>55.0</u>	<u>55.0</u>	<u>0.0</u>

Agency Request

The agency requests budget year operating expenditures of \$8,225,097, an increase of \$2,528,845, or 44.4 percent, above the revised current year estimate. The agency requests FY 2008 expenditures of \$2,500,000 from the State General Fund, an increase of \$2,304,913 or 1,181.5 percent above the revised FY 2007 estimate. The agency's request includes Help America Vote Act (HAVA) expenditures totaling \$1,203,135, all from federal grant funds. Excluding HAVA, the agency's FY 2008 request is an increase of \$2,572,346 or 57.8 percent above the revised current year estimate for the regular divisions within the Secretary of State's Office. In addition, the agency requests a total of \$2.5 million from the State General Fund for costs related to holding a Presidential Preference Primary in FY 2008.

Governor's Recommendation

The Governor recommends FY 2008 operating expenditures of \$7,825,181, an increase of \$2,128,929, or 37.4 percent, above the FY 2007 recommendation. The recommendation includes State General Fund expenditures of \$2,000,000, an increase of \$1,804,913, or 925.2 percent, above the current year recommendation. The Governor's recommendation is \$399,916, or 4.9 percent, less than the agency's request and includes:

- **Salary and Wage Adjustment.** An additional \$100,084 from special revenue funds for a 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees and a 4.0 percent merit pool for unclassified employees; and
- **Presidential Preference Primary.** An additional \$2,000,000 from the State General Fund to fund a portion of the agency's enhancement request for the presidential preference primary.

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House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor with the following adjustments and observations:

1. Delete \$100,084, all from special revenue funds, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for pay plan adjustments and longevity payments will be considered later.
2. The Budget Committee recommends that a proviso be added to the \$2.0 million State General Fund appropriation recommended by the Governor for the Presidential Preference Primary. This proviso would make the funding contingent upon the primary being held no later than February 5, 2008. Under current law (KSA 25-4501), the primary must be held on the first Tuesday in April in 2008 or on a common date on which at least five other states will hold a presidential preference primary. The Secretary of State is required to certify this date by November 1 of the proceeding year.

The Budget Committee was informed that the Secretary of State is working with a bipartisan group to establish an appropriate date for the 2008 presidential preference primary, but the Budget Committee believes that it is important to have a date established while the 2006 Legislature is still in session and that this date should be early enough to allow the voters of Kansas to have a meaningful impact on the primary process.

House Budget Committee Report

Agency: Attorney General

Bill No. 2541

Bill Sec. 14

Analyst: Robinson Analysis Pg. No. Vol. II-819

Budget Page No. 65

<u>Expenditure Summary</u>	<u>Agency Estimate FY 2007</u>	<u>Governor's Recommendation FY 2007</u>	<u>Budget Committee Adjustments</u>
Operating Expenditures:			
State General Fund	\$ 6,410,711	\$ 5,410,711	\$ 0
All Other Funds	11,512,446	11,512,446	0
TOTAL	<u>\$ 17,923,157</u>	<u>\$ 16,923,157</u>	<u>\$ 0</u>
FTE Positions	102.0	102.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u>102.0</u>	<u>102.0</u>	<u>0.0</u>

Agency Estimate

The Attorney General estimates FY 2007 expenditures of \$17,923,157, including \$6,410,711 from the State General Fund. The State General Fund amount includes balances of \$1,303,564 reappropriated from FY 2006. The State General Fund amounts carried forward include: a \$1,000,000 loan to Ground Water Management District #3 for purposes related to water rights, which was not spent in FY 2006; the entire amount appropriated for FY 2006 (\$122,000) to begin implementing 2006 HB 2105 which established the Abuse, Neglect, and Exploitation Unit; \$81,032 in funding appropriated for Internet Training for Kids; \$66,083 in appropriated death penalty costs, although the agency recommends lapsing this funding in FY 2007; and \$34,449 in other reappropriated amounts. In addition, the Attorney General requests a State General Fund supplemental appropriation of \$5,439, which is the amount necessary to fully fund the approved pay plan for FY 2007.

Governor's Recommendation

The Governor concurs with the agency's revised current year estimate of expenditures, with the exception of the \$1.0 million for the loan to Ground Water Management District #3 which reappropriated from FY 2006. The Governor recommends that this funding be lapsed.

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor.

House Budget Committee Report

Agency: Attorney General

Bill No. 2542

Bill Sec. 29

Analyst: Robinson **Analysis Pg. No.** Vol. II-819

Budget Page No. 65

Expenditure Summary	Agency Request FY 2008	Governor's Recommendation FY 2008	Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 5,791,462	\$ 5,339,276	\$ (143,445)
All Other Funds	12,645,609	11,933,292	(95,574)
TOTAL	\$ 18,437,071	\$ 17,272,568	\$ (239,019)
FTE Positions	106.5	102.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	106.5	102.0	0.0

Agency Request

The Attorney General requests a total of \$18,437,071 in FY 2008, of which \$5,791,462 is from the State General Fund. The requested amount includes \$1,640,000 from the Attorney General's Interstate Water Litigation Fund for water litigation activities, of which \$530,000 involves Colorado and \$1,110,000 involves Nebraska. Funding the water litigation request would require a transfer of \$1,640,000 from the State General Fund to the Interstate Water Litigation Fund. In addition, enhancements are requested which total \$1,402,372, of which \$684,031 would be from the State General Fund.

The total FY 2008 request is an increase of \$513,914 over the FY 2007 estimate and consists of a reduction of \$619,249 from the State General Fund offset by increases in other funds. One reason the State General Fund amount in FY 2008 is lower than in FY 2007 is because there is \$1,000,000 budgeted in FY 2007 as a loan to Ground Water Management District #3 for purposes related to water rights that is not included in the FY 2008 request.

Governor's Recommendation

The Governor recommends expenditures of \$17,272,568, of which \$5,339,276 is from the State General Fund. The Governor does not recommend any of the requested enhancements.

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor with the following adjustments and observations:

1. Delete \$239,019, including \$143,445 from the State General Fund, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the

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longevity enhancement. Funding for pay plan adjustments and longevity payments will be considered later.

2. The Budget Committee notes that the budget as submitted by the previous Attorney General included enhancements totaling \$1,402,372, including \$684,031 from the State General Fund. The Governor did not recommend any of the requested enhancements. The new Attorney General testified before the Committee that, as the situation warrants, he may return to the Budget Committee seeking additional funding at Omnibus for items based on his priorities for the agency.

House Budget Committee Report

Agency: State Treasurer

Bill No. HB 2540

Bill Sec. - -

Analyst: Klaassen

Analysis Pg. No. Vol. II-869

Budget Page No. 407

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 50,000	\$ 50,000	\$ 0
Other Funds	14,817,589	14,194,046	0
Subtotal - Operating	<u>\$ 14,867,589</u>	<u>\$ 14,244,046</u>	<u>\$ 0</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 14,867,589</u></u>	<u><u>\$ 14,244,046</u></u>	<u><u>\$ 0</u></u>
FTE Positions	55.5	55.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u><u>55.5</u></u>	<u><u>55.5</u></u>	<u><u>0.0</u></u>

Agency Estimate

The State Treasurer's current year estimate of reportable expenditures is \$14,867,589, an increase of \$3,356,100, or 29.2 percent, above the FY 2007 approved amount. The current year estimate represents an increase of \$1,407,895, or 10.5 percent, above the FY 2006 actual expenditures on the reportable budget. This increase is primarily due to the Pooled Money Investment Board KSIP expenditures of \$1,247,086 in FY 2007 for network technology updates and to provide additional staff training. The Legislature did not provide for restoration of local aid payments from the Local Ad Valorem Tax Reduction Fund (LAVTRF) and the City and County Revenue Sharing Fund (CCRSF).

Nonreportable Budget. The State Treasurer estimates a current year nonreportable operating budget of \$1,554,068. Financing from cash management and voucher processing fees is reported in other state agency budgets as reportable expenditures.

Governor's Recommendation

The Governor recommends operating expenditures of \$14,244,046, an increase of \$2,732,557, or 23.7 percent, above the FY 2007 approved budget. This is \$623,543 less than requested. This decrease is to correct a double posting of the Pooled Money Investment Boards KSIP expenditures in the agency FY 2007 estimate. The Governor concurs with the agency request for nonreportable expenditures.

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House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation.

House Budget Committee Report

Agency: State Treasurer

Bill No. HB 2542

Bill Sec. 31

Analyst: Klaassen

Analysis Pg. No. Vol. II-869

Budget Page No. 407

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 50,000	\$ 1,049,263	\$ (999,263)
Other Funds	13,560,255	14,167,782	905,785
Subtotal - Operating	<u>\$ 13,610,255</u>	<u>\$ 15,217,045</u>	<u>\$ (93,478)</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 13,610,255</u></u>	<u><u>\$ 15,217,045</u></u>	<u><u>\$ (93,478)</u></u>
FTE Positions			
FTE Positions	55.5	55.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u><u>55.5</u></u>	<u><u>55.5</u></u>	<u><u>0.0</u></u>

Agency Request

The State Treasurer requests a FY 2008 reportable operating budget of \$13,610,255, a net decrease of \$1,257,334, or 8.5 percent, below the revised current year request. This decrease is due to the FY 2007 KSIP expenditures, which were inadvertently double posted.

The State Treasurer requests a FY 2008 nonreportable budget of \$1,563,312, an increase of \$9,244, or 0.6 percent, above the FY 2007 revised estimate.

Governor's Recommendation

The Governor recommends a FY 2008 reportable operating budget of \$15,217,045, an increase of \$972,999, or 6.8 percent, above the FY 2007 recommendation. This is an increase of \$1,606,790, or 11.8 percent, above the agency's FY 2008 request. The Governor recommends shifting the funding for the Administration and Cash Management program expenditures, currently funded by service fees charged to other state agencies and part of the nonreportable budget, to a fee on unclaimed property of 2.0 percent as funds are deposited with the state and the expenditures would then move onto the reportable budget. The Governor recommends the addition of \$1,307,476 in State General Fund support to fully finance the program. Since the Governor does not recommend a nonreportable budget, the 17.1 FTE positions from the nonreportable budget are shifted to the reportable budget. The Governor does not recommend the addition of State General Fund for the marketing of the Learning Quest KIDS program, but rather that it be funded by fees associated with

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the Learning Quest program. The Governor's FY 2008 recommendation includes the addition of \$93,478, including \$11,787 from the State General Fund, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement.

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation with the following adjustments:

1. Delete \$93,478, including \$11,787 from the State General Fund, for a 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for pay plan adjustments and the increase in longevity payments will be considered later.
2. Delete \$1,577,656, including \$1,037,476 from the State General Fund, for the funding of the Administration and Cash Management programs, and remove language for the creation of the unclaimed property fee fund. These programs are currently funded by service fees charged to other state agencies and are part of the nonreportable budget.
3. Reduce State General Fund unclaimed property receipts by \$1,337,476 and prior to deposit into the State General Fund, deposit this amount, \$1,337,476, into the newly created State Treasurer Operating Fund.
4. Transfer the remaining unencumbered FY 2007 balance of the services reimbursement fund to the State Treasurer Operating Fund.
5. In addition, authorize expenditures of \$1,577,656 from the State Treasurer Operating Fund. Based on utilizing receipts of unclaimed property, money would be transferred to this special revenue fund periodically during the year per certification of the State Treasurer.
6. Shift expenditures of \$50,000 from special revenue funds to the State General Fund for the promotion of the Learning Quest KIDS program. The Governor's recommendation shifted the funding to fees generated by the Learning Quest Program. The Budget Committee's recommendation would continue the State General Fund expenditure approved for FY 2007.

House Budget Committee Report

Agency: Insurance Department **Bill No. --**

Bill Sec. --

Analyst: O'Hara

Analysis Pg. No. Vol. II-854

Budget Page No. 209

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	23,350,787	23,053,126	0
Subtotal - Operating	<u>\$ 23,350,787</u>	<u>\$ 23,053,126</u>	<u>\$ 0</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	118,745	118,745	0
Subtotal - Capital Improvements	<u>\$ 118,745</u>	<u>\$ 118,745</u>	<u>\$ 0</u>
 TOTAL	 <u><u>\$ 23,469,532</u></u>	 <u><u>\$ 23,171,871</u></u>	 <u><u>\$ 0</u></u>
 FTE Positions	 143.0	 143.0	 0.0
Non FTE Uncl. Perm. Pos.	4.0	4.0	0.0
TOTAL	<u><u>147.0</u></u>	<u><u>147.0</u></u>	<u><u>0.0</u></u>

Agency Estimate

The agency estimates \$23,350,787, all from special revenue funds, for FY 2007 operating expenditures, an increase of \$2,255,705, or 10.7 percent, above the approved amount. The estimate for operating expenditures includes a shrinkage rate of 3.3 percent, and increases in state operations of \$1,010,705, including \$665,044 for Kansas Savings Incentive Program (KSIP) expenditures, \$100,000 for aid to local units for the Firefighters Relief program, and \$1,145,000 for workers' compensation claim payments.

Governor's Recommendation

The Governor recommends \$23,053,126, all from special revenue funds, for FY 2007 operating expenditures, an increase of \$1,958,044, or 9.3 percent, above the approved amount, and a decrease of \$297,661, or 1.3 percent, below the agency's FY 2007 revised estimate. The Governor concurs with the funding for the aid to local units for the Firefighters Relief program and workers' compensation claim payments, but the Governor recommends \$713,044 in state operations, including the KSIP expenditures, and this amount is a decrease of \$297,661 below the agency's revised estimate.

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House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Insurance Department **Bill No.** HB 2542

Bill Sec. 32

Analyst: O'Hara

Analysis Pg. No. Vol. II-854

Budget Page No. 209

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	23,694,696	23,349,883	(296,757)
Subtotal - Operating	\$ 23,694,696	\$ 23,349,883	\$ (296,757)
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	120,861	120,861	0
Subtotal - Capital Improvements	\$ 120,861	\$ 120,861	\$ 0
TOTAL	\$ 23,815,557	\$ 23,470,744	\$ (296,757)
FTE Positions	143.0	143.0	0.0
Non FTE Uncl. Perm. Pos.	4.0	4.0	0.0
TOTAL	147.0	147.0	0.0

Agency Request

The agency requests budget year operating expenditures of \$23,694,696, an increase of \$343,909, or 1.5 percent, above the revised current year estimate. The increase in the agency's FY 2008 request is attributable to an increase of \$245,490 in salaries and wages, \$74,985 in contractual services, \$25,550 in commodities, all of which is partially offset by a decrease in debt service interest of \$2,116. The agency requests budget year capital improvement expenditures of \$120,861.

Governor's Recommendation

The Governor recommends budget year operating expenditures of \$23,349,883, a decrease of \$344,813, or 1.5 percent, below the agency's request. The Governor's FY 2007 recommendation is an increase of \$296,757, or 1.3 percent, above the FY 2007 recommendation. The recommendation includes a decrease in salaries and wages of \$381,277, a decrease in contractual services of \$241,343, and a decrease of \$18,950 in commodities. The Governor's FY 2008 recommendation includes the addition of \$296,757 for a 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement.

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House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation, with the following adjustment:

1. **Pay Plan.** Delete \$296,757, all from special revenue funds, recommended by the Governor for a 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for the pay plan adjustment and the longevity payment increase will be considered at a later time.



Testimony concerning LAVTR
Local Ad Valorem Tax Reduction Revenue Transfer
House Appropriations Committee
March 1, 2007
Presented by Randall Allen, Executive Director
Kansas Association of Counties

Madam Chair and members of the committee, my name is Randall Allen, Executive Director of the Kansas Association of Counties. I want to thank you and the committee for allowing us to visit with you about the subject of the Local Ad Valorem Tax Reduction Fund (LAVTR) program. The LAVTR program dates back to 1937 when the state's sales tax rate was 2%. At that time, the residual amount of state sales tax fund left after the state had fulfilled its responsibility for welfare and school aid was transferred to the counties for the purpose of reducing property tax levies at the county level and in all other local units of government. Since then, the transfers were made to counties, which then shared its allocation to cities and other local governments *until 2003*, when the State hit a financial wall unlike any budget crisis since the Depression years. In that year, the State suspended demand transfer payments (LAVTR, as well as City-County Revenue Sharing Program funds, and the motor carrier property tax funds, other forms of transfer) to local governments. Since that time, of the three programs, only the motor carrier property tax fund transfer to the Special City-County Highway Fund has continued, and it has been capped at almost half of its full amount. *The attached sheet documents the capping, and then total loss of LAVTR payments over a 17-year period beginning in 1991.*

The impact of losing the LAVTR and other demand transfer money has been a combined deterioration of local services and an increase in local property taxes. To be sure, the loss of LAVTR payments in 2003 forced boards of county commissioners to cut appropriations and thus services at the county level. Since that time, some of the funding for county departments and agencies has been restored by counties, but only through increased taxes and primarily property taxes. The loss of LAVTR funds has left a big hole in all county budgets regardless of size. For the counties in Kansas with no general purpose county-option sales tax and relatively small commercial bases, the loss of LAVTR and other demand transfers has been even more painful, because these counties are least able to shift the burden to another revenue source. For particularly small, rural counties, there has been no place to shift. But for taxpayers across Kansas – in the urban core of our largest cities to small towns to rural farms – the loss of LAVTR funds has been a severe jolt to the economies of our communities.

One might ask, isn't there a way to reorganize counties and other local governments to afford the kind of savings that would not necessitate the reinstatement of demand transfers? Can't local governments become more efficient? I would respond in two ways. Our Association has steadily and consistently advocated legislation to remove obstacles and barriers to consolidation of governmental units. Last year, the Legislature made it easier for counties to consolidate. There is still work to do to remove obstacles to city-county consolidation. Already, counties work with other counties and with cities to achieve economies of scale, through functional consolidations and interlocal

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HOUSE APPROPRIATIONS

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cooperation agreements. No single strategy is a panacea for more effective, more efficient government, but we know that local government officials do the best they can every day, just like members of the Legislature. We also appreciate the Legislature's commitment to future mitigation funding (phased in beginning in 2010) to protect property taxpayers from the phased-in effect of the machinery and equipment exemption. Important as the mitigation or slider funding is, it should not be viewed as a substitute for the LAVTR program as it existed prior to FY 2003.

We appreciate the Committee's thoughtful attention to the LAVTR program and urge your favorable action to restore the transfer and thereby allow local property taxes to be constrained. Thank you.

SUMMARY
17-YEAR IMPACT: CAPPING/REDUCING THE STATE REVENUE TRANSFERS
FROM THE STATE GENERAL FUND TO FUNDS BENEFITING COUNTIES, CITIES,
AND OTHER LOCAL GOVERNMENTS *(in thousands)*

LOCAL AD VALOREM TAX REDUCTION (LAVTR)

Source: State Retail Sales Tax

FISCAL YEAR	TRANSFER PER STATUTES	ACTUAL TRANSFER	NET (LOST) REVENUE
1991	37,164	37,164	0
1992	38,966	38,576	(390)
1993	40,540	39,324	(1,216)
1994	41,971	40,293	(1,678)
1995	44,649	44,649	0
1996	47,054	46,301	(753)
1997	48,661	46,949	(1,712)
1998	50,688	47,771	(2,917)
1999	55,122	55,122	0
2000	57,903	57,903	0
2001	60,315	54,139	(6,176)
2002	61,980	54,680	(7,300)
2003	62,431	-0-	(62,431)
2004	64,636	-0-	(64,636)
2005	66,521	-0-	(66,521)
2006	66,682	-0-	(66,682)
2007	71,233	-0-	(71,233)
Total	916,516	562,871	(353,645)

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to Randall Allen or Judy Moler by calling (785) 272-2585.

March 1, 2007

Madam Chairman:

I am appearing today representing the Topeka City Council and the Governing Body of the Kansas League of Municipalities to respectfully request the reimplementation of the Local Ad Valorem property tax reduction fund appropriation for fiscal year 2008.

I realize fully the requests for funding of good programs are abundant and the available amounts of revenues are limited. But, I believe the value of the LAVTR program is known, and the evidence of that is the decision to reinstate it for fiscal year 2010. Moving that date forward to fiscal year 2008 will be very helpful to cities, such as Topeka, that face some serious financial problems in the near term.

Despite the lapsing of the LAVTR program in 2004, the Topeka City Council has lowered its mill levy in the last four years by 2.474 mills. That was accomplished by reducing what was deemed unnecessary expenditures in all our departments, but we have reached a point that further reductions of consequence would surely result in reducing city services.

I appreciate our council's efforts to lower the mill levy, but a number of clouds are on the horizon that could well pose financial problems for our city.

First, the City has negotiated labor contracts with our Police and Fire Departments that, while returning certain administrative powers to the city, will result in substantially increased expenditures for those departments, an estimated \$503,000 for the Fire Department and more than that for the Topeka Police Department.

Second, we have a total of six unions representing our employees, with eight contracts, and all of these agreements require increased compensation and benefits for the employees they represent and those costs must be met annually.

Third, in recent years the increase in the valuation of property in our city has been from five to seven percent annually. We are forewarned that this may not be the case in 2008 and could be two to three percent.

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Fourth, the loss over a period of five years of the property tax on Machinery and Equipment, legislation we heartily endorse, will be a factor in our budgeting process and I haven't been able to determine that amount.

Fifth, inflation, without a substantial increase in the valuation of city property and without a property tax increase, is a significant cost that must be dealt with.

Sixth, the gasoline tax has been increased once since 1999, and while it has remained constant, and is much appreciated, the costs of cement and oil-based overlay products have risen dramatically, which could require the city to use General Fund revenues for street repairs.

Seventh, newspaper reports state that the KPERS retirement system is 5.1 billion dollars short of being actively sound, and ten years away from being unable to meet its obligations. That is a signal that a substantial bill is coming our way. The last one, for the Kansas Police and Fire Retirement system, was in the millions of dollars. The employer's contribution presently is 4.3%. *Issue Brief*, a KPERS publication, indicates that percentage will rise to 8.42% by 2015.

My point is this, that Kansas cities, if they are to remain in good financial and physical condition, and if we are to be competitive with cities across the nation as we seek to attract new business and retain existing companies, we must be clean and well cared for, safe and competitive in the area of taxation.

The reimplementaion of the LAVTR is not by any means the complete solution to our problems. We would anticipate receiving about one million dollars, the equivalent of one mill in Topeka. But, it would be helpful and your consideration of the proposal to reinstate the program in fiscal year 2008 is much appreciated.

William W. Bunten
Mayor

CLAY COUNTY

MIKE SPICER
 JERRY MAYO
 DAVID THURLOW

P.O. BOX 98
 CLAY CENTER, KANSAS 67432
 (785) 632-5237 FAX (785) 632-5856



OFFICE OF COUNTY COMMISSIONERS

March 1, 2007

Ms. Chairman and members of the committee, my name is Jerry Mayo, Chairman of the Clay County Board of County Commissioners. Thank you for the opportunity to visit with you regarding the LAVTR (demand transfers).

The loss of the LAVTR has had an immense impact on the financial and economic well being of Clay County. When funding was eliminated, our Road and Bridge department lost over \$400,000 alone which equaled approximately 20% of it's total operating budget. Our General Fund lost over \$150,000. Our total budgetary loss was over one half million dollars, or around 8% of our \$6 million dollar budget. This was revenue we were unable to replace so consequently were forced to implement severe budget cuts and raise the mill levy by about 6 mills.

Budgets have been strained since the elimination of the LAVTR. As a mixed blessing our property valuations have continued to increase since that time caused to a large extent by the "Fort Riley effect". This has increased tax revenue, but at the same time has caused much hardship on the residents of our county who own property. They have continued to incur an ever-increasing share of the cost of government. Property taxes on residential homes has increased dramatically and has caused some residents on fixed incomes to be unable to remain in their homes..

Our Commission believed we were about to receive a sizable increase to our tax base when we learned of the "Trans-Canada" pipeline which is going to transverse our county. Our hopes were dashed when the state allowed this project to have a tax exempt status thereby eliminating another source of local revenue for Clay County.

Clay County, as with most Kansas counties, is overly reliant on property taxes as a source for funding government operations. In a rural county such as ours, absent are alternative sources of funding. We lack the population numbers which generate vast sums of sales tax revenues and other revenue streams which lessen the emphasis on property tax. This makes the "Local Ad Valorem Tax Reduction Fund" (LAVTR) even more essential to the economic viability of our county and the quality of life for our residents. We respectfully request your careful and positive consideration regarding the restoration of LAVTR funding to our Kansas Counties.

Thank you for your time and hopefully favorable action.

"Providing dedicated, responsible and efficient service while promoting growth in Clay County with integrity and vision."

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**Testimony concerning LAVTR
Local Ad Valorem Tax Reduction Revenue Transfer
Senate Ways and Means Committee
March 1, 2007
Presented by Cliff Mayo
Finney County Commissioner**

My name is Cliff Mayo. I am a county commissioner serving in Finney County. I am in my tenth year. Agriculture is my background.

In 2002 and 2003 we received information from the state of the elimination of all Demand Transfers as they would pertain to our county budget. It was estimated we would lose some \$365,000.00 to our general fund and another \$103,500.00 for public works.

We instructed heads of departments whose budgets depend on the general fund, to delay spending of capital outlay funds at that time and to assume other deferrals would follow.

We then began exploring various avenues that would recognize the anticipated short fall of funds from the state. We recognized then, as we do now, that these Demand Transfers were implemented as a relief for county property taxes. Our attack and our emphasis was to absorb this shortfall of funds with the result being to hold the mill levy level. With this in mind, we asked the various department heads for help. They brought back to us a list of possible actions within their budgets that would provide a total of \$365,000.00 in potential savings. These were cuts other than those pertaining to salary line items. It was agreed that to protect and be beneficial to the morale of our employees, that salaries would not be affected.

Our capital outlay and technology fund suffered the most with cuts amounting to \$170,000.00. Some of the items affected were desired upgrades, fiber optic computer connectivity to the new public works facility and new computer equipment for the appraiser and emergency medical service. The sheriff's budget was affected by \$75,000.00. I'll not bore you with further specific amounts. Suffice it to say we took seriously the need to cut our budget or raise the mill levy.

On the heels of the loss of the demand transfers comes the news of a loss in the county valuation. This amounted to a little over eleven million dollars. The result of all this was that we were forced to increase the mill levy if we were to continue to serve the citizens of Finney County.

We county commissioners are different in our approach to our budgeting than state legislators. We do not have the luxury of innovative accounting. We don't have the luxury of calling in funds that have been promised to other entities. I fully realize that the state was faced with shortfalls as it pertains to the citizens experiencing the same malady. The curtailment of the state budget created a double-whammy to those same citizens. Because, at the county level, we had three options;

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1. Cut Services
2. Cut personnel or salaries
3. Raise the mil levy

We cut some services by not hiring when we felt we should. Incidentally, we have frozen public works as to new hiring. We also raised the mill levy that year and I might add, we have reduced the mill levy since that time to around what it was in 2002 by becoming more frugal with our funds. I guess we should thank the state for forcing us to become better stewards of public funds. We have also been fortunate enough to have an increase in property valuation since that time.

This brings me to the present as it pertains to the state's economy. We are told the economy of Kansas is improving and with that in mind perhaps it would be the proper thing to do to reinstate those demand transfers that were discontinued.

Testimony concerning LAVTR
Local Ad Valorem Tax Reduction

House Appropriations Committee
March 1 2002

Presented by Tom Finney, Clerk of Zeandale Township
Riley County, Manhattan

Madam Chair and members of the committee, my name is Tom Finney, Clerk of Zeandale Township and also a member of the Kansas Advisory Council on Intergovernmental Relations. I want to thank you and the committee for giving us the opportunity to tell you how the loss of the Local Ad Valorem Reduction Fund has affected our road operating budget. Our Township is located in the south east part of Riley County, our population is 320, and we have 27 miles of road all gravel. The last LAVTR funds we recieved was in 2002 for a total of \$1243.00, This amounted to 4.8% of our road budget. The loss of this fund in that year would equate to the cost of rock for 3 miles of our 27 miles of road. Our only solution would have been is to pass a resolution to increase our Mill Levy.

Manhattan Township has the largest road budget in Riley County and their LAVTR funds in 2002 was \$4722.00 or 4.7% of their road budget.

The total LAVTR funds recieved by Riley County in 2002 was \$985,787.35 and was distributed as follows.

Riley County, Library, Rural Fire District, Watershead & Others	.5069%
All Cities in the County	.4729%
All Townships	.0187%
All Cemeteries	.0015%

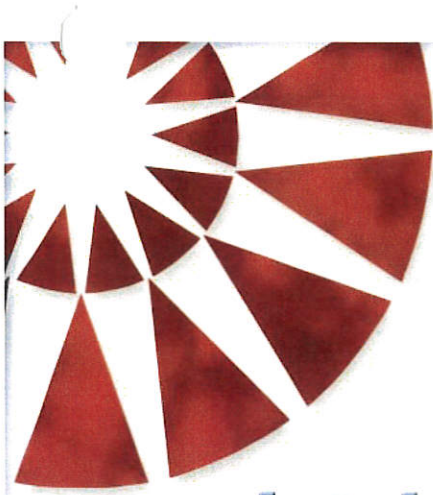
As I am sure you can appreciate how the loss of this affects the mill levy's we must set in order to maintain our services.

In closing we would appreciate your most thoughtful consideration, and urge your favorable action to restore the LAVTR program so that we may reduce our Local Ad Valorem Tax. Thank You.

Tom Finney
Zeandale Township Clerk
KACIR Member

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Legislative Briefing

Local Ad Valorem Tax Reduction (LAVTR)

Don Moler

The reinstatement of the Local Ad Valorem Tax Reduction (LAVTR) program is a key 2007 legislative priority for cities in Kansas.

- LAVTR is a revenue-sharing program which was established as a partnership between the state and local governments.
- Revenue sharing between the State of Kansas and cities and counties dates back to the 1930s.
- In 1965, the current LAVTR formula was put into statute as part of a compromise. In that compromise, the old revenue sharing program and the local portion of the cigarette tax were eliminated. In exchange, cities and counties were to receive a portion of the state sales and compensating use tax.
- Beginning in 1991, the State of Kansas started “capping” LAVTR dollars and eventually quit appropriating LAVTR funds altogether in 2003.
- Since 1991, \$355,645,000 in LAVTR has been taken by the State and not allocated to cities and counties pursuant to K.S.A. 79-2959.
- Reinstatement of full funding for LAVTR for FY 2008 would require a total transfer of \$71,942,000 cities and counties.
- LAVTR is a dollar for dollar offset of property taxes property tax relief for ALL Kansas property taxpayers.

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March 1, 2007

Chairman and Committee Members

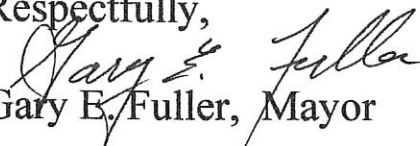
We, in Garden City, have several upcoming Economic Development projects that we are hard pressed to be able to provide needed infrastructure for. They are of the utmost importance to us and other cities to keep our communities alive and well and prospering.

Then the added issues of "Quality of Life" for our community and the "Ice Age" and related storms we have recently endured-continue to impact us financially!

We respectfully request you to restore the LAVTR to our communities!

Thank you for the opportunity to come before you with such important issues for our communities!

Respectfully,


Gary E. Fuller, Mayor

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Testimony Presented to the House Appropriations Committee, 3/1/07.

CITY COMMISSION

Gary E. Fuller,
Mayor

JAMES R. BEHAN

DAVID CRASE

REYNALDO R. MESA

JUANA "JANIE" PERKINS

Presented by Gary Fuller, Mayor of the City of Garden City concerning restoration of Local Ad Valorem Tax Reduction

Chairman Sharon Schwartz and Committee Members,

Like other cities and counties across the State, the City of Garden City absorbed the financial burden placed upon us by Governor Graves in 2002 and the Kansas Legislature in 2003. We did so in the following four ways:

1. We deferred capital projects primarily designed to upgrade or maintain existing infrastructure.
2. We froze the workforce at 10% below budgeted levels.
3. We spent down cash balances in the form of one-time transfers from non-tax funds well below auditor-recommended levels, and
4. As a last resort, we raised the local property tax mill levy.

ROBERT M. HALLORAN
City Manager

MATTHEW C. ALLEN
Asst. City Manager

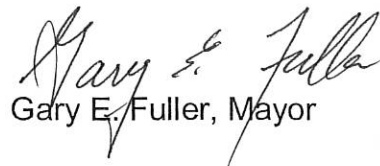
MELINDA A. HITZ, CPA
Finance Director

RANDALL D. GRISELL
City Counselor

In the end, the State of Kansas "held the line" by absorbing a revenue stream that had been diverted to local governments, not through an act of benevolence, but as a result of intergovernmental compromise in the 1960s. In short, the State shifted the tax burden to local governments where local elected officials endured the political ramifications of service reduction and tax increases.

That being said, I think local elected officials take pride in the fact that most of our cities and counties had adequately prepared for economic downturns and were able to play an uncelebrated role in restoring the State's financial health. Now that stability has returned in your revenues, we would ask for you to restore Local Ad Valorem Tax Reduction.

Respectfully Submitted,


Gary E. Fuller, Mayor

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GARDEN CITY, KS
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www.garden-city.org



February 28, 2007

Honorable Rep. Sharon Schwartz, Chairperson
House Appropriations Committee
Kansas Statehouse
300 SW 10th, Room 514-S
Topeka, KS 66612

CITY COMMISSION

Gary E. Fuller,
Mayor

JAMES R. BEHAN

DAVID CRASE

REYNALDO R. MESA

JUANA "JANIE" PERKINS

Honorable Rep. Schwartz and Committeepersons:

I present this written testimony as a City Commissioner for the City of Garden City and as a board member for the League of Kansas Municipalities. In 2002, our community was coping with the economic crisis of loosing one of our primary employers. The fiscal crunch was being felt throughout the City. Thankfully, we had prepared as a City financially to weather economic downturns. We were making cuts and hard service delivery decisions, but we knew we were doing what we had to do to take care of our business.

Late that year, when Governor Graves suspended Local Ad Valorem Tax Reduction, our City was forced to save the value of 1 mill in the last five weeks of the year. In addition, we were faced with amending our coming year's budget (which, by State law, we approved over three months prior) by over 2 additional mills when the State Legislature followed suit. As a City Commissioner, this left a bitter taste in my mouth. Although my fellow Commissioners and I assumed responsibility and made hard decisions over the years to ensure the City's financial house was in order, leaders at the State took LAVTR and piled on their burden as well.

Since that time, the City (as an organization) has adapted to "life without LAVTR." And the State has seen fit to more adequately fund education and has cut some of its own revenue streams to try and stimulate development. In short, I feel confident that it is possible to put the intergovernmental conflicts behind us. I think our citizens that we both serve would like to see that as well. Nothing would promote a renewed spirit of working together better than restoring the compromise between the State and local governments and that was made in 1965. I respectfully ask for you to restore Local Ad Valorem Tax Reduction and allow each unit of local government to self determine whether that is best applied to restoring service delivery or reducing the local property tax burden.

Respectfully Submitted,

Reynaldo R. Mesa, City Commissioner

ROBERT M. HALLORAN
City Manager

MATTHEW C. ALLEN
Asst. City Manager

MELINDA A. HITZ, CPA
Finance Director

RANDALL D. GRISELL
City Counselor

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11-3



February 28, 2007

Honorable Rep. Sharon Schwartz, Chairperson
House Appropriations Committee
Kansas Statehouse
300 SW 10th, Room 514-S
Topeka, KS 66612

CITY COMMISSION

Gary E. Fuller,
Mayor

JAMES R. BEHAN

DAVID CRASE

REYNALDO R. MESA

JUANA "JANIE" PERKINS

Honorable Rep. Sharon Schwartz and Committeepersons:

I have been a City Commissioner since 2005. While I was not a member of the City Commission when Local Ad Valorem Tax Reduction (LAVTR) was taken from cities and counties, I did experience first hand the crunch of trying to provide adequate levels of service without the necessary amount of funding in my capacity as a member of Finney County EMS.

When the state passed on their own loss of revenues in the form of stripping LAVTR from cities and counties, the agencies most affected were local emergency services. These are generally the largest departments in the taxing funds of cities and counties, and therefore were the most impacted by missing revenues. Across the State this translated into fewer resources for emergency medical responders, fire departments and law enforcement agencies. Those local governments who continued to provide adequate funding for these departments, had to do so by raising revenues through increased property tax.

ROBERT M. HALLORAN
City Manager

MATTHEW C. ALLEN
Asst. City Manager

MELINDA A. HITZ, CPA
Finance Director

RANDALL D. GRISELL
City Counselor

I respectfully ask this Committee to consider restoring LAVTR so that cities and counties can get back to providing the level of public safety that our communities deserve at the lower local tax rate they also deserve.

Sincerely,

James R. Behan, City Commissioner

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11-4

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CITY OF GARDEN CITY											
ANALYSIS OF REVENUE REDUCTION											
LAVTR AND STATE REVENUE SHARING											
	BASE YEAR 2001		COLLECTED 2002	DIFFERENCE FROM BASE 2002		COLLECTED 2003	DIFFERENCE FROM BASE 2003	DIFFERENCE FROM BASE 2004	DIFFERENCE FROM BASE 2005	DIFFERENCE FROM BASE 2006	DIFFERENCE FROM BASE 2007
LOCAL AD VALOREM TAX REDUCTION FUND DISRIBUTION	134,619		126,911	7,708		11,157	123,462	134,619	134,619	134,619	134,619
STATE REVENUE SHARING	242,669		123,894	118,775		0	242,669	242,669	242,669	242,669	242,669
TOTAL	377,288		250,805	(126,482)		11,157	(366,131)	(377,288)	(377,288)	(377,288)	(377,288)
TOTAL REDUCTION IN REVENUE FROM BASE YEAR 2001											(2,001,765)*

*The loss in revenue of \$2,001,765 is equivalent to an increase in mill levy based on current city valuation of 14.79 mills.

CITY OF SHAWNEE

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CIVIC CENTRE
13817 Johnson Drive
Shawnee, Kansas 66216
(913) 631-5200

FIRE
6501 Quivira Road
Shawnee, Kansas 66216
(913) 631-1080
FAX (913) 631-1628

POLICE
6535 Quivira Road
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FAX (913) 631-6389

Testimony to the House Appropriations Committee
LAVTR Hearing
March 1, 2007

Chairperson Schwartz and members of the Committee, I am Dawn Kuhn, Councilmember from Ward 3 in the City of Shawnee. I am here representing the Mayor, my fellow Councilmembers and the residents and businesses of Shawnee. We are asking that you consider reinstating the Local Ad Valorem Tax Reduction program.

The City of Shawnee is currently the second fastest growing city in Johnson County. Exuberant economic development in the City of Shawnee has been a catalyst for an influx of new residents, a revitalizing downtown area and diverse commercial and residential growth. Yet, as you well know, growth does not come without its costs. Related infrastructure needs, increased traffic, community revitalization projects and new development impose ever-higher levels of demand on already strained city resources.

The continued suspension of the LAVTR program will have an adverse impact on our local budget and for other cities across the state. Shawnee alone has lost millions of dollars in revenue from the discontinuation of this program. In the past, Shawnee received two types of revenue sharing from the State. City-County revenue sharing was financed by the State sales and use taxes and apportioned to each County based on the 65% on population and 35% on assessed valuation. At the County level, the County distributed 50% of the funds they received based on City population and kept the remainder. The last full year of City-County receipts for Shawnee was 2001, when we received \$378,205. It was phased out totally in 2002, when we only received \$185,665.

LAVTR was funded at the State level by taking 4.5% of total retail sales and use taxes and distributing to all municipalities based on 65% of population and 35% on valuation. The last year the City received funds were in 2002 in the amount of \$362,782. Based on zero increases to each of these revenues, the total amount lost over the past five years is approximately **\$3,519,935**. Please keep in mind that this is a very conservative estimate and it does not account for the high growth in population and valuation that Shawnee has experienced during this period.

During our 2007 budget process, the governing body had to raise our mill levy by approximately 17.3% to maintain our city services. We have had to remove many projects from our Capital Improvements Program, and the program which was approved for 2007 was affectionately named the "bare bones" CIP. Without this mill increase, the City could have been forced to consider cutting essential City services.

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CITY OF SHAWNEE

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FAX (913) 631-1628

POLICE
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Shawnee, Kansas 66216
(913) 631-2155
FAX (913) 631-6389

LAVTR is a dollar for dollar offset of property taxes that represents real property tax relief not only for Shawnee residents, but for ALL Kansas property taxpayers. The City of Shawnee urges the Legislature to fulfill its commitment to local governments by reinstating and fully funding all demand transfer programs to their statutorily mandated levels.



KANSAS LEGISLATIVE POLICY GROUP

P.O. Box 555 • Topeka, Kansas 66601 • 785-235-6245 • Fax 785-235-8676

**Testimony of
Bill Oswalt, President
(Bill is a member of the Rice County Commission)
Kansas Legislative Policy Group
Before the House Committee on Appropriations
Regarding LAVTR – Revenue Sharing
March 1st, 2007**

Chairman Schwartz and Members of the Committee:

Kansas Legislative Policy Group (KLPNG) is pleased to offer testimony regarding Local Ad Valorem Tax Reduction. KLPNG represents the interests of more than 30 counties located in western Kansas. We appreciate submitting remarks on this issue, which is of great importance to our member counties. KLPNG member counties continue to be gravely concerned about the loss of LAVTR.

In 1965, the current LAVTR formula was placed into statute as part of a compromise where in the old revenue sharing program and the local portion of the cigarette tax were eliminated. In exchange, cities and counties were to receive a portion of state sales and compensating use tax. Beginning in 1991, the State of Kansas capped LAVTR dollars and eventually quit appropriating the funding it altogether in 2003. Since 1991, \$355,645,000 in LAVTR has been taken by the State and not allocated to cities and counties contrary to K. S. A. 79-2959.

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The sharing of state sales and compensating use tax revenues through the Local Ad Valorem Tax Reduction Fund (LAVTRF), and City and County Revenue Sharing Fund (CCRS) and the full allocation of motor carrier property taxes to the Special City and County Highway Fund (SCCHF) all recognize an historic partnership in service provision between the State and counties. The State has not held up its end of the partnership.

Additionally, with the passage last year of the Machinery and Equipment Tax Exemption, counties are now required to do more with even less funding.

Members of the Committee, as elected officials we all face the significant challenges of meeting the needs of our constituents with limited financial resources. To the best of our ability we strive to be good stewards of taxpayer money. Since the forming of the partnership with the State in 1965, our budgets relied on LAVTR dollars. Those much-needed funds were suddenly taken away.

Kansas Legislative Policy Group strongly urges reinstatement of funding for LAVTR for FY 2008 to cities and counties in Kansas, which would benefit local units of government and ultimately all Kansas property tax payers.

Thank you for your time and consideration of this testimony.



**TESTIMONY IN SUPPORT OF THE REINSTATEMENT
OF LOCAL AD VALOREM TAX REDUCTION FUNDS (LAVTR)**

To: Honorable Sharon Schwartz, Chair
Members of House Appropriations Committee

From: Matt Shatto, Assistant City Administrator, on behalf of the City of Lenexa
Governing Body

Date: February 26, 2007

Subject: LAVTR – Written Testimony Only

Thank you for the opportunity to present testimony regarding the possible reinstatement of Local Ad Valorem Tax Reduction Funds (LAVTR). The City of Lenexa recognizes the importance of this proposal and fully supports such reinstatement. The reinstatement of such funds would not only aid local governments in addressing current budgetary constraints such as those created by the Machinery and Equipment Property Tax Exemption, but would also provide some type of tax relief to many Kansas property taxpayers.

As you are aware, the State Legislature established the Local Ad Valorem Tax Reduction Fund in 1965 to provide additional revenue to counties, cities, school districts, and other local governmental entities. The fund was financed with 4.5% of the total sales and compensating use taxes collected by the State.

The State Legislature eliminated this revenue source effective for the City's 2003 fiscal year (January 1 - December 31). In 2000 through 2002, the City received an annual average disbursement of approximately \$650,000 from LAVTR. This annual amount currently equates to approximately 67% of one mill of property tax for the City.

If LAVTR funding were restored by the State Legislature, the City could partially reinstate services that had been cut from the budget in 2003 due to the elimination of both LAVTR and City-County Revenue Sharing (CCRS) and consider reducing the existing mill levy. In addition, the funds could be used to address unfunded projects in the City's Capital Improvement Program.

The City of Lenexa fully supports the reinstatement of LAVTR and any other statewide legislation that would decrease the municipalities' reliance on property tax revenue.

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TIM R. NORTON
Commissioner - Second District

BOARD OF COUNTY COMMISSIONERS
SEDGWICK COUNTY, KANSAS

COUNTY COURTHOUSE • SUITE 320 • 525 NORTH MAIN • WICHITA, KANSAS 67203-3759
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March 1, 2007

Discussion on
LAVTR
House Appropriations
March 1, 2007

Chair Schwartz, members of the committee I am Sedgwick County Commissioner Tim Norton, thank you for the opportunity to discuss the need to reinstate LAVTR revenues. The end of these demand transfers in the Governor's 2003/2004 budget has had a big impact on Sedgwick County reducing revenues by \$6.9 million beginning in our 2004 fiscal year. The best example of the impact on Sedgwick County would be our Adult Detention Facility.

Jail overcrowding has become a huge issue in Sedgwick County in 1958 we had a need for 148 beds; by 1989 we had increased our bed space to 418 beds. That is an increase of less than 9 beds a year for over 31 years. Today we have a need for over 1600 beds. That is just under 70 beds a year for the last 17 years. I understand the need to be tough on crime and the lack of prison beds, but these policies have put an undue burden on county government.

In 2006 Sedgwick County raised the mil levy to pay for our needed jail expansion. The bond payments for this project are estimated to be \$4.5 million per year for 20 years. These bonds could have been paid for without a tax increase, a tax increase that had an impact on the elections in November, if LAVTR revenues had been in place.

As I mentioned before Sedgwick County is building a new jail in part because of tougher sentencing passed by the State legislature. These tougher sentences have come with out the needed revenue to pay for the increased jail beds. LAVTR revenues could have off set these unfunded mandates.

This is just one example of how the loss of LAVTR revenues affects counties. As President of the Kansas County Commissioners Association, I continue to hear from County Commissioners throughout the State how the loss of revenue sharing monies has negatively affected their ability to provide needed services and added an additional burden to their ability to hold property tax rates down.

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Testimony Before The
House Appropriations Committee
Regarding the Restoration of Funding for the
Local Ad Valorem Tax Reduction Fund
Submitted by Erik Sartorius

March 1, 2007

The City of Overland Park appreciates the opportunity to present testimony supporting restoration of funding for the Local Ad Valorem Tax Reduction Fund. As a standing policy, the City of Overland Park supports the reinstatement of state revenue-sharing with cities.

Until Fiscal Year 2003, the state shared a portion of its general fund revenues with municipalities in Kansas. Two funds provided most of this aid. The Local Ad Valorem Tax Reduction Fund and the City & County Revenue Sharing Fund shared revenues with cities and counties via separate formulas. The Local Ad Valorem Tax Reduction Fund, as its name implies, was intended to reduce local governments' reliance on property taxes for funding their budgets. The state's removal of these funds reduced Overland Park's intergovernmental revenues by approximately \$2 million.

Cities and counties across the state of Kansas should not be the funding source for state budget challenges. Cutting transfers to local governments merely shifts the burden to municipalities, requiring either a reduction of services or an increase in local property taxes. Further, efforts to restore demand transfers to local government must include all communities and not be limited by arbitrary factors such as an area's economic pull factor.

We are appreciative of the 2006 legislature's recognition of the importance of the LAVTR Fund in the efforts of cities to minimize the use of property taxes. As you will recall, the bill removing property taxes from business machinery and equipment also included a provision to gradually restore LAVTR monies over a period of years. We urge you to honor that legislation as budget priorities are determined in future years, and return to the statutorily-prescribed revenue sharing with cities and counties in a timely manner.

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TESTIMONY to the House Committee on Appropriations
regarding reinstatement of Local Ad Valorem Tax Reduction

Chairwoman Schultz and Committee Members:

It is a simple fact of life that property taxes in the State of Kansas have increased to the point of creating a serious problem for homeowners. Municipal and county governing bodies have been forced to increase the ad valorem taxes in order to avoid cutting services to the public because sources of revenue from outside the governed area have dried up.

For years, these entities depended on the State sharing sales tax revenues to keep the lid on property taxes. Now we don't have the lid, but increasing the load on homeowners is no more appealing than it was when we did have it.

When the State Legislature ended the LAVTR in 2002, my city, Park City, was forced to make up almost three mils – cutting the budget to the bone. Thankfully, Park City has grown fast enough to almost keep up with the cuts up to this point. When the revenues from equipment taxes are eliminated, we will have four mils to make up. When growth slows, as it inevitably will, we will have a real problem. You know, we can only do so much of this kind of cutting.

We understand the importance of creating a business-friendly environment for Kansas, but we must also consider that losing workers because they can move to Texas or somewhere with a more equitable form of raising funds can also damage the business climate. When friends and relatives ask what it's like to live here and the second thing they hear is property taxes, it can be a real turnoff.

On behalf of Park City and the other the cities and counties of the State of Kansas, I ask you to seriously consider lightening our load of property taxation with reinstatement of the LAVTR.

Thank you for your consideration.

Dee Stuart
Mayor, Park City

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