

## MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chair Sharon Schwartz at 9:00 A.M. on March 18, 2008, in Room 514-S of the Capitol.

All members were present except:

Representative Richard Kelsey - excused

Committee staff present:

Alan Conroy, Legislative Research Department  
 J. G. Scott, Legislative Research Department  
 Reed Holwegner, Legislative Research Department  
 Cody Gorges, Legislative Research Department  
 Julian Efird, Legislative Research Department  
 Leah Robinson, Legislative Research Department  
 Jim Wilson, Revisor of Statutes  
 Nobuko Folmsbee, Revisor of Statutes  
 Nikki Feuerborn, Chief of Staff  
 Shirley Jepson, Committee Assistant

Conferees appearing before the committee:

Julienne Maska, Administrator, Governor's Grants Program  
 Joan Wagon, Secretary, Department of Revenue  
 Ed Klump, Kansas Association of Chiefs of Police  
 Dr. Barry Poulson, Economist, University of Colorado  
 Karl Peterjohn, Kansas Taxpayers Network  
 Trent Sebits, Americans for Prosperity  
 Tracy Taylor, President, K-TECH  
 Marc Galbraith, Deputy State Librarian

Others attending:

See attached list.

- Attachment 1 Overview of Governor's Grants Program
- Attachment 2 Fiscal Note on **HB 2890**
- Attachment 3 Testimony on **HB 2890** by Secretary Wagon
- Attachment 4 Testimony on **HB 2890** by Ed Klump
- Attachment 5 Written testimony on **HB 2890** by Mark Schemm, Smith County Treasurer
- Attachment 6 Written testimony on **HB 2890** by Nancy Weeks, Haskell County Treasurer
- Attachment 7 Fiscal Note on **HB 2891**
- Attachment 8 Testimony on **HB 2891** by Representative Yoder
- Attachment 9 Testimony on **HB 2891** by Dr. Barry Poulson
- Attachment 10 Testimony on **HB 2891** by Representative Wilk
- Attachment 11 Testimony on **HB 2891** by Trent Sebits
- Attachment 12 Testimony on **HB 2891** by Karl Peterjohn
- Attachment 13 Fiscal Note on **HB 2884**
- Attachment 14 Testimony on **HB 2884** by Marc Galbraith
- Attachment 15 Written testimony on **HB 2884** from Jim Dahmen, General Manager, Columbus Telephone Company

### Introduction of Legislation

Representative Sawyer made a motion to introduce legislation concerning annexation and local government. The motion was seconded by Representative Masterson. Motion carried.

Representative Tapanelli made a motion to introduce legislation concerning a Board of Regents pilot program on investment of funds. The motion was seconded by Representative Wolf. Motion carried.

## CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on March 18, 2008, in Room 514-S of the Capitol.

Representative Schwartz made a motion to introduce legislation concerning stand-by power. The motion was seconded by Representative Carlin. Motion carried.

### **Subcommittee on Kansas Public Employees Retirement System (KPERS)**

Chairman Schwartz appointed the following members to a House Appropriations Subcommittee on KPERS: Representative Jo Ann Pottorff, Chair; Representative Kevin Yoder and Representative Harold Lane. The Chair noted that the purpose of the Subcommittee is to review and make recommendation on **HB 2077** and requested that the subcommittee report back to the full House Appropriations Committee on March 20<sup>th</sup>.

### **Governor's Grants Program**

Juliene Maska, Administrator, Governor's Grants Program, presented an overview of the Governor's Grants Program (Attachment 1). Ms. Maska stated that the Governor's Grant Program administers federal and state grants as well as staffing boards and councils focused on improving and supporting public safety, drug and violence prevention, crime intervention, treatment, information technology, the criminal justice system and crime victim services. Ms. Maska noted that every county within the state profits from the grants. Ms. Maska provided information on possible federal grant program cuts for FFY 2008 and 2009. Ms. Maska also noted that the President's FFY 2009 budget proposes the combining of some of the grants into one discretionary grant. Each state would compete for funding and less than half of all funds would be available.

Responding to questions from the Committee, Ms. Maska indicated that 10 staff members administer the programs - 7 full-time and 3 part-time staff members, with some outside assistance. Some of the grants are awarded by the Kansas Criminal Justice Coordinating Council, several are reviewed by outside grant review teams, and other grants are awarded using a formula process.

Ms. Maska stated that strategic planning is progressing to address possible federal funding cuts, looking for duplication of services and if there are programs that could be eliminated. Grantees are being made aware of the possible cuts and are being asked to look for local funding sources to sustain services. Ms. Maska noted that grants are usually not prolonged funding sources and are not guaranteed. Most entities receive the grant funding to start a program and look for other funding sources to sustain the program after the grant expires.

Committee requests for additional information included:

- Information on crimes against pregnant women within the State.
- Additional information on overhead costs and discretionary spending in each grant.

### **Hearing on HB 2890**

#### **Hearing on HB 2890 - Division of vehicles modernization surcharge.**

Jim Wilson, Revisor of Statutes, explained that the General Government Budget Committee had a hearing on **HB 2890**, amended the bill and recommended the bill for passage before it was re-referred to the House Appropriations Committee. Mr. Wilson noted that the bill would create the Division of Vehicles Modernization Fund and be funded by a \$5 surcharge on vehicle registration. The General Government Budget Committee amended the bill to reduce the surcharge from \$5 to \$4 per vehicle registration. The surcharge would be effective for a 4-year period, starting on January 1, 2009, and expiring on January 1, 2013. All moneys would be used by the Department of Revenue only for the purpose of funding the replacement of computer hardware and software associated with the Division's functions relating to vehicles.

The fiscal note on **HB 2890** was distributed to the Committee (Attachment 2).

## CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on March 18, 2008, in Room 514-S of the Capitol.

### Proponents:

Joan Wagon, Secretary, Department of Revenue, testified in support of **HB 2890** (Attachment 3). Secretary Wagon stated that the present system is antiquated. An integrated vehicle system is needed to support all licensing, titling, registration and inventory management for the Division of Vehicles. Cost the system is estimated at \$40 million to be spread over a period of 5 years, with funding to be derived from the surcharge on vehicle registration. Software is available "off-the-shelf" and would not need to be written specific to the State.

Responding to questions from the Committee, Secretary Wagon stated that it is anticipated that the surcharge would produce \$10 million each year for 4 years. The Secretary noted that a new software application would give law enforcement an important tool in public safety.

- The Committee requested information on the ranking of vehicle registration fees in Kansas against other states.
- The Committee requested a copy of the final feasibility report from the Joint Committee on Information Technology.

Ed Klump, Kansas Association of Chiefs of Police, testified in support of **HB 2890** (Attachment 4). Mr. Klump felt it is important to upgrade the vehicle management system as a tool to be used by all law enforcement.

Written testimony in support of **HB 2890** was received from:

- Mark Schemm, Smith County Treasurer (Attachment 5).
- Nancy Weeks, Haskell County Treasurer (Attachment 6).

### Opponents:

Karl Peterjohn, Kansas Taxpayers Network, spoke in opposition to **HB 2890**. Mr. Peterjohn indicated that Kansans are already paying too much in taxes and should not be asked to pay any more. Responding to a question from the Committee, Mr. Peterjohn felt that funding for the computer upgrade should be derived from highway moneys or other sources of funding rather than additional taxing of state citizens.

There were no other proponents or opponents to appear before the Committee.

**The hearing on HB 2890 was closed.**

## Hearing on **HB 2891**

**Hearing on HB 2891 - Limitation on outstanding principal of state general fund bonded debt.**

The fiscal note on **HB 2891** was distributed to the Committee (Attachment 7).

### Proponents:

Representative Yoder presented testimony in support of **HB 2891** (Attachment 8). Representative Yoder noted that the legislation would create a debt ceiling on bonds that can be authorized by the Kansas Legislature. He noted that although revenues continue to rise, there does not seem to be that much new funding available for state programs or many times is already obligated. Representative Yoder indicated that state debt continues to rise and will place a burden on future generations.

Dr. Barry Poulson, Economist, University of Kansas, presented testimony in support of **HB 2891** (Attachment 9). Dr. Poulson noted that there has been an unprecedented increase in the debt burden imposed by the state on Kansas citizens. Dr. Poulson indicated that while Kansas has been raising taxes, surrounding states have pursued more prudent tax policies.

## CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on March 18, 2008, in Room 514-S of the Capitol.

### Meeting Recessed and Reconvened

The meeting was recessed at 10:40 a.m., reconvened at 11:30 a.m. and continued the hearing on **HB 2891**.

- The Committee requested a listing of all items considered "off-budget" with regard to the State budget.

Representative Wilk presented testimony in support of **HB 2891** (Attachment 10). Representative Wilk stated that tax credits are never accounted for and constitute millions of dollars flowing out of the budget for tax credits. Representative Wilk noted that the per person debt is increasing at an alarming rate and felt that **HB 2891** is a step in the right direction to develop policy on restricting debt for the state.

Trent Sebits, Americans for Prosperity, presented testimony in support of **HB 2891** (Attachment 11). Mr. Sebits reported that Kansas has twice as much debt as the surrounding states and ranks 16<sup>th</sup> highest in the nation on the amount of debt. Mr. Sebits noted that state debt has accelerated since the early 1990's. Mr. Sebits stated that the Kansas Constitution forbids the state from going into debt for more than a million dollars without a vote of the citizens from a general obligation standpoint. The state has avoided this by incurring debt that is not general obligation bonds.

Karl Peterjohn, Kansas Taxpayers Network, presented testimony in support of **HB 2891** (Attachment 12).

There were no other proponents or opponents to appear before the Committee.

**The hearing on HB 2891 was closed.**

### Hearing on **HB 2884**

**Hearing on HB 2884 - Kansas technology enterprise corporation; Kansas broadband initiative and the rural broadband grants program.**

The fiscal note on **HB 2884** was distributed to the Committee (Attachment 13).

Reed Holwegner, Legislative Research Department, explained that **HB 2884** would authorize the Kansas Technology and Enterprise Corporation (KTEC) to establish a broadband initiative within the agency that would expand broadband investment and use, especially in rural areas of the state. The bill would create a 12 member board, who would administer the rural broadband program that would support locally lead education outreach programs. Eligible entities would include non-profit local units of government. Grant funds would be used on \$1 to \$1 match for local planning workshops. The bill appropriates funding of \$600,000 in FY 2009 from the Economic Development Initiatives Fund (EDIF) to KTEC.

The Committee noted concern that funding and services for broadband are being by KAN-ED and DISC and did this bill provide a duplication of services. It was noted that the development of broadband in rural communities is progressing; however, the grant funding in the legislation would assist with the application process.

Tracy Taylor, President, K-TECH, presented testimony in support of **HB 2884**. Mr. Taylor stated that the Board authorized by the legislation would administer the grant program, establish the locally lead education and outreach effort of bringing the benefit of broadband to rural households and businesses.

Responding to a question from the Committee, Mr. Taylor stated that this is a ongoing grant and the legislation does not have a sunset.

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on March 18, 2008, in Room 514-S of the Capitol.

Representative Gatewood noted that KAN-ED funding was directed at the implementation of broadband and this legislation would assist with the development and application process of broadband in rural areas of the state.

Marc Galbraith, Deputy State Librarian, presented testimony in support of **HB 2884** (Attachment 14).

Written testimony from Jim Dahmen, General Manager, Columbus Telephone Company, was distributed to the Committee (Attachment 15).

There were no other proponents or opponents to appear before the Committee.

**The hearing on HB 2884 was closed.**

**Adjournment**

The meeting was adjourned at 12:20 p.m. The next meeting of the Committee will be held at 9:00 a.m. on March 20, 2008.

  
Sharon Schwartz, Chair

House Appropriations Committee

March 18, 2008

9:00 A.M.

NAME	REPRESENTING
Patrick Hurley	Economic Excellence
Tim Blewett	KDOR
Ed Klump	Ks Assoc of Cities of Police
CARMAN ALDRITT	KDOR
Scott Heidner	ACEE Kansas
Robin Clayton	Child Welfare Cos
Sheela Fahn	KACCT
Austin Ayres	Hinterland
Vicki Lynn Hessel	Budget



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Testimony of  
Juliene Maska, Administrator  
Governor's Grants Program  
Before the House Appropriations Committee  
March 18, 2008

Chair Schwartz and Members of House Appropriations Committee:

Thank you for the opportunity to appear before you today to talk about the Governor's Grants Program. The Program administers federal and state grants and staffs boards and councils focused on improving and supporting public safety, drug and violence prevention, crime intervention, treatment, information technology, the criminal justice system and crime victim services.

The majority of the federal funds are formula grants for the state. There are currently three federal discretionary grant programs that the Program administers. In addition to the federal grants, the Program also administers the Kansas Wireless Enhanced 911 Grant Program, the Children's Advocacy Center grant and state funds for domestic violence and sexual assault programs.

Following is a brief description of the grant programs.

The U. S. Department of Justice, Office of Justice Programs

**Federal Edward Byrne Memorial Justice Assistance Grant (JAG) \$3,073,598**

The program assists 44 state and local units of government and community based programs with funds to enhance the criminal justice system response in six categories; (1) law enforcement; (2) prosecution and courts; (3) prevention and education; (3) corrections/community corrections; (4) drug treatment; and (5) information technology.

Of the funds awarded, 37 percent were used for law enforcement purposes; six percent for prosecution and courts; one percent for prevention efforts; six percent for corrections and community corrections; 24 percent for drug treatment of offenders; and 26 percent for enhanced information technology.

As a result of JAG funding, the following was achieved:

1,315 investigations were conducted

956 arrests were made

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HOUSE APPROPRIATIONS

DATE 3-18-2008  
ATTACHMENT 1

353 criminal cases were prosecuted  
1,272 offenders received treatment  
662 offenders were successfully discharged from treatment  
2,085 victims were served  
2,282 individuals were trained  
494 prevention trainings were provided

**Residential Substance Abuse Treatment for State Prisoners (RSAT) \$84,799**

The goal is to reduce recidivism by implementing residential substance abuse programs that provide individual and group treatment activities for offenders in residential facilities operated by the Department of Corrections.

Total number of offenders entering the RSAT program 108 males and 21 women  
Total number of offenders successfully completing the program 63  
Total number of offenders who dropped out of the program 31  
Total number of offenders who were terminated from the program 29  
Number who remain drug-free after completion 44

**Bulletproof Vest Partnership Program (BVP) \$11,377.37**

This federal program provides 50 percent of the funds for state agencies requesting vests. Funds were divided equally toward the cost of purchasing 58 new vests for Department of Corrections, Kansas Highway Patrol, State Fire Marshal and University of Kansas Medical Center Police.

**National Forensic Sciences Improvement Act (NFSIA) \$104,712**

Funds are awarded to the three major forensic crime labs in the state, Kansas Bureau of Investigation, Sedgwick County Regional Forensic Science Center and the Johnson County Sheriff's Office Crime Lab. These funds provide updated equipment for testing evidence and training for forensic scientists.

**National Criminal History Improvement Program (NCHIP) \$560,000 Discretionary**

The Kansas Bureau of Investigation receives these discretionary grant funds for the central repository computerized criminal history database and the Kansas automated fingerprint identification system. The funding also supports implementation of the automated data exchange to the National Sex Offender Public Registry and the sex offender file at the National Crime Information Center (NCIC).

**S.T.O.P. Violence Against Women Act (VAWA) \$1,293,968**

This grant program supports law enforcement and prosecution strategies to combat violent crimes against women and to develop and enhance victim services. The funds are required to be distributed as follows: 25 percent for law enforcement; 25 percent for prosecution; five percent for courts; 30 percent for non-profit victim service organizations; and 15 percent is used for discretionary purposes.

Twenty-five agencies received funding for these efforts and provided services to more than 14,670 domestic violence, sexual assault and stalking victims and trained more than



1,220 individuals. These funds also pay for the statewide toll free crisis hotline for sexual and domestic violence victims, 1-888-END-ABUSE. Funding also assists with statewide training for Sexual Assault Nurse Examiners and Sexual Assault Response Teams (SANE/SART).

**Victims of Crime Act for Victim Assistance (VOCA) \$3,638,000**

Funds assist 52 programs in providing direct services to crime victims in responding to their emotional and physical needs; assists primary and secondary crime victims to stabilize their lives after victimization; assists victims to understand and participate in the criminal justice system; and provides crime victims with a measure of safety. Funds must be distributed with a minimum of 10 percent given to sexual assault, 10 percent for domestic violence, 10 percent for child abuse and 10 percent for underserved victims with the remaining funds distributed as needed in any of the four categories.

The 52 grant projects provided services to 31,181 victims of child physical and sexual abuse, victims of DUI crashes, domestic violence, adult sexual abuse, elder abuse, family members of homicide victims, robbery, assault and other forms of victimization. These projects provided 135,138 services which include; crisis intervention, transportation, filing of protection orders, advocacy and criminal justice support, counseling, support groups, shelter, legal advocacy, filing for compensation, providing information and referrals, etc.

U. S. Department of Health and Human Services

**Federal Family Violence Prevention and Services Act (FVPSA) \$1,106,774**

FVPSA grant funds pay for services provided by 23 domestic violence programs in the state. These services include safe shelter, support groups, individual support counseling, advocacy, court accompaniment, child care, prevention and education efforts, crisis intervention and transportation.

As a result of FVPSA funding:

3,185 victims received shelter for 66,447 bed nights

23,995 domestic violence calls were answered

15,178 new victims received face to face services

**Federal State Access and Visitation Program (SAVP) \$100,000**

This grant program provides funding to 10 centers providing supervised child visitation and monitored exchanges to children and families at risk due to child neglect, substance abuse, domestic violence, child and sexual abuse, etc. We work with SRS in administering this grant program.

As a result of SAVP funding, 5,069 supervised child visits and parenting time took place and 4,695 supervised child exchanges were provided.

**Federal Sexual Violence Prevention & Education (SVPE) \$315,834**

This program provides prevention activities to decrease the incidence of sexual assault against women. Funds are awarded to eight programs to implement prevention efforts in schools. KDHE contracts with our Program to administer the grant funds. These funds provided 2,195 educational sessions to 11,015 students and 11 educational sessions for 817 professionals.

U. S. Department of Education

**Governor's Discretionary Portion of the Federal Safe and Drug-Free Schools and Communities Act Grant Program (SDFSCA). \$555,564**

Fourteen grant projects received funding to provide mentoring program activities that prevent illegal drug use and violence. The grant program supports efforts that prevent violence in and around schools; prevent illegal use of alcohol, tobacco and drugs; involve parents and communities; and coordinate other efforts and resources to address these issues. These funds served 21,965 students and other community members.

Federal Discretionary Grant Programs

**Federal Grants to Encourage Arrest and Enforcement of Protection Orders Program (GTEAP) \$754,026 Discretionary**

The Governor's Office is partnering with the Kansas Coalition Against Sexual and Domestic Violence, Kansas Law Enforcement Training Center, Kansas County and District Attorney's Association, the Kansas Attorney General's Office and the Kansas Office of Judicial Administration to establish a comprehensive training continuum regarding domestic violence for professionals in the criminal justice system with the Federal Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program. The purpose of the grant project is to provide the State with uniform domestic violence training for all professions of the criminal justice system serving offenders and victims from the time of a 911 call reporting an incident; through the investigation, arrest, prosecution, probation or parole and release of an offender; including emphasis on Protection From Abuse and Protection From Stalking orders.

As a result of this grant funding, the State will achieve a multi-disciplinary and thorough approach to addressing domestic violence. While various professions have been trained on the topic in previous years, there has not been an intensive coordinated approach to curriculum and policy development and training for all those involved in the criminal justice system.

**Federal Safe Havens: Supervised Visitation and Safe Exchange Grant Program \$399,189 Discretionary**

The Governor's Office is partnering with the Kansas Network of Visitation Providers, the Kansas Coalition Against Sexual and Domestic Violence, the Kansas Office of Judicial Administration and the Kansas Attorney General's Office to form the Governor and

Attorney General's Committee on Supervised Visitation and Safe Exchange Centers with the Federal Safe Havens: Supervised Visitation and Safe Exchange Grant Program. The purpose of the Committee is to establish a comprehensive system for providing safe and secure visitation and exchange services. This grant provides funds to update state guidelines, develop and implement a needs assessment, develop curriculum and provide training and create or expand two centers providing supervised visitation and monitored exchanges.

Federal Grant Program Cuts for FFY 2008 and 2009

At this time, the federal 2008 grant awards have not been determined for the state. However, we do know that the President signed the 2008 appropriations bill that will have a significant impact on these federal grant programs.

FFY 2008

JAG	67% decrease
RSAT	10% decrease (FFY 2007 decrease of 5.8%)
NFSIA	no change
NCHIP	discretionary grant
BVP	no change
VOCA	20% decrease (FFY 2007 decrease of 6.4%)
VAWA	1.6% decrease (FFY 2007 decrease of 9.2%)
FVPSA	less than one percent decrease
SDFSCA	15% decrease

FFY 2009

The President's FFY 2009 budget would eliminate JAG, RSAT, NFSIA, NCHIP, BVP and combine all grants from these sources into one discretionary grant. Each state would compete for funding and less than half of all funds would be available.

All funds under the Federal Violence Against Women Act would be eliminated and placed under one grant program which would be discretionary and competitive among all states. Also, the amount of funds available in the discretionary grant program would be cut almost in half from what exists now.

VOCA	no change---- but may be eliminated if the fund balance is rescinded
FVPSA	no change
SDFSCA	66.1% decrease

State Grant Programs

**Kansas Wireless Enhanced 911 Grant Program (E911) \$4,915,782**

The Kansas Legislature enacted K.S.A. 12-5321 et seq. The law provides funding to help agencies make the required improvements to establish the enhanced wireless services. State grant funds are generated from the 25-cent-monthly fee imposed on each wireless service account in Kansas and one-percent of the retail price for any prepaid wireless

phone service sold in Kansas.

These funds assist PSAPs in implementing wireless enhanced 911 services; purchase equipment or upgrades and modify equipment used solely to process the data elements of wireless enhanced 911 services; and maintain license fees for such equipment and training for personnel responding to the calls. Thirty-seven PSAPS received funds in calendar year 2007. The Wireless Enhanced 911 Annual Report can be found online at [www.governor.ks.gov/grants/kweab.htm](http://www.governor.ks.gov/grants/kweab.htm).

**Domestic Violence and Sexual Assault Programs \$1,583,333**

The State General Fund is used to provide matching funds for the federal grant programs of the Federal Family Violence Prevention and Services Act, the Federal S.T.O.P. Violence Against Women and the Federal Victims of Crime Act Victim Assistance. Twenty-eight programs received funding from this grant program. These programs provide crisis intervention, shelter, transportation, individual and group support counseling, court advocacy, prevention and awareness education, information and referrals, etc. The statistics presented for the federal grant programs also reflect how these funds were used.

The Program also administered for KDHE \$300,000 of SGF used to support the expansion of sexual assault services for underserved areas of the state. Seven sexual assault programs received funding and provided 115 face to face services to sexual assault victims and provided 116 educational and prevention programs.

During SFY 2008, KDHE contracted with the Program to administer the training and technical assistance funds for the Kansas Coalition Against Sexual and Domestic Violence in the amount of \$225,000. Also, \$2 million was provided for the development and enhancement of outreach services for domestic violence and sexual assault programs. During the first six months of SFY 2008, programs provided 12,520 face-to-face services to victims.

**Children's Advocacy Center Programs \$1,000,000**

Funds were provided for grant projects that establish, enhance, or expand comprehensive Children's Advocacy Centers (CACs) for SFY 2008. CACs are child-focused, community-oriented programs that coordinate the investigation and intervention services for abused children by bringing together professionals and agencies in a comprehensive, multidisciplinary model. Sixteen centers were funded along with the state chapter to provide CAC services that include, forensic interviews, advocacy for the child and the non-offending caregivers, comprehensive training and other services that are essential to providing an effective response to victims of child physical and sexual abuse.

During the first six months of SFY 2008, the 16 funded CAC centers provided services to 808 new children, 752 non-offending caregivers and completed 718 forensic interviews.

Thank you for the opportunity to share with you the grant programs administered by the Governor's Grants Program. I would be pleased to respond to any questions.

1-6

February 25, 2008

The Honorable Kevin W. Yoder, Chairperson  
House Committee on General Government Budget  
Statehouse, Room 142-W  
Topeka, Kansas 66612

Dear Representative Yoder:

SUBJECT: Fiscal Note for HB 2890 by House Committee on General Government Budget

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2890 is respectfully submitted to your committee.

HB 2890 would create the Division of Vehicles Modernization Fund in the State Treasury. The bill would require that all monies credited to the fund be used for the purpose of replacing work processes, computer software and hardware, and related equipment associated with the Division of Vehicles functions in the Department of Revenue (KDOR). The bill would allow KDOR to begin collecting a Division of Vehicles Modernization surcharge fee of \$5, in addition to normal registration fees. The bill would require the fees collected to be remitted to the State Treasurer by the Secretary of Revenue and credited to the Division of Vehicles Modernization Fund. The \$5 fee would go into effect January 1, 2009, and expire on January 1, 2013.

KDOR estimates that the passage of HB 2890 would increase revenue to the Division of Vehicles Modernization Fund by approximately \$12.8 million in calendar year 2009. KDOR states that there were approximately 2,559,000 vehicles registered in calendar year 2007 and it expects to register the same number of vehicles in calendar year 2009 and the three subsequent years the fee is in place. For the purpose of this fiscal note, the Department provided no specifics on how the agency would spend the revenues generated by the \$5 fee, but the entire amount would be dedicated to the modernization project. Any fiscal effect resulting from the passage of HB 2890 is not included in *The FY 2009 Governor's Budget Report*.

Sincerely,



Duane A. Goossen  
Director of the Budget

cc: Steve Neske, Revenue  
Pat Kuester, KDHE

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**Introduction**

A Feasibility Study was completed in May of last year. The recommendations within the feasibility study focus on an integrated vehicle system to support all licensing, titling, registration and inventory management for the Division of Vehicles.

The Feasibility Study also recommended purchasing, as opposed to building it ourselves, a commercially available, services oriented software package to provide integrated, functions that support all of driver and vehicle business processes. There are multiple vendors in the market place with package solutions that run successfully in other states with similar business functions.

The cost is estimated at 40 million over 5 years.

**Title and Registration Bureau**

Title applications originate in the local county treasurer's office. The treasurer's office completes an end of day report to account for money collected and the day's transactions.

Each paper report must be checked manually to ensure the county treasurer is compensated correctly. Last week, we finished verifying the 3<sup>rd</sup> quarter of 2007.

The applications are mailed to the state for processing.

The Title and Registration Bureau receives 6,000,000 transactions per year or 23,076 per day. We issue 900,000 titles per year and process 2.9 million registration renewals.

The Title and Registration Bureau has 60 full time staff.

The bureau receives on average 1100 calls per day or 286,000 calls per year. The average phone call takes approximately 5 minutes to answer. There are 28 associates available to answer inquires from the general public, county treasurers and law enforcement.

In addition, we receive 440 paper notice of security interest filings that must be manually entered per day. We are working towards an increased use of the KS E-Lien system (electronic lien filing).

The paper applications are logged in and must be manually reviewed.

Currently, we are working on logging and reviewing title application received 6-8 weeks ago.

Approximately, 20% of all title applications have some type of problem (missing documentation, incorrect documentation, etc.) that requires manual intervention. Problem applications are filed manually and are often difficult to locate if misfiled or on another employees desk.

Microfilm is currently available for title transactions back to the 1930's. We anticipate a microfilm storage problem in the next 18-24 months contingent upon the number of vehicles bought and sold. If the VIPS system fails to assign a microfilm number the title paperwork is lost indefinitely.

Kansas titles surrendered out of state are received and must be cancelled manually. Any title we mail out that is not delivered is returned and must be manually destroyed and coded as returned within the VIPS System.

Paper titles are printed in a batch process overnight, we average about 2200 titles a night. Once printed the titles must be manually inspected for print quality before being folded, stuffed into envelopes and mailed.

Titles that have a lien are held electronically and are only printed when the lien is released or when the citizen is moving out of state.

On average, we receive 300 – 400 paper lien releases that must be manually processed per day.

The title and registration front counter serves 250 walk-in customers per day and issues 1100 titles per day. Last year, our front counter issued over 203,000 titles.

Any license plate renewal or application that requires additional documentation is received on paper and must be reviewed manually before being microfilmed.

### System Problems

- Our current systems are separate, old mainframe emulation systems. The VIPS system has been in operation for over 20 years, the Kansas Drivers License System (KDLS) over 17 years, and the Kansas Vehicle Inventory System (KVIS) for more than 14 years.

- The current vehicle systems (KDLS and VIPS) are separate databases with no ability or common identifier for communication. (An address change must be made in both systems.)
- The VIPS system requires manual paper intensive processes and we are drowning in paper.
- Motor vehicle information provided to law enforcement is not real time. The motor vehicle record can take 1 to 4 days to be updated.
- We currently struggle to provide motor vehicle services to the citizens of Kansas.
- Our employees and County Treasurers are forced to work with a broken system.
- We are unable to make changes in one area of the application without introducing unintended negative consequences in other areas of the application.
- System inadequacies occur every year and result in settlements that cost the department \$10,000 last year. In addition, we lose production and resource time working on system related issues.
- Numerous times we get legislative requests for specific data and because of the limitations of the system we are not able to extract and provide the data without significant programming.
- We are constantly identifying ways to streamline and work within the constraints of our cumbersome system.
- Our current vehicle systems are old and do not provide for uncomplicated integration of electronic applications or communications without some level of manual intervention.
- We are unable to provide enhanced services to our business partners due to continual on-going maintenance of the current system.

### **Driver Control Bureau**

Driver Control maintains driving records and processes changes to driving privileges such as restrictions, suspensions, revoked licenses and reinstated licenses. We also coordinate administrative hearings on chemical test failures and test refusals, and manage proof of insurance requirements for drivers.

The bureau receives about 1100 incoming phone calls per day or 286,000 per year, with each call averaging 3 minutes in length. Currently the bureau has 7 employees available daily to respond to customer calls. Due to the decrease in staff and in order to meet business needs we are only available to respond by phone Tuesday through Thursday. As a result, we were not able to answer over 18,000 telephone inquiries in 2007.



The bureau receives 2,300 paper documents (tickets, certified record requests, reinstatements, insurance documents, etc.) per day.

The bureau provides 4,000 "paper" certified driving records per month to courts, law enforcement, prosecutors and attorneys. This includes providing documents from each drivers file for enforcement of Kansas traffic laws.

The administrative hearing section schedules 700 hearings per month which are held throughout the state. This process includes issuing a paper notice of hearing to the licensee, witnesses and their attorney. We also issue subpoenas to law enforcement officers involved in the alcohol occurrence procedure.

The bureau receives 2,500 tickets for traffic violations that require manual data entry and processing.

### Drivers License Bureau

The Driver's License Bureau is responsible for the drivers license and identification card issuance process for the state of Kansas. Drivers License Examiners are stationed at 37 permanent locations and 77 county treasurer offices throughout the state. There are 2 million licensed drivers in the state of Kansas.

There are seven initiatives we will be pursuing in order to comply with the Federal Real ID Act.

1. Photo First – By 12/31/09 implement new procedures for capturing the photo of all applicants, even if the DL or ID will not be issued.
2. Document Verification with various data bases by 12/31/09.
  - Verify an applicants lawful presence status through the SAVE system.
  - Birth Certificates through EVVE.
  - US Passports through CLASS.
  - Other State issued DL's through DRIVERS
3. New Enhanced/Next Generation Driver License that deters fraud and prevents tampering by 5/11/2011.
4. Ability to retain (image) the documents presented by the applicant when applying for a drivers License by 12/31/09.



*Kathleen Sebelius, Governor*  
*Joan Wagnon, Secretary*

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

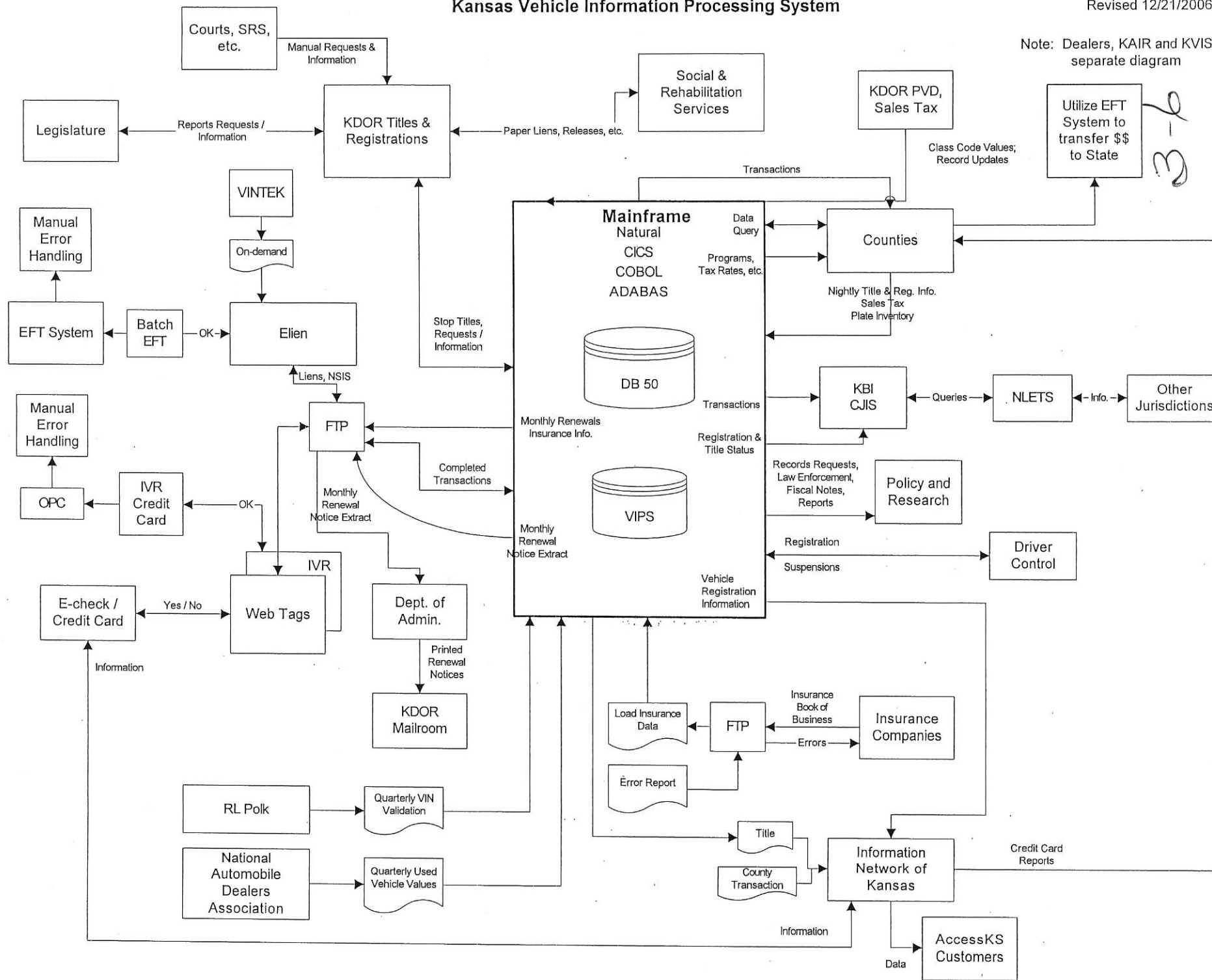
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5. Ongoing review and update of our security plan. Annually after 12/31/09.
6. Ongoing training for our employees on fraud detection.
7. Background checks on all employees including county treasurers, drivers license examiners and others.

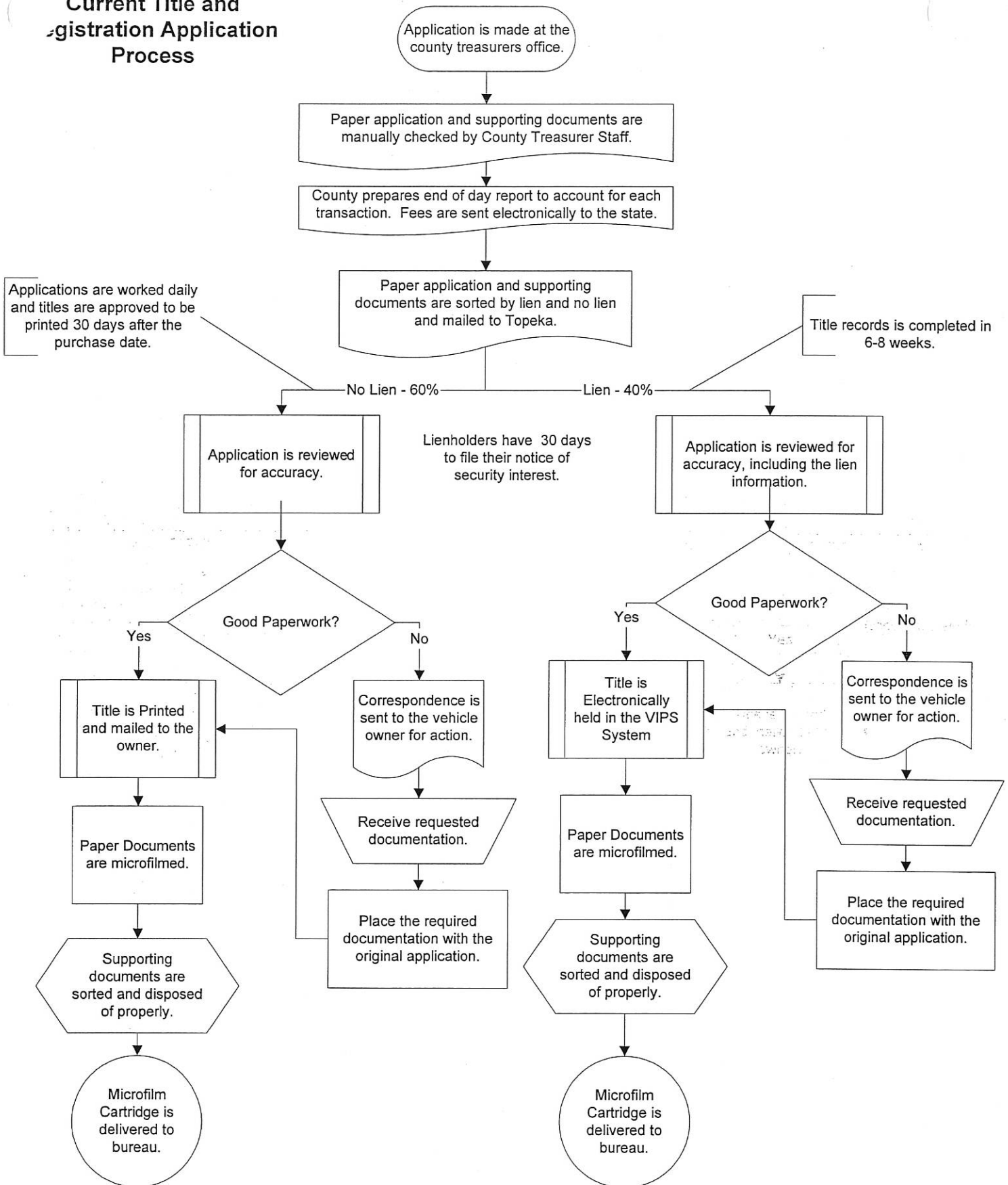
# Kansas Vehicle Information Processing System

Revised 12/21/2006

Note: Dealers, KAIR and KVIS separate diagram



# Current Title and Registration Application Process



In addition to all the manual processing, the title and registration bureau answers 286,000 calls per year.

3-7

# Future Title and Registration Application Process

Application is made at the county treasurers office.

NEW SYSTEM WILL HAVE BUILT IN FORMS AND AUTOMATIC EDITS THAT WILL PREVENT INCORRECT TITLE AND REGISTRATION APPLICATIONS TO BE ACCEPTED  
**NO MORE PAPER**

1. This is a point and click application, if forms are required a drop down menu appears and any forms/instructions specific to the application can be pre-populated and printed at the moment as the clerk continues the application process.
2. The point and click system will eliminate human data entry errors which will result in error free work being captured at the point of application, due to up front edits.
3. The point and click system will eliminate duplicate processes and decrease the time a customer waits in line.
4. The point and click system will allow transaction information to be entered once which prevents voiding and re-entry if an error is made.
5. The point and click system will have the ability to hold transaction information if the customer is required to provide further documentation. Currently, the application must be voided and re-entered as if it were the first time.

System accounts for each transaction and fees are sent electronically to the state.

Paper application and supporting documents are scanned into the new system at the county treasurer's office.

Is the application flagged as an exception?

NO

YES

Correspondence is created and captured electronically before being sent to the vehicle owner for action.

Receive requested documentation.

Scan the required documentation into the system.

Title is Issued. (Held electronically or mailed to owner.)



## OFFICERS

Bob Sage  
President  
Rose Hill Police Dept.

Jay Reyes  
Vice President  
Derby Police Dept.

Todd Ackerman  
Sergeant at Arms  
Marysville Police Dept.

Mike Keller  
Treasurer  
Andover Police Dept.

Janet Thiessen  
Recording Secretary  
Olathe Police Dept.

James Hill  
SACOP Representative  
Salina Police Dept.

William "Mike" Watson  
Immediate Past President  
Riley County Police Dept.-Ret

Doyle King  
Executive Director  
KACP

## REGIONAL REPRESENTATIVES

Gus Ramirez  
Region I  
Johnson Co Comm. College

Sam Budreau  
Region II  
Chanute Police Dept.

Ronnie Grice  
Region III  
KSU Public Safety Dept.

Jim Daily  
Region IV  
Newton Police Dept.

Frank Gent  
Region V  
Beloit Police Dept.

Vernon Ralston  
Region VI  
St. John Police Dept.

## TESTIMONY TO THE HOUSE APPROPRIATIONS COMMITTEE

### SUPPORTING THE VEHICLE MODERNIZATION PROJECT Presented by Ed Klumpp

March 18, 2008

This testimony is in support of the Department of Revenue's Vehicle Modernization Project. This project is long overdue and addresses a critical need for law enforcement as well as other users of the system. As we understand it, this project will replace the antiquated Vehicle Information Processing System (VIPS), Kansas Vehicle Information System (KVIS), and the Kansas Driver's License System (KDLS). These are the systems handling all of the processes for vehicle titles, registration, and driver's licenses. These databases can be a most valuable tool in critical law enforcement investigations. Note that I said they can be, not that they are. Kansas is far behind most other states on the capability of using these databases as a law enforcement investigative tool, primarily because of the limitations of the current out-dated systems.

One of my duties with the Kansas Association of Chiefs of Police is representing them as a member of the Kansas Criminal Justice Information System (KCJIS) Committee. A position I have held for four years. In this position I have had the opportunity to understand the state's system capabilities and to see and discuss the systems in place in other states.

Let me give you a scenario of how things happen today. In a hypothetical case, a shooting, a robbery, a burglary, a child abduction, or perhaps a hit and run accident is reported to the police. The officer finds witnesses who provide a description of the car including the tag number. The witnesses are sure the car is a Toyota. But, as frequently happens, the witnesses are not sure of all the numbers on the tag. They are positive the third letter is "J" and the numbers are "376." They think the first letter is "H" but they aren't sure. It is Friday evening and the officer desperately wants to find this vehicle. Where do we go to attempt to get our first leads? In Kansas, we go no where. We can't because the current system will not allow us to search using the data we have. Nope, in Kansas we wait until Monday morning when the Department of Revenue opens and we call them to request a search

HOUSE APPROPRIATIONS

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ATTACHMENT 4

by partial tag number and make. Once we make the request they respond as quickly as the programmers can write a query and run it for us. If we are lucky we may have that information before the day is over. So our suspect has a three day head start. When we find them, the chances of finding all of the stolen property and other evidence of the crime is greatly diminished. Perhaps the suspect has by now committed even more crimes because we couldn't develop the leads we needed to intervene in the crime spree more quickly. And in reality, in all but the most horrendous of cases, law enforcement will probably not even make the request because of the time lapse and the effort required by DOR personnel to accomplish this.

That kind of scenario, mostly on less serious crimes than a kidnapping or homicide, happens across our state hundreds of times a week. This is far too many cases for DOR to search on each case. In most cases it is a lost opportunity, a dead end lead. Not because of anyone's fault, but simply because of an antiquated state vehicle and driver's license database with very limited law enforcement investigative capabilities.

It would be impossible for me to accurately predict how many criminal cases could be solved, or at least solved more quickly and efficiently, if these systems are updated. But I can assure you it would not be a small number. Nor would the number of crimes we could prevent through early development of suspect leads. Even if we can't make a prosecutable case, the law enforcement contact with the suspect often curtails further victimization, at least for a little while. And law enforcement now knows who to watch for if similar crimes occur.

Some other pieces of law enforcement concern in the current system include a slow entry process of non-standard tags causing a delay between the sale of the license tag and the availability of that information in the system. In some cases, even the standard tags do not have complete information immediately. Temporary tags are close to their expiration date by the time they are available to us. Stolen renewal stickers are not uncommon, yet we can't run the control number on a sticker and find out who it was issued to. Vehicle colors are not included in the current system. And although color entry into the system is complex with today's variations in car colors, there are ways to standardize this into something meaningful and useful. In fact, NCIC has already done that for wanted or stolen car entry. We don't even have to reinvent the wheel to do that.

Here are some of the things a new system will hopefully provide to law enforcement:

- Search vehicle registration information by partial number using "wild cards."
- Search capability on multiple fields with all common identifier fields available to select from.
- Search a radius from a certain address for vehicles registered or licensed drivers in that area. This should include a multiple field capability so we can sort out car descriptions or a person's physical description.
- Search by title number.
- Search by previously used names or address or license numbers.
- Search by renewal sticker number.
- A cross reference between registered vehicles and the driver's license information of the registered owners.
- A cross reference to go from one vehicle the person owns to identify all vehicles with that person's name on the title.

- Search drivers license information by multiple fields.
- Ability to view prior addresses.
- Driver's license search capability using a range for weight, height, etc.
- A search capability by name that will select as possible "hits" regardless of name suffixes like Sr., Jr., III, etc. In other words, if you run John Adams you get back a list including John A. Adams, John B. Adams, John Adams, Jr.
- Ability to run a vehicle by VIN and get information on prior owners if not currently registered.
- Ability to search handicap placard by number or name.

Now assume the scenario I started out with, only this time we have a modern search system. The officer runs the partial tag number using the multiple field capability for the known make. In seconds the system responds and shows two possible matches. One is in the city the crime occurred. The other is in a different city quite some distance away. The officer requests another officer to respond to the local vehicle registered address. The officer also puts out a radio bulletin which can now include not only the make and partial tag number but also the model year, the body style and the color. By cross matching the vehicle to the driver's license information for the registered owner we get a physical description of the vehicle owner and it matches the description obtained from the witnesses. And although we can't show it to the victim or witnesses without preparing a photo lineup, the officers can see the driver's license photo on their in-car computer. They now know what the suspect looks like. The second officer arrives within minutes at the address shown on the registration. The car isn't found so she takes up a surveillance position. Five minutes later the car pulls into the drive. The officer approaches and two people bail out of the car and run. Having looked at the photo on her computer, the officer immediately knows which of the two to pursue and not only catches the bad guy, but also recovers all of the stolen property, still in possession of the criminal. The prosecution of the case is further strengthened because the suspect is found not only possessing the stolen property, but it is minutes after the crime, not days. The suspect is still wearing the same clothing and was caught in the car described by the witness.

Which scenario do Kansans want for their state? I'm pretty sure they want the last one.

We strongly urge the legislature to support the funding mechanism necessary to accomplish this project. The results will not only increase efficiency but also provide a safer Kansas.



Ed Klumpp  
Chief of Police-Retired  
Topeka Police Department

Legislative Committee Chair  
Kansas Association of Chiefs of Police  
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**TESTIMONY PRESENTED BY MARK E. SCHEMM  
SMITH COUNTY TREASURER,  
SUPPORTING HOUSE BILL 2890  
BY THE HOUSE APPROPRIATIONS COMMITTEE  
MARCH 18, 2008**

Chairperson Schwartz and members of this committee, my name is Mark Schemm, Smith County Treasurer and member of the Kansas County Treasurers' Association Legislative Committee. I sincerely appreciate the opportunity you've given me to testify on behalf of Kansas Department of Revenue's Division of Vehicles Modernization Fund.

I would like to take a moment of your time to explain my qualifications for supporting HB 2890. I have 25 years of law enforcement experience eighteen of those years as a trooper for the Kansas Highway Patrol. As I said earlier I am now Smith County Treasurer. When I was working the road part of my duties were to enforce Kansas registration laws. Now it is my responsibility to make sure that when a member of the motoring public comes into my office that their vehicle is registered properly so that they can travel our roads and highways freely, and that the information about their vehicle is as accurate as possible for our law enforcement community.

The VEHICLE INFORMATION PROCESSING SYSTEM, better known as the VIPS system has not realized a substantial enhancement or replacement of software since its implementation in 1987. The rewrite of the CAMA software has taken years of funding from the VIPS enhancements which ultimately has had a negative impact on services provided to the end user of the system.

The problem is that our current system that handles every county across Kansas registering millions vehicles annually, collecting millions of dollars for the department of revenue in the form of fees, property taxes and sales taxes is failing every day across Kansas contributing to long lines of upset customers. When part of the system fails and a band-aid is applied other parts of the system fail or just quit working causing customers to come back when the system is repaired again. Many times repairs to the system have taken days to repair only to find that another part of the system has just went down. The infrastructure of the VIPS system just has too many miles on it and needs to be traded in on a bright shiny new one.

Previously I mentioned my law enforcement experience, go with me now and take a ride in my patrol car. Its 2 a.m. and we are attempting to stop a vehicle for a minor violation. We have just been informed that the registration system has failed and we are unable to get information on the vehicle prior to stopping it. That's when you get a chill down your back.

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Vehicle information under our present system for new title applications is not available to law enforcement for several days and not until the information is taken out of the "work in progress" field. Our law enforcement community needs a vehicle information system that is "real time" and can be counted on every hour of every day.

Many County Treasurers have been called after hours and on weekends because an officer needed vehicle information and we had to resort to the "hard copy" in the office to get them the necessary information.

In conclusion, Kansas County Treasurers have had a partnership with the State of Kansas when dealing with Motor Vehicle Services that has endured for many years. This partnership in the last decade has expanded to include drivers' license services by 74 County Treasurers, which I am sure will increase in the future. What has made this arrangement work so well in the past had been the support, trust and fairness the legislature has provided. Today, Kansas County Treasurers are here to request that this support, trust and fairness be renewed in the form of your approval of House Bill 2890.

At this time I will stand for questions or comments from the committee.

Nancy Weeks  
Haskell County Treasurer  
P O Box 577  
Sublette, Ks 67877  
620.675.2265  
hkcotrea@pld.com

**Written Testimony in Support of HB 2890**

Chairman Schwartz and Members of the House Appropriations Committee:

I am Nancy Weeks, Haskell County Treasurer and Legislative Chair of the Kansas County Treasurers Association. I have worked for Haskell County since 1972 and was elected Treasurer and went into office in 1975. I have been Treasurer ever since. I have been there from the time we typed everything to now where it is done on computer.

I was in office when the first Vehicle Information Processing System (VIPS) went into place. That was in 1987. Thirty years we have operated under a system that has been changed, updated and added to. It is barely holding together and we never know what part will work and which part will not. When something is downloaded to us for whatever reason another part of the program will not work. This is very frustrating to our employees when they have a customer in front of them waiting to get the work they need taken care of.

With a new VIPS System we would have real time updating of a customer's files, including real time insurance information. This system will also give Law Enforcement information that is updated to the minute on traffic stops, investigations or other records they are trying to get the latest information.

KCTA realizes that we are in desperate need of a new VIPS system. We have voted to support whatever funding this body deems appropriate. We would appreciate your support in helping the State of Kansas and our citizens to have the best Motor Vehicle System available. Please consider this important request for a VIPS Modernization Fund so a new VIPS System could be put in place.

Thank you for your time and attention to this very important funding request. I appreciate being able to provide written testimony.

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DATE 3-18-2008  
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March 10, 2008

The Honorable Sharon Schwartz, Chairperson  
House Committee on Appropriations  
Statehouse, Room 517-S  
Topeka, Kansas 66612

Dear Representative Schwartz:

SUBJECT: Fiscal Note for HB 2891 by Representative Yoder, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2891 is respectfully submitted to your committee.

HB 2891 would limit the maximum amount of the outstanding principal balance of State General Fund bonded debt issued by the Kansas Development Finance Authority so that the estimated outstanding principal balance is no greater than 20.0 percent of estimated State General Fund revenues for that year.

The Kansas Development Finance Authority, an independent instrumentality of the state, issues bonds on behalf of the State of Kansas. KDFA indicates that it would operate in accordance with the legislation, requiring no additional resources. KDFA projects an outstanding principal balance for bonds backed by the State General Fund of \$945.3 million at the end of FY 2009. According to the Consensus Revenue Estimate for FY 2009, the State General Fund will collect \$6,170.1 million. The proportion of outstanding principal balance to estimated State General Fund revenues would be 15.3 percent, or 4.7 percentage points less than the maximum allowed by HB 2891.

Sincerely,



Duane A. Goossen  
Director of the Budget

cc: Nancy Wolfe, KDFA

STATE OF KANSAS  
HOUSE OF REPRESENTATIVES

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yoder@house.state.ks.us



CHAIRMAN: GENERAL GOVERNMENT BUDGET  
MEMBER: APPROPRIATIONS  
JUDICIARY

KEVIN YODER  
20TH DISTRICT

TESTIMONY ON HOUSE BILL 2891

HOUSE APPROPRIATIONS COMMITTEE

MARCH 17, 2008

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CHAIRMAN SCHWARTZ, VICE-CHAIRMAN TAFANELLI AND MEMBERS OF THE COMMITTEE:

Thank you for taking time to conduct a hearing on HB 2891, which creates a limitation on outstanding principal of state general fund bonded debt by creating a debt ceiling on bonds that can be authorized by the Kansas Legislature.

Over the past 10-15 years, I'm sure we are all aware of the amount of debt that the state of Kansas has acquired. Some basic statistics:

- In 1992, the state of Kansas had a total debt burden of \$424 M
- In 2008, we are now carrying approximately \$3.8 Billion
- In 1998, Kansas was ranked 50 out of 50 states in debt per capita
- In 2005, US Census Bureau had us at 35<sup>th</sup> with debt per capita rising from \$536.74 in 1998 to \$1,862.00 in 2005.
- Moody's shows our Tax Supported Debt as a percent of Personal income going from 25% of the national average in 1991 to significantly above the national average in 2006.

We are quickly moving from a low, pay-as-you-go, debt state to a high debt state. I believe, like many of you that in order to keep a manageable state budget, and to utilize our tax dollars in the most efficient way that we have to start figuring out ways to control that debt.

The bi-partisan bill that I and 11 co-sponsors have put forward today is a bill to cap the amount of debt that the state general fund can be responsible for, by limiting state general fund debt to not more than 20% of the total state general fund available in a given year. This allows the cap to be fluid and indexed to our current expenditures.

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House Appropriations Committee  
HB 2891  
Testimony by Rep. Yoder  
P. 2

Currently the state general fund is obligated to pay bond payments on \$945 M worth of debt. There is approximately \$150 M in SGF bonds that have been issued but not authorized, bringing the total debt obligated by the SGF to approximately 1.1 B. Current SGF is at about \$6.1 B which puts the amount of debt at about 18% of the total SGF. The bill before you would cap the amount of debt at 20%

With passage of this legislation, we take a symbolic and crucial first step at our efforts to reign in state spending and taxation. In the 2009 budget we are spending \$137,236,000 in Principal bond payments and \$150,484,657 in Interest. These are line items that are a drag on our expenditures and a burden on Kansas citizens.

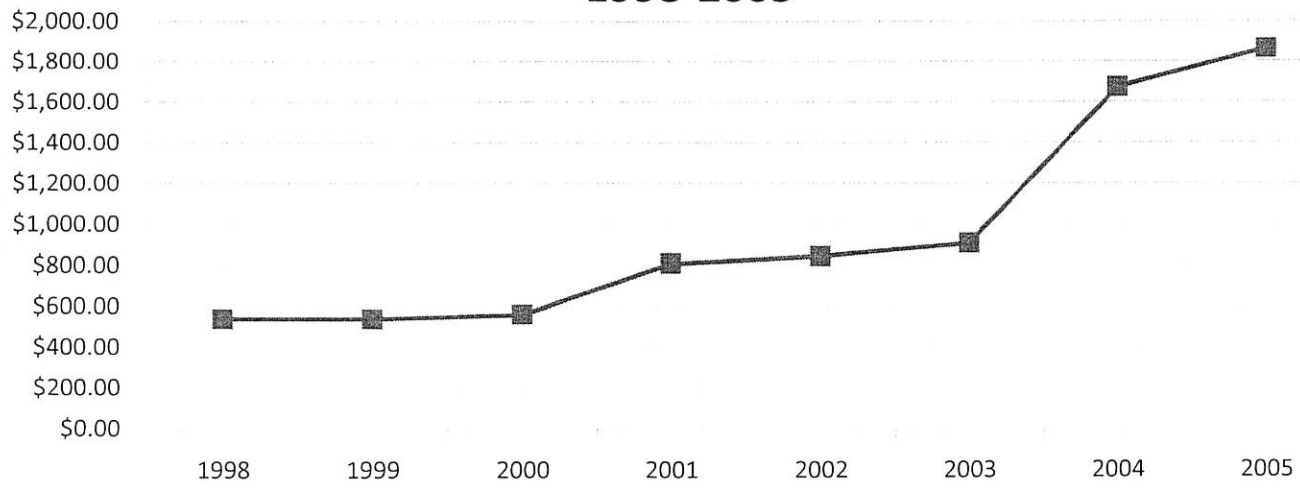
While this legislation seeks to slow down the growth in state debt, it does not seek to eliminate our bonding authority or stop state building projects. Certainly, for capitol improvement projects the state probably needs to look at selling bonds. The question is how much of this debt can we take on at one time. With this legislation, we draw a line in the sand and state clearly that we need to pay down debt before taking on additional obligations.

Thank you for your time.

8-3

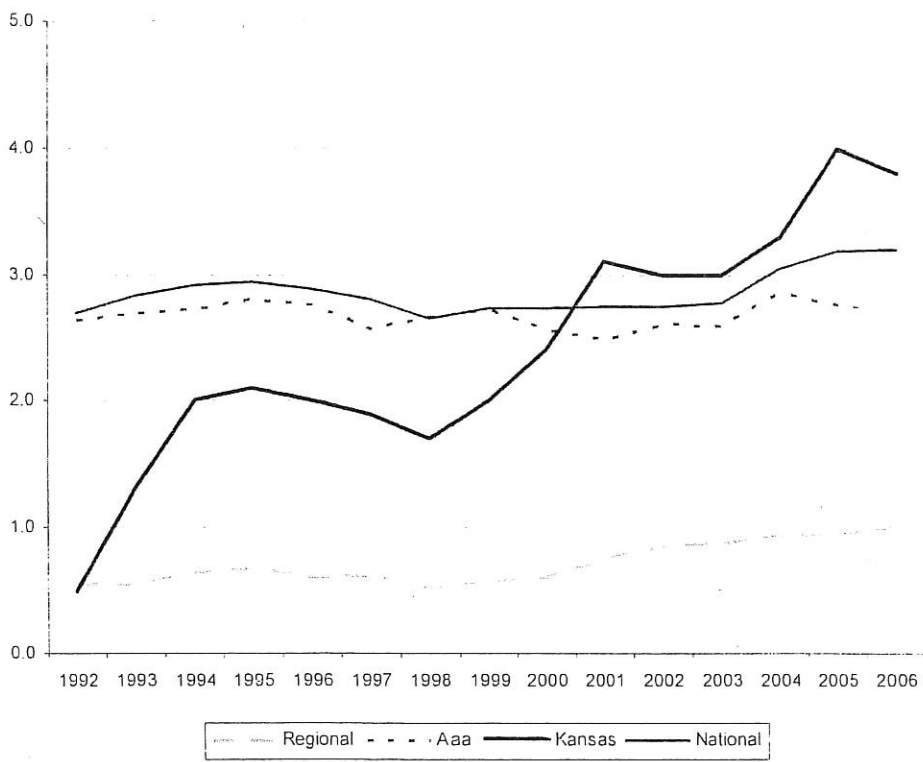
Year	Per Capita State Debt
1998	\$536.74
1999	\$536.74
2000	\$559.00
2001	\$808.00
2002	\$844.00
2003	\$907.00
2004	\$1,672.00
2005	\$1,862.00

**Kansas-Per Capita State Debt  
1998-2005**



Source: U.S. Census Bureau

Tax-Supported Debt as a Percent of Personal Income, 1992 to 2006  
(Data from Moody's Investors Service)





## Testimony in Support of House Bill 2891

Barry W. Poulson

Advisor to the American Legislative Exchange Council Task Force on Tax and Fiscal Policy

I am Professor of Economics at the University of Colorado. I am speaking in support of this Bill on behalf of the American Legislative Exchange Council.

This Bill would cap the amount of debt the state can incur as a share of general fund revenue at 20 percent. It is especially important for Kansas to impose this cap on state debt. There has been an unprecedented increase in the debt burden imposed by the state on Kansas citizens. In 1992 Kansas debt burden was less than half a billion dollars, about average for a state its size. From 1992 to 2000 the total state debt increased fourfold; and, over the next five years the debt burden doubled again to about \$4 billion dollars. This incredible increase in the debt burden puts Kansas second only to Wyoming in the growth of debt since 1992.

This increase in debt has been a major factor in the increasing tax burden on Kansas Citizens. Taxes in Kansas are at an all time high. This year state and local taxes will capture 11.2 percent of the state's income. At no other time in the state's history have state and local governments imposed such a heavy tax burden on citizens.<sup>1</sup> Three decades ago Kansas ranked among the low tax states. In recent years Kansas has ranked among the most heavily taxed states in the country.

What is disturbing is how rapidly Kansas' competitive position in tax policy has deteriorated. From 2000 to 2004 Kansas' ranking in relative tax burdens increased from 22<sup>nd</sup> to 10<sup>th</sup>. There is no other state in the nation in which the tax burden increased as rapidly as Kansas' over this period.

The graduated income tax in Kansas results in a ratcheting up of revenue and spending from one business cycle to the next. In periods of rapid economic growth, income tax revenue increases more rapidly than income. State spending then increases to match the higher level of revenue.

In periods of recession, income tax revenue falls more rapidly than income. Politicians attempt to offset this revenue shortfall with "temporary" taxes, fees, and debt. That additional revenue then becomes built into permanent spending programs, and the "temporary" taxes, fees, and debt become permanent. In this way spending and revenue ratchet up from one business cycle to the next.

This ratcheting up of revenue and spending was especially evident during the most recent business cycle. In the 1990's when the economy was booming revenue grew more than 7 percent per year, outpacing the growth in income, which grew 5.2 percent per year. When recession hit in 2001 the state experienced a revenue shortfall. Most of that revenue shortfall was due to declines in personal and corporate income tax revenue. As they had in prior recessions, politicians responded to the revenue shortfall by increasing taxes and fees, and by issuing more debt.

In recent years Kansas has been in a race to the bottom to become the most heavily taxed state in the region. While Kansas has been raising taxes, surrounding states have pursued more prudent tax policies.

The sharp increase in taxes and debt in Kansas has resulted in deterioration in the state's business tax climate. Over the past decade Kansas has consistently ranked among the bottom group of states in business tax climate. Among the surrounding states only Nebraska has a lower business tax climate ranking.

<sup>1</sup> Total state and local tax burden as a share of personal income, Tax Foundation data based on Bureau of Economic Analysis and the Census Bureau of the U.S. Department of Commerce. <http://www.ta>

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During the past decade Kansas has been an underachiever in economic growth, especially when compared to the more rapidly growing neighboring states like Colorado. Many factors have contributed to this relative retardation in economic growth in Kansas. There is a growing body of evidence that a heavy tax burden is a major factor contributing to slower growth in the states, and Kansas in recent years has fallen into this category of one of the nation's heavily taxed states.<sup>2</sup>

The fatal flaw underlying the structural deficit in the Kansas state budget is unconstrained growth in state spending. Over the last three decades, the growth in state spending has far outpaced the growth in personal income. Over that period, the compound annual rate of growth in expenditures from all funds increased 8 percent per year. Expenditures from all funds as a share of personal income increased from 9.1 percent to 12.5 percent.<sup>3</sup>

The growth in expenditures from state general funds was even more rapid, increasing 10.4 percent over the last three decades. General fund spending as a share of personal income increased from 4.0 percent to 5.7 percent.<sup>4</sup> Among surrounding states Kansas is second only to Nebraska in the share of government in personal income.

This unconstrained growth in state spending has continued in recent years. Over the past three budget cycles General Fund Spending increased 8.6%, 9.6%, and 8.6%. In the current budget cycle FY2006 to FY2008 state General Fund spending is projected to increase an incredible 18%, far outstripping the growth in the state economy.

Kansas has a structural deficit in the state budget. During the recent recession, state expenditures from all funds continued to grow despite the fall in revenue. Expenditures from state general funds decreased when the recession hit, but have since recovered.<sup>5</sup> Even with the recent recovery from the current recession, revenue growth will be insufficient to fund the spending projected under current policies. The budget is projected to incur a deficit of half a billion dollars in the current budget cycle.

One must conclude that, in the long run, the structural deficit in the state budget is due not to a lack of revenue, but rather to unconstrained growth in spending. In periods of rapid growth, such as the 1990s, the structural deficit is obscured by rapid growth in revenue. But, when recession hits, as it did three years ago, the structural deficit emerges when revenue falls and the state cannot sustain the high levels of spending.

If Kansas continues to follow its current fiscal policies, the state will likely experience a structural deficit punctuated by periods of fiscal crises. Solving Kansas' fiscal crisis in the long run requires the elimination of this structural deficit. This Bill capping the amount of debt the state can incur is an important step toward the fiscal discipline required to eliminate the structural deficit in the state budget.

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<sup>2</sup> "State Business Tax Climate Index Ranks State Tax Systems On How Friendly They Are to Business", *The Tax Foundation*, Washington, D.C.. May 22, 2003.

<sup>3</sup> Op. Cit. "Kansas Fiscal Facts", and "U.S. Census Bureau".

<sup>4</sup> Ibid.

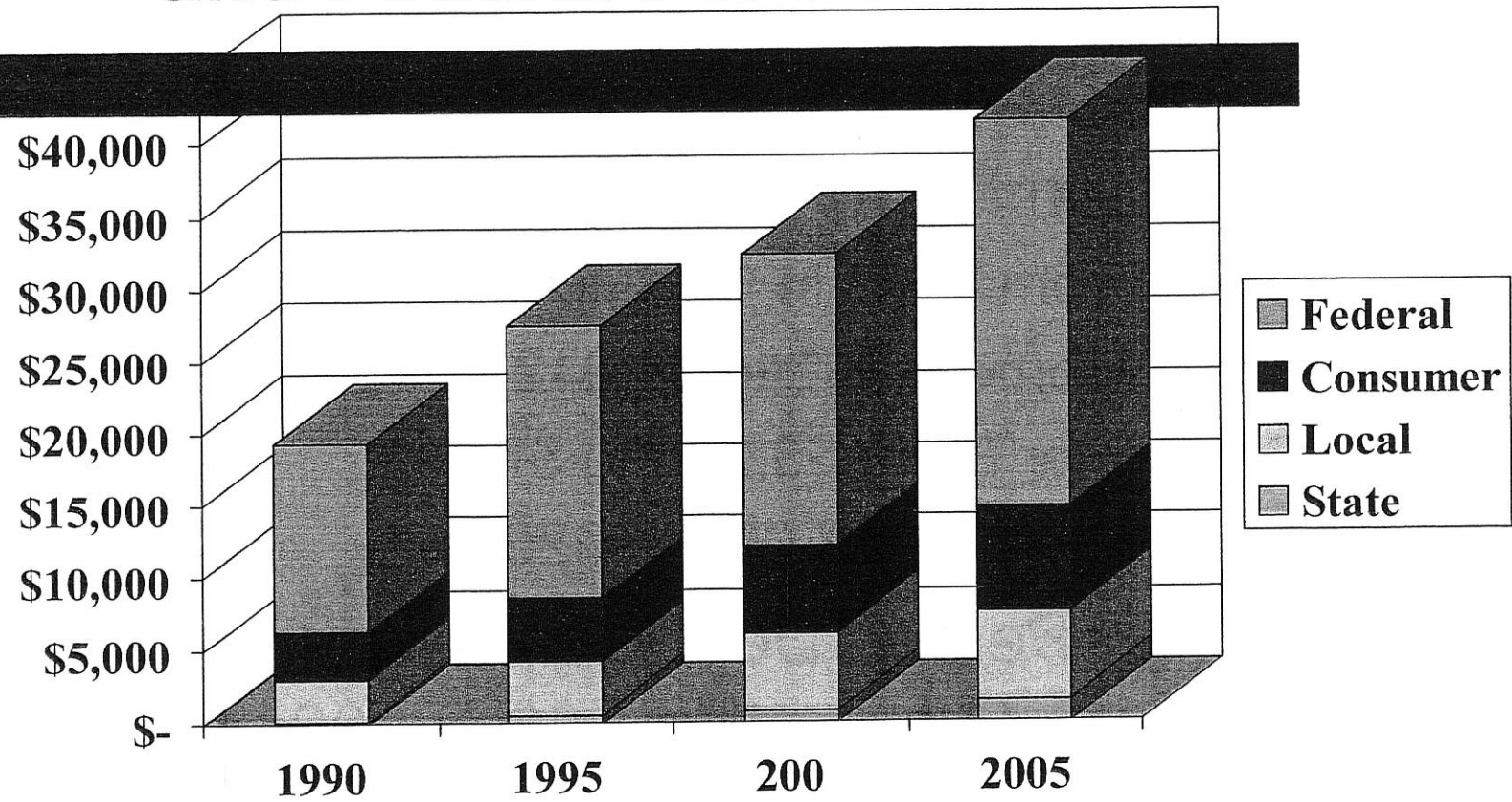
<sup>5</sup> Ibid.

# How Much Are We In Debt? Does Debt Matter?

Presented by:  
Rep. Kenny Wilk



# State & Local Government, Consumer and Federal Per Person Debt



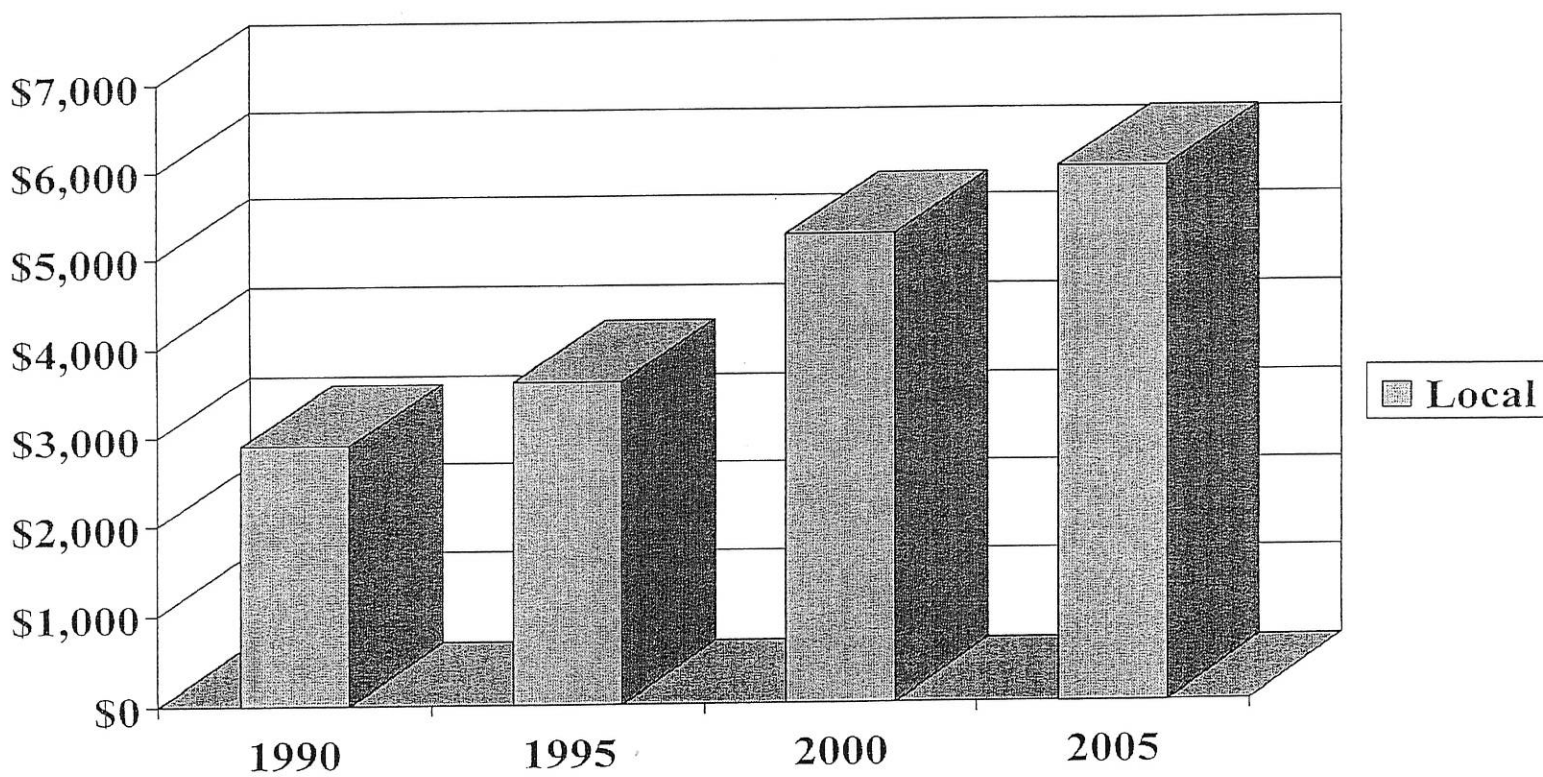
Source: Legislative Research Department

# Compounding Debt Effect For Kansas Citizens

- Per Person Debt Increases
  - State From \$163 in 1990 to \$1,548 in 2005
  - Local From \$2,897 to \$6,012
  - Consumer From \$3,250 to \$7,243
  - Federal From \$13,000 to \$26,763
- Total Per Person Debt Increases From \$19,310 in 1990 to \$41,566 in 2005

Source: Legislative Research Department

# Per Person Local Government Debt



Source: Legislative Research Department

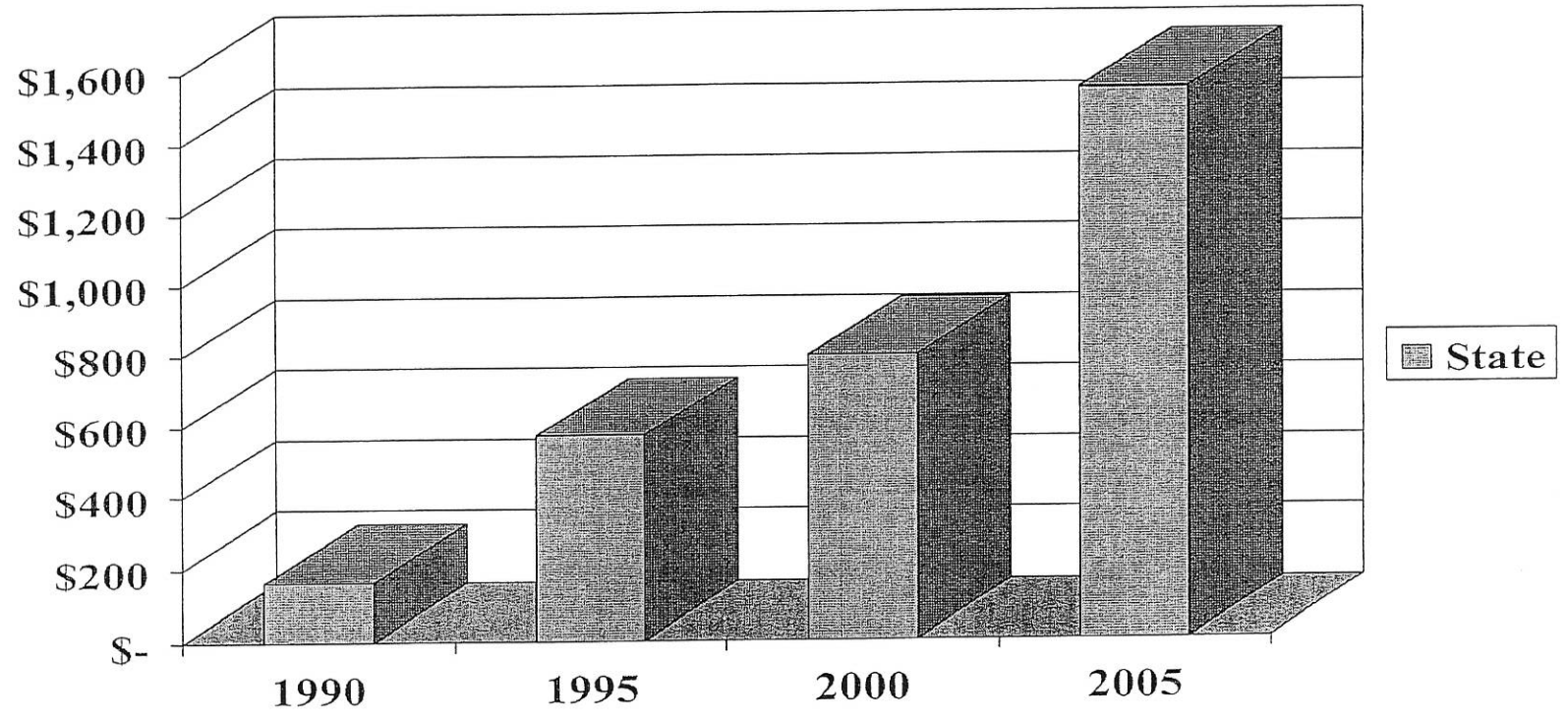
# Per Person Local Government Debt

- According To Figures From The State Treasurer  
(Based on Statewide Averages)

- *Total Local Debt Of Kansas In 1990 - \$7.178 Billion Or \$2,897 Per Person*
- *Total Local Debt Of Kansas In 2005 - \$16.500 Billion Or \$6,012 Per Person*
- *Total 15 Year Increase - \$9.322 Billion Or \$3,114 Per Person*
- *Total 15 Year Percent Increase – 129.9 Percent Or 107.5 Percent Per Person*
- *Total 15 Year Percent Increase In Inflation - 49.4 Percent (as measured by CPI-U)*

Source: Legislative Research Department

# Per Person State Debt



Source: Legislative Research Department



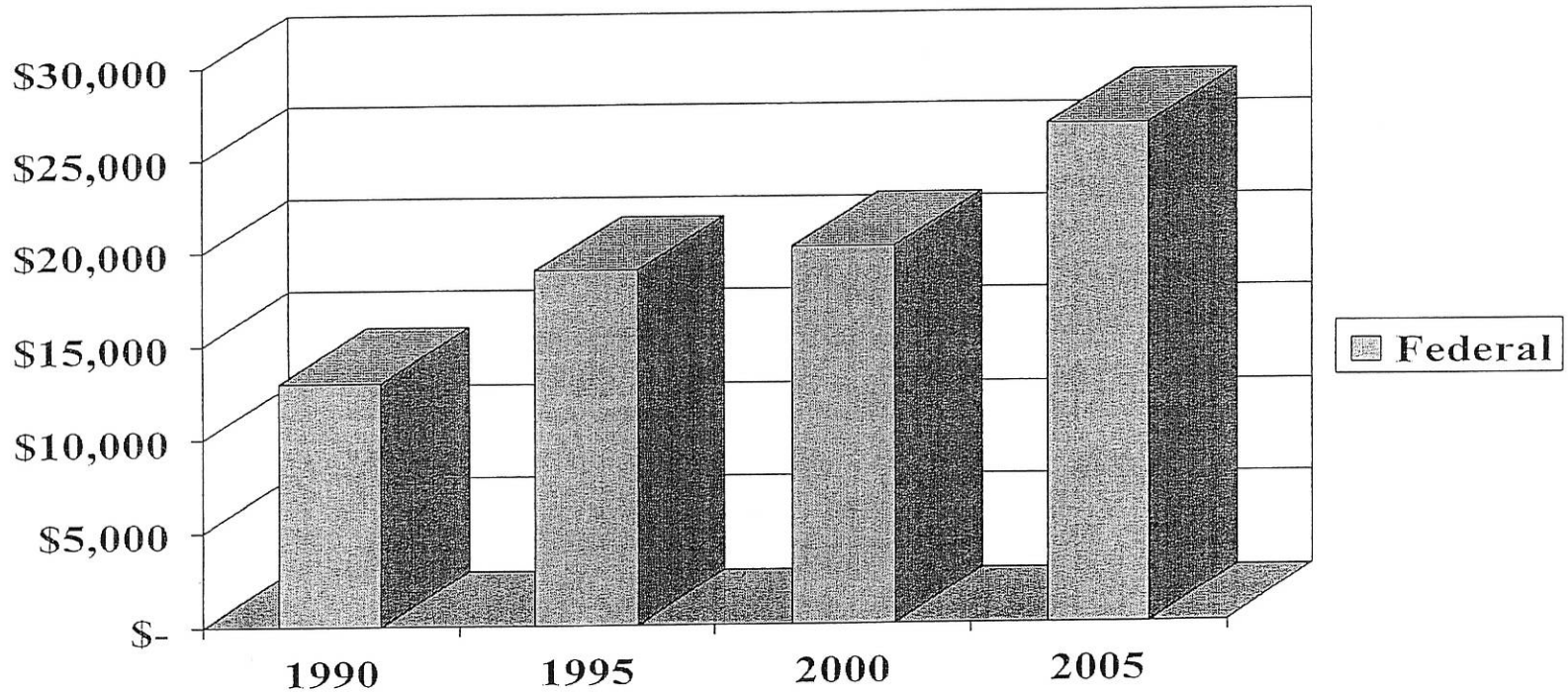
# Kansas State Government Debt

- According To Figures From The State Treasurer  
(Based on Statewide Averages)

- Total State Of Kansas Debt In 1990 - \$403.6 Million Or \$163 Per Person
- Total State Of Kansas Debt In 2005 - \$4.249 Billion Or \$1,548 Per Person
- Total 15 Year Increase - \$3.846 Billion Or \$1,385 Per Person
- Total 15 Year Percent Increase - 952.9 Percent Or 850.4 Percent Per Person
- Total 15 Year Percent Increase In Inflation - 49.4 Percent (as measured by CPI-U)

Source: Legislative Research Department

# Per Person Federal Debt



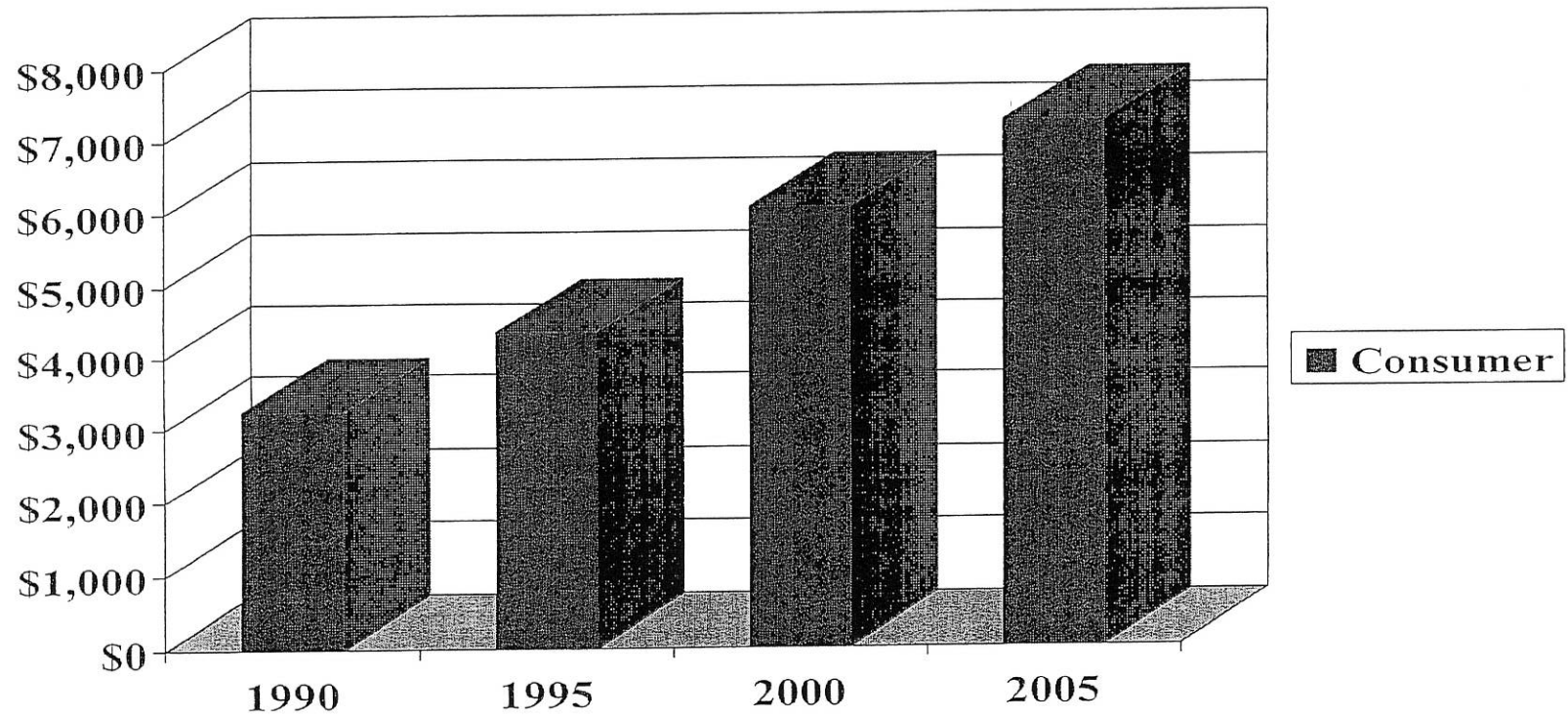
Source: Legislative Research Department

# Federal Government Debt

- According To Figures From The Census Bureau  
(Based on Nationwide Averages)
  - Total United States Federal Debt In 1990 - \$3.233 Trillion Or \$13,000 Per Person
  - Total United States Federal Debt In 2005 - \$7.932 Trillion Or \$26,743 Per Person
  - Total 15 Year Increase - \$4.699 Trillion Or \$13,762 Per Person
  - Total 15 Year Percent Increase – 145.3 Percent Or 105.9 Percent Per Person
  - Total 15 Year Percent Increase In Inflation - 49.4 Percent (as measured by CPI-U)

Source: Legislative Research Department

# Per Person Consumer Debt



Source: Legislative Research Department

# Consumer Debt

- According To Figures From The Federal Reserve  
(Based on Nationwide Averages)
  - Total United States Consumer Debt In 2005 - \$2.147 Trillion Or \$7,243 Per Person
  - Total 15 Year Increase - \$1.339 Trillion Or \$3,994 Per Person
  - Total 15 Year Percent Increase – 165.6 Percent Or 122.9 Percent Per Person
  - Total 15 Year Percent Increase In Inflation - 49.4 Percent (as measured by CPI-U)
  - Total United States Consumer Debt In 1990 - \$808.235 Billion Or \$3,250 Per Person  
(Excludes Home Mortgages)

Source: Legislative Research Department



# AMERICANS FOR PROSPERITY KANSAS

March 18, 2008

Madam Chair and members of the committee,

On behalf of the 15,000 members of Americans for Prosperity, we are here to offer our support of HB 2891.

Since the early 1990s, Kansas has increasing added to its state debt. From a low debt state in 1990, we are now ranked 16<sup>th</sup> highest state debt as a percent of personal income.

In fact, during this time Kansas' rate of debt accumulation ranks us as the state with the 2<sup>nd</sup> fast rate of debt growth.

**Why too much debt is a problem?** "To be affordable debt, the repayment of debt should not cause a jurisdiction's tax rate to increase to uncompetitive levels in order to cover the debt service, nor should the repayment of debt negatively impact the provision of ongoing public services. ....High taxes and public service disruptions can make the State less attractive as a place in which to live and work. In addition, the long-term nature of debt and high levels of debt service can have a severe impact on the State's financial condition. Future revenues will be tied to debt service payments and reduce the State's flexibility to adapt to changing economic conditions and public service needs." *State of Kansas Debt Affordability Report, Dr. Bart Hildreth, Wichita State University.*

There is no free lunch. Money to pay off debt service comes from somewhere and that somewhere is the Kansas taxpayer. The notion that this debt buys "stuff" and therefore it is good for the economy regardless of a cost/benefit analysis doesn't make a lot of sense.

**Kansas vs. our neighbors.** Our state debt is significantly higher than our neighbors, even though that was not the case at one time. And the numbers have only become more dramatic since our last debt report in report 2006.

- Kansas' debt per capita is much higher than ALL the surrounding states; in fact, Kansas is 264% higher than our highest neighbor Missouri and 5,585% higher than Nebraska. (*Moody's 2007 State Debt Medians, April 2007*)

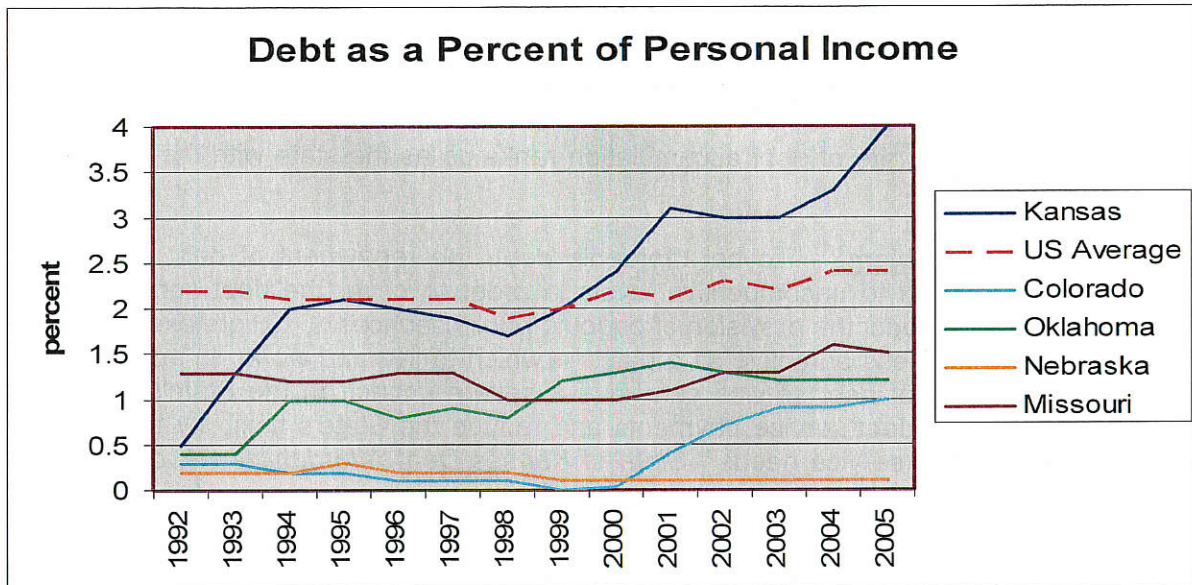
	<b>2007</b>	<b>2004</b>
○ Kansas	\$ 1,173	\$963
○ Missouri	\$ 443	\$461
○ Oklahoma	\$ 428	\$315
○ Nebraska	\$ 21	\$ 43

- Kansas' 2007 debt as a percent of personal income ranks much higher than ALL the surrounding states (*Moody's 2007 State Debt Medians, April 2007*)

- Kansas 16<sup>th</sup>
- Missouri 36<sup>th</sup>
- Oklahoma 37<sup>th</sup>
- Colorado 48<sup>th</sup>
- Nebraska 49<sup>th</sup>

## Kansas Debt Facts

- Kansas debt has increased 678% since 1992, from \$424 million in 1992 to \$3.36 billion in 2007.
- Kansas 2007 total debt service (principle + interest) was \$268 million. (*Kansas Legislative Research, 2007*)



- Kansas ranks 2nd in the growth of debt as a percent of personal income: 1992-2007 (640% increase).
- In 1992, the states that most resembled Kansas in debt as a percentage of personal income were Indiana, Arkansas and Oklahoma. However, for 2007, Kansas has 2.5 times more debt than Oklahoma, 2.6 times more than Arkansas and 1.7 times more debt of Indiana. (*Moody's 2007 State Debt Medians, April 2007*)
- During this same time ('92-'07) 19 states actually DECREASED their debt as a percent of personal income. (*Moody's Investors Service, 2007*)
- Kansas debt as a percent of personal income has increased 640% between 1992-2007. During this same time, the US average increase was only 13%. (*Moody's 2007 State Debt Medians, April 2007*)

## Kansas Constitution: Let the People Decide.

The Kansas Constitution gives the legislature authority to issue up to \$1 million in General Obligation debt. Beyond that level, Kansas citizens, in a direct vote of the electors, are to decide whether to allow the state to move further into indebtedness.

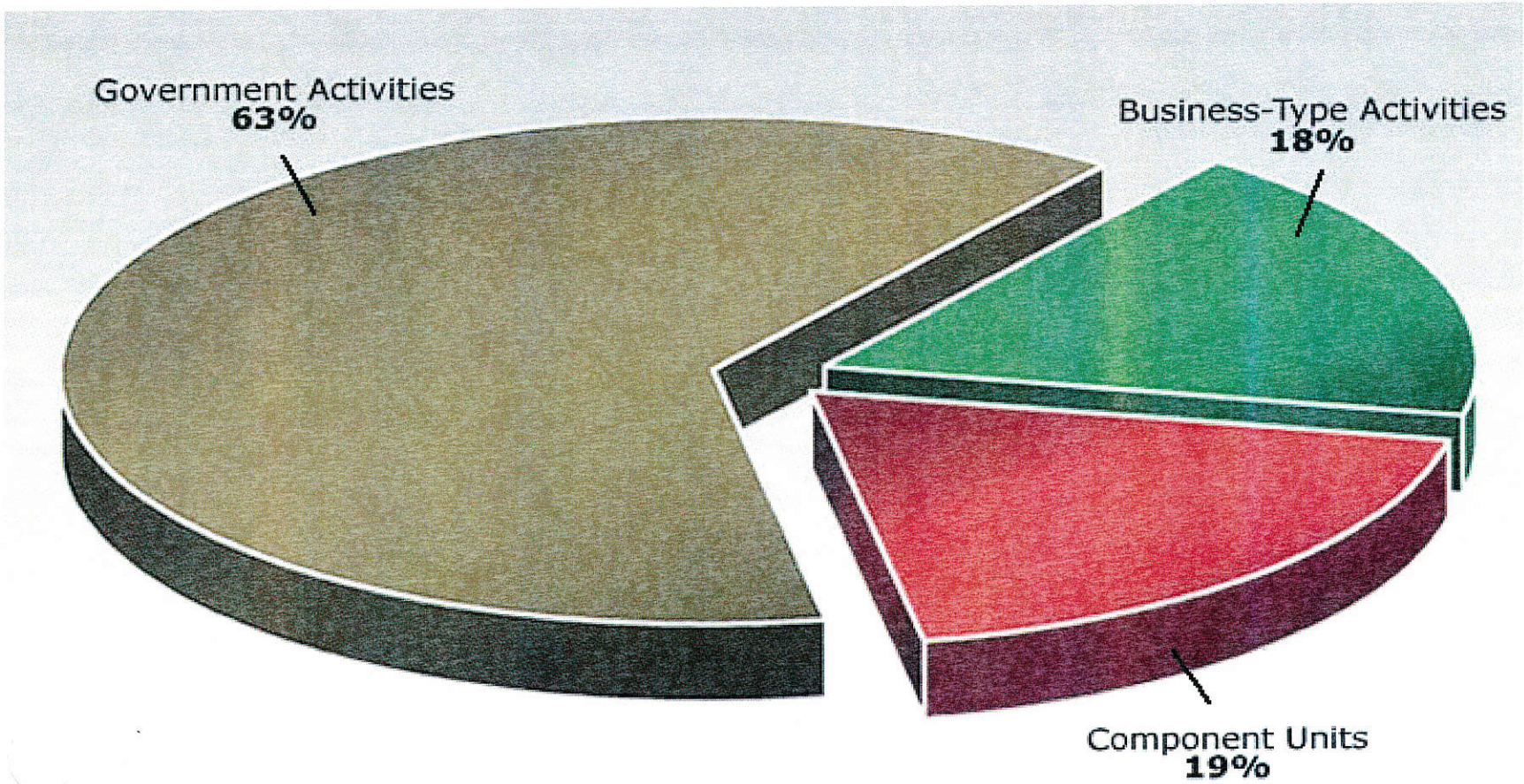
## Kansas Debt Explosion: Would Kansans have approved?

- The Kansas Legislature has circumvented a direct vote of the people by issuing bonds that are not General Obligation, but instead, rely on a devoted stream of revenue and assurance of the legislature to pay the debt service when owed. **This does beg the hypothetical question: Would Kansas voters have approved this debt explosion?**

Fiscal Year 2007	Government Activities	Business-Type Activities	Component Units	Total
Revenue bonds payable	\$2,740,099	\$714,857	\$684,398	↓
Sales tax limited obligations bonds	\$218,420	\$0	\$0	
Notes payable	\$18,278	\$0	\$120,443	
Capital leases payable	\$145,366	\$0	\$16,143	
Arbitrage rebate payable	\$97	\$1,340	\$69	
Claims & judgements	\$61,593	\$180,801	\$0	
Compensated absences	\$118,796	\$59	\$52,503	
Other	\$0	\$13,730	\$127,836	
<b>Total</b>	<b>\$3,302,649</b>	<b>\$910,787</b>	<b>\$1,001,392</b>	

expressed in thousands

11-3





**KANSAS TAXPAYERS NETWORK**

**P.O. Box 20050  
Wichita, KS 67208  
March 18, 2008**

**web:www.kansastaxpayers.com  
316-684-0082  
Fax 316-684-7527**

**Testimony Supporting H.B. 2891  
By Karl Peterjohn, Executive Director**

H.B. 2891 would establish a statutory limit on debt that can be issued by the Kansas Development Finance Authority. This proposed statute would tie this limit to 20 percent of state general fund revenue.

Kansas Taxpayers Network believes that this percentage is a very generous and flexible limitation that could be tightened to a smaller percentage to improve this proposed legislation.

Article 11 Section 7 of the Kansas Constitution has a much tighter limit on issuing debt and established a principle that is worthy of consideration whenever bonds and state indebtedness are considered: vote approval. The Kansas Taxpayers Network would like to see a requirement that voters approve additional Kansas state debt.

Requiring voters to approve a bond issue is quite common in other states and these statewide bond referendums are fairly common across the country. Voters should have a say on taking on long-term debt. An excess of state debt can tie elected officials hands and place the state in a difficult financial position. Debt is like the old definition of fire, a dangerous servant and fearful master.

A bond is in one sense very much like a home mortgage and additional financial burden that is placed upon all of the people of this state. This is an important fact that should never be far from lawmakers' minds when proposals to expand the debt are being considered.

All of the homeowners I know vividly remember the day that they bought their first home and took up the burden of paying a home mortgage. Bonding is the statewide equivalent and this obligation deserves more public attention and discovery than the recent indebtedness that has been added upon the citizens of this state during the last few years.

H.B. 2891 would provide a first step in providing more attention on state bonding as well as a statutory limit that would fit nicely into other fiscally important statutes like the ending balance law.

**HOUSE APPROPRIATIONS**

**DATE** 3-18-2008  
**ATTACHMENT** 12

February 26, 2008

The Honorable Sharon Schwartz, Chairperson  
House Committee on Appropriations  
Statehouse, Room 517-S  
Topeka, Kansas 66612

Dear Representative Schwartz:

SUBJECT: Fiscal Note for HB 2884 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2884 is respectfully submitted to your committee.

HB 2884 would establish the Kansas Broadband Initiative and the Rural Broadband Grant Program. The new program would be administered by the Kansas Technology Enterprise Corporation (KTEC) and is designed to stimulate and expand rural broadband investment and use. The bill would create the Kansas Broadband Initiative Board of Directors to award grants to governmental agencies or not-for-profit organizations. The Kansas Broadband Initiative Board of Directors would include three members appointed by the Governor, three members appointed by the KTEC Board of Directors, two members of the Senate appointed by the President of the Senate, two members of the House appointed by the Speaker of the House of Representatives, one member of the Senate appointed by the Minority Leader of the Senate, and one member of the House appointed by the Minority Leader of the House of Representatives. The Board would be required to meet four times per year.

Grants would be used to support locally-led education and outreach efforts aimed at bringing the benefits of broadband to rural households and businesses. Grant funding would also be available to finance and facilitate workshops in order to develop strategies to apply rapid deployment of other advanced communications. Each grant would require a \$1 for \$1 match on a cash basis from non-state sources and in-kind contributions are encouraged as an indication of organizational support for the project being proposed.

**HOUSE APPROPRIATIONS**

The Honorable Sharon Schwartz, Chairperson

February 26, 2008

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Estimated State Fiscal Effect				
	FY 2008 SGF	FY 2008 All Funds	FY 2009 SGF	FY 2009 All Funds
Revenue	--	--	--	--
Expenditure	--	--	--	\$600,000
FTE Pos.	--	--	--	--

HB 2884 appropriates \$600,000 from the Economic Development Initiatives Fund to KTEC to administer this new grant program. The bill specifically appropriates \$50,000 for administrative costs to implement this new program and \$550,000 for grants. KTEC indicates that it would not add staff to administer this program, but would likely hire a consultant to market the program and provide program development and implementation. Any fiscal effect associated with HB 2884 is not reflected in *The FY 2009 Governor's Budget Report*.

Sincerely,



Duane A. Goossen  
Director of the Budget

cc: Larry Baer, League of Kansas Municipalities  
Kevin Carr, KTEC

13-2

To: House Appropriations Committee

Representative Schwartz, Chairperson  
Representative Tafanelli, Vice-chairperson  
Representative Beamer  
Representative Bethell  
Representative George  
Representative Holmes, M  
Representative Kelsey  
Representative Masterson  
Representative McLeland  
Representative Pottorff  
Representative Powell  
Representative Watkins  
Representative Wolf, K  
Representative Yoder  
Representative Feuerborn  
Representative Ballard  
Representative Burroughs  
Representative Carlin  
Representative Gatewood  
Representative Henry  
Representative Lane  
Representative Sawyer  
Representative Williams

From: Marc Galbraith, Deputy Director  
State Library of Kansas

Date: March 18, 2008

Good morning Madam Chairperson and members of the committee. Thank you for the opportunity to visit with you about HB 2884.

My name is Marc Galbraith; I'm the Deputy Director at the State Library of Kansas, speaking today on behalf of the State Library and those libraries we are privileged to serve.

We asked for time on your agenda today because high-speed broadband access is important to all Kansas libraries. In fact, I'd say it is a critical resource.

It is a critical resource because libraries, just like the rest of the country today, conduct business and provide services that are dependent on quality Internet access.

**HOUSE APPROPRIATIONS**

DATE 3-18-2008  
ATTACHMENT 14

Every library in Kansas offers public access to the Internet, but a recent study finds that less than 20% of our libraries are able to secure high-speed broadband access. Why is that so? Well, the reasons vary, but they come down to cost and geography. Oftentimes, it's the rural areas where broadband is hardest to find and the most expensive. Of course, it's also those areas where the smallest libraries exist and where they try to operate with the smallest of budgets.

What we also know is that, while libraries offer many wonderful services that are delivered online, libraries are also the place that 30% of the population turns to when they need Internet access. These users don't have Internet access at home. These individuals need their local library and its Internet access to do homework, to apply for jobs, to conduct e-government and to send e-mail to family and friends. If libraries cannot deliver the information-rich content needed, these users will be left out of the modern information marketplace.

So we support HB 2884. During the winter and spring of 2007 the State Library of Kansas participated in a study of nine states that focused on broadband access and public libraries. The study was conducted by the American Library Association, with support from the Bill and Melinda Gates Foundation. The study included several states where high-speed broadband had largely been deployed to libraries and schools. Among those states are Missouri, Wisconsin, New Jersey, Ohio and others. The study also looked at several states that still face the broadband deployment challenge. Kansas was among the latter group.

The study, of course, looked at a variety of models that might be applicable to states like Kansas. One such model was Connect Kentucky, a public and private initiative. Connect Kentucky was designed, in fact, to bring a contingent of local interest together to focus on broadband technology applications. Each locality was encouraged to form e-community groups of local government, business, education, health care, tourism, libraries and others interests.

Those local teams conducted grass root awareness campaigns to identify applications requiring broadband now and in the future. They worked on the principle that it's not enough to focus on supply, but that in many cases you have to work on stimulating and creating local demand. I'm greatly oversimplifying, but HB 2884 reminds us of Connect Kentucky. We think HB 2884 could play a key role in finally realizing the deployment of broadband to rural communities and rural libraries.

HB 2884 also appears to mirror one of the primary recommendations of the American Library Association study cited earlier. That recommendation encourages libraries to join with other local interest to first identify and then aggregate demand for high-speed broadband and by doing so, attract the

supply they need. So we believe HB 2884 moves Kansas close to adopting the key American Library Association recommendation.

We encourage you to support HB 2884.

Thanks again for this opportunity to visit with you this morning.

14-3

**Testimony-HB2884**  
**KTEC BROADBAND INITIATIVE**  
**(March 18, 2008)**

Good Morning Mr. Chairman, House Committee members. My name is Jim Dahmen, I am General Manager of Columbus Telephone Company, Columbus, Kansas. Thank you for the opportunity to address you this morning on a technology needing to take, "the next step."

Five years ago, if many U.S. citizens wanted to take to the streets carrying placards demanding something, those signs might very well have read: We Want Broadband!, We Want Broadband! However, according to a just released report from Leichtman Research Group, Inc. (LRG) of Durham, NH, 2007 saw the slowest increase in broadband subscription levels among large providers since 2003. In 2007, 8.5 million broadband customers were added representing a drop from 10.4 million in 2006, and below 2005's, 9.9 million.

According to LRG the top 19 broadband providers (61.9 million customers) constitutes 94% of the market. That is about the same as the penetration levels for plain old telephone service. It is safe to conclude that broadband is at, or nearing, what could be called a maturing market. Yes, there is still room for added growth but in many cases, the laws of physics, technology and economics collide to preclude reaching 100% today.

In my opening paragraph, I mentioned a technology needing to take, "the next step", and by that I mean we must now figure out how we can get Kansas service providers like rural hospitals to apply eMedical Records to their capabilities. We must encourage our County Court House and City Halls to apply eGovernment services to their services. We must demonstrate to our School systems how they can teach a home-bound student over a broadband connection.

A recently released opinion paper from the United States Internet Industry Association (USIIA), conceded a lack of consensus on what constitutes, "broadband." Some sources say 200 kilobits-per-second, while others use 256kbps or higher. Even our government agencies can't agree on what "rural"

HOUSE APPROPRIATIONS

DATE 3-18-2008

ATTACHMENT 15

is. Despite the debate of one speed vs. another or rural vs. urban, in Kansas a great many of our citizens

have a broadband connection. Cable companies and rural telephone companies have made great strides in reaching their customers with broadband.

The real issue is, and this is where the Kansas Legislature has a window of opportunity for creating public-public partnerships; Through HB2884, the State of Kansas can partner, through demonstration projects, with rural hospitals in installing eMedicine/eMedical Records for improved service and reduced errors. You can partner with a City Hall or County Court House in bringing eGovernment to your constituents. You can partner with a rural school by reaching beyond Distance Learning and take learning right into the home of a sick child.

Ladies and gentleman, the problem is broadband adoption, with meaningful applications beyond e-mail and web-surfing, not the deployment of broadband. Rural telephone companies in Kansas are reaching your constituents with some very fast speeds. I encourage you to capitalize on the window of opportunity you have before you in HB2884.

Thank You

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