Approved: May 7, 2008
Date

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:35 A.M. on February 27, 2008, in Room 123-S of the Capitol.

All members were present except:
Senator Steve Morris - excused

Committee staff present:
Jill Wolters, Senior Assistant, Revisor of Statutes
Alan Conroy, Director, Kansas Legislative Research Department
Kristen Clarke Kellems, Assistant Revisor of Statutes
Audrey Dunkel, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Jarod Waltner, Kansas Legislative Research Department
Melinda Gaul, Chief of Staff, Senate Ways & Means
Mary Shaw, Committee Assistant

Conferees appearing before the committee:
Senator Ralph Ostmeyer
Senator Tim Huelskamp
Kevin Robertson, Executive Director, Kansas Dental Association
Joyce Tibbals, Assistant Director, Rural Health Education & Services, KU Medical Center
Ashley Jones, Local Initiatives Support Corporation (LISC)
A. Michael Klein, Divisional Government Relations Director, Salvation Army
Monika Eichler, Office of Mental Health Research & Training, School of Social Welfare, University of Kansas
Jay Preston My Father's House, Paola

Others attending:
See attached list.

Bill Introductions

Senator Schodorf moved, with a second by Senator Wysong, to conceptually introduce a bill concerning virtual schools in education. Motion carried on a voice vote.

Senator Kelly moved, with a second by Senator Schodorf, to introduce a bill regarding a comprehensive statewide smoking ban (7rs1953). Motion carried on a voice vote.

Senator Goodwin moved, with a second by Senator Emler, to introduce a bill conceptual bill for the Governor's KPERS COLA. Motion carried on a voice vote.

The Chairman referred the Governor's KPERS COLA bill (no bill number at this time) to the KPERS Budget Subcommittee.

Chairman Umbarger opened the public hearing on:

SB 618–Relocation of state offices

Staff briefed the committee on the bill (Attachment 1).

Senator Ostmeyer spoke in support of **SB 618** which would examine the possibility of utilizing existing vacant office space in numerous rural communities throughout Kansas (Attachment 2). It was noted that it would improve the local economy in rural areas, but also that it would require research to determine the potential savings in rent, salaries and setting guidelines to determine where to locate the remote offices.

Senator Tim Huelskamp testified in support of **SB 618** and also addressed that the purposes of the bill would be to save money for the state government and to provide an economic stimulus to rural areas of Kansas (Attachment 3). He addressed positions in rural areas in that technology is already there to make that happen and it is a good possibility for savings. Senator Huelskamp provided additional information in his written testimony from the National Council of State Governments that addresses this subject matter.

Dr. Jay Anderson spoke in support of **SB 618** and noted that the National Council of State Governments addressed in their February 2008 publication some of the information stated in the bill (Attachment 4). In Topeka there appears to be a bucket for state jobs only in Topeka. Dr. Anderson showed photos of a building in Oberlin that could be used for these purposes. He noted that it would cut state costs and provide economic development in rural areas of Kansas.

The Chairman closed the public hearing on **SB 618**.

Copies of the Kansas Legislative Research Department Budget Analysis Report for FY 2008 and FY 2009 were available to the committee.

Subcommittee reports on:

State Conservation Commission (Attachment 5)

Subcommittee Chairwoman Carolyn McGinn reported that the subcommittee on the State Conservation Commission concurs with the Governor's recommendation in FY 2008 with adjustment and concurs with the Governor's FY 2009 recommendation with adjustments and notations.

Senator McGinn moved, with a second by Senator Steineger, to adopt the subcommittee budget report on the State Conservation Commission in FY 2008 and FY 2009. Motion carried on a voice vote.

Kansas Water Office

Subcommittee Chairwoman Carolyn McGinn reported that the subcommittee on the Kansas Water Office concurs with the Governor's recommendation in FY 2008 and concurs with the Governor's FY 2009 recommendation with adjustments.

Senator Emler moved, with a second by Senator Teichman, to amend the subcommittee budget report on the Kansas Water Office in FY 2009 and consider Item No. 2 and Item No. 3 at Omnibus. Motion failed on a voice vote.

Senator Bets moved, with a second by Senator McGinn, to adopt the subcommittee budget report on the Kansas Water Office in FY 2008 and FY 2009. Motion carried on a voice vote.

Chairman Umbarger opened the public hearing on:

SB 597–Dentistry Bridging Loan Program

Staff briefed the committee on the bill.

Kevin Robertson, Executive Director, Kansas Dental Association, testified in support of **SB 597** (Attachment 6). Mr. Robertson noted that there would be a community match with the program. There are vacant dentist offices across Kansas and students have large debt student loans after graduation. Rural students have a more difficult time. Mr. Robertson explained that there is trouble for the students making ends meet in paying off the students loans and purchasing their own dental offices. The number of Kansas students at UMKC has increased substantially, but it is difficult to get them to go out into rural Kansas. Mr. Robertson addressed the new Advanced Education in General Dentistry program starting in Fall 2009 at Wichita State University which will house around ten dental students in each class of a two-year residency program that will include a rural rotation during the second year. In closing, he explained that the "dentistry bridging loan program" is specifically designed to encourage dental school graduates to locate in the less populous areas of the state and would be a positive step toward increasing access to oral health care in rural Kansas.

Joyce Tibbals, Assistant Director of Rural Health Education and Services, University of Kansas Medical Center, spoke in support of SB 597 (Attachment 7). Ms. Tibbals explained that the Rural Health Education and Services of the University of Kansas Medical Center will accept responsibility for the administration of the Dentistry Bridging Loan Program should additional funds be appropriated for the program. Their office has been asked to administer the program because they administer a similar program, the Kansas Bridging Plan. She noted that the University of Kansas Medical Center officials recommend that the appropriation be a separate line item and not become part of the University of Kansas Medical Center base, similar to the Kansas Medical Student Loan Program and its Repayment Fund.

Written testimony was submitted by:

Teresa Schwab, Executive Director, Oral Health Kansas (Attachment 8).

The Chairman closed the public hearing on **SB 597**.

The Chairman opened the public hearing on:

SB 605–Housing Trust Fund; collection of fees

Ashley Jones, Assistant Program Officer, Greater Kansas City LISC, testified in support of **SB 605** (Attachment 9). Ms. Jones mentioned that housing is in the forefront at this time due to the disasters. She noted that housing in Kansas was a problem even before the disasters, but now it has been elevated to a crisis level. Ms. Jones explained that the disasters shed light on the fact that Kansas is lacking in community development tools. In closing, Ms. Jones noted that by expanding and enhancing the current State Housing Trust Fund to meet the needs of Kansans not eligible for federal programs, it would help improve the available housing options for all Kansans; and in turn, contribute to the economic vitality of Kansas communities and leverage available resources.

Michael Klein, Divisional Government Relations Director, The Salvation Army, spoke in support of **SB 605** (Attachment 10). Mr. Klein explained that **SB 605** provides resources that fund workforce housing, senior housing and housing activities and supports that each family needs during this rebuilding of residents, their spirit and their hope. In closing, Mr. Klein noted that this funding source will assist in ensuring safe, quality and affordable workforce housing accessible for all Kansans.

Monika Eichler, Research Associate, Office of Mental Health Research and Training, University of Kansas School of Social Welfare, testified as a proponent on **SB 605** (Attachment 11). Ms. Eichler clarified that the opinions in her testimony were her own and they do not represent official policy of the University of Kansas nor are necessarily views of the University of Kansas administration. She addressed two elemnts of the bill that do not specifically cover the critical housing needs in Kansas: one has to do with the beneficiaries of the fund, second one has to do with the programs that it serves. Details are provided in Ms. Eichler's written testimony. Ms. Eichler suggested two recommendations:

- Bill is targeted to those who earn 80% or less of the area median income
- Set aside 50% of the funds to use for tenant rental assistance

Jay Preston, Director, My Father's House, Paola, testified as a neutral conferee on **SB 605** (Attachment 12). Mr. Preston explained that he is testifying because he had a great concern for people all around the state living without housing. He asked that the committee reconsider the 120% median income threshold and reduce it to 80% and reconsider setting housing trust funds aside for disaster counties only. Mr. Preston addressed the seriousness of homelessness in the state which has been going on for a long time (details are in his written testimony).

Due to time constraints, the public hearing on **SB 605** will continue on March 4, 2008.

The meeting adjourned at 12:20 p.m. The next meeting was scheduled for February 28, 2008.

SENATE WAYS AND MEANS
GUEST LIST

Date February 27, 2008

NAME	REPRESENTING
Mike Hutfles	Oral Health Ks
Jarrod Forbes	UHS
Julia Thomas	DOB
Monika Eichler	KU - School of Social Welfare
Vicki Wolfe	Budget
Tracy Streeter	KWO
Joe Lund	KWO
Scott Carlson	SCC
Mark Heim	SCC
Earl Lewis	KWO
Tim Madden	KDOC
Betty Wright	Kansas Dental Board
Ryan Vincent	KHRC
Steve Weatherford	KHRC
Gary Allsup	KHRC
Nate Michel	Hein Law Firm
Leslie Kaufman	Ks Co-op Council
Missie Gerritzen	KE Co Reg. of Deeds / KCOA
Mike Beam	Ks. Livestock Assn.
Robin Jennison	GMD #1
Ann Anderson	Oberlin, KS
Diane Elzel-Wise	KCK-KU Partnership Center
Jo Ann Howley	concerned individual

SENATE WAYS AND MEANS
GUEST LIST

Date 2/27/08

NAME	REPRESENTING
consumer individual	
John [illegible]	SRS
[illegible]	KMHA
Luke Bell	Ks. Assoc. of REALTORS
Chris Wilson	KS Building Industry Assn
Karl Peterjohn	Kansas Taxpayers Network
Katherine Weno	KDHE
Teresa Schwab	Oral Health Kansas
Kevin Robertson	Kansas Dental Assn
MARK BOZANYAK	" " "
Matthew Goddard	Heartland Community Bankers Association
Mary Jane Stankiewicz	KGFA
[illegible]	LITTLE GOVT RELATIONS
Richard Samniego	Kansas [illegible] ASSOC
Joyce Tibbals	Rural Health Educational Services, KUMC
JOE STANLEY	OBERLIN CITY MAYOR
GARY SHIKE	OBERLIN CITY ADMINISTRATOR
Jim McLean	KHI News Service

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MEMORANDUM

To: Senator Umbarger, Chairman, and Members of the Senate Ways and Means Committee

From: Jill Ann Wolters, Senior Assistant Revisor

Date: February 27, 2008

Subject: SB 618, relocation of state agencies

Senate Bill No. 618 provides that on or before January 1, 2009, the department of administration shall identify current offices or positions within a state agency which are relocatable. Relocatable is defined as offices or positions whose vital functions are not dependent on geographic location. State agency is defined as any state office or officer, department, board, commission, institution, bureau or any agency, division or unit within any office, department, board commission or other state authority or any person requesting a state appropriation. The department shall publish a notice describing the relocatable offices or positions and request information from municipalities and private entities on the economic feasibility of relocating such offices or positions to a rural economically disadvantaged area (REDA). A REDA is defined as any incorporated city located in a county with a population of less than 40,000. If it is determined that an office or position is not relocatable, then the department shall publish such determination once in the Kansas register, including details as to why it was determined that such office or position was not relocatable.

Upon receipt of information on the economic feasibility of relocating those offices or positions, the department shall transmit such information to the appropriate state agency that oversees or controls the office or position. Within six months after receipt of such information by the appropriate state agency, the agency shall determine whether or not to relocate such office or position to a REDA. If it is determined that the office or

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Attachment 1

position is not to be relocated, then the agency shall publish such determination including details as to why it was determined that relocation of the office or position was not economically feasible.

No county, city, municipality or other tax authority may offer any tax incentives or enact any ordinance or resolution that would provide tax incentives such as sales tax exemptions, income tax credits or property tax abatements, to any public or private person or business entity which would directly or indirectly be used to make the relocation of an office or position more economically feasible.

The department may adopt rules and regulations necessary to implement the requirements of the act.

STATE OF KANSAS

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TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

VICE-CHAIR: NATURAL RESOURCES
MEMBER: AGRICULTURE
EDUCATION
FEDERAL AND STATE AFFAIRS
JOINT COMMITTEE ADMINISTRATIVE RULES AND REGULATIONS

February 27, 2008

Chairman Umbarger and members of the Senate Ways and Means Committee

As we talk about reconditioning or remodeling the Docking State Office Building, it comes to my mind that perhaps we should examine the possibility of utilizing existing vacant office space in numerous rural communities throughout Kansas. Many of our small communities have adequate office space that is currently vacant. With today's level of communication technology I do not think it is necessary that all state jobs be centralized near the Capital. I would like to see the State of Kansas utilize existing office space as well as the labor pool that exists in our rural areas. This would improve the local economy in these rural areas that have suffered because of the difficulty of attracting good jobs. I realize that this will require research to determine the potential saving s in rent and salaries as well as setting guidelines to determine where to locate the remote offices. My hope is that through the committee process these guidelines could be established.

Thank you.

Ralph Ostmeyer

Senator Ostmeyer
40th District

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2-27-08
Attachment 2

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State Capitol, Room 262-E
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STATE OF KANSAS

Senator Tim Huelskamp, Ph.D.

Committee Assignments

Elections & Local Government, Chairman
Information Technology, Co-Chairman
Kansas Legislative Education & Research, Past President
Agriculture
Medicaid Reform Task Force
Natural Resources

TH

Testimony by Senator Tim Huelskamp
Senate Ways & Means Committee – SB 618
Wednesday, February 27, 2008

Dear Chairman Umbarger and members of the Ways & Means Committee:

Thank you for the opportunity to testify on SB 618, a bill I have co-sponsored with Senator Ostmeyer.

There are two purposes to SB 618 – to save money for the state government and to provide an economic stimulus to rural areas of Kansas. How are both of these seemingly-intractable goals possible? Relocation of certain positions or offices from high-cost areas of the state to low-rent areas – without a loss of services or output.

As Chairman of the Joint Committee on Information Technology, I have witnessed the incredible rise in IT development throughout Kansas, even into our rural areas. Much potential growth remains, but for much of rural Kansas, broadband is an efficient, effective economic tool. In today's world of telecommuting, **e-commuting**, **e-work**, or **telework**, no longer is it necessary for all employees to be based in a central office located in one region or city of the state.

SB 618 has a number of working parts, and I am open to input from both the Administration, this committee, and others who would fashion an alternative approach. But here is how we envision the process:

- First, we ask for the Department of Administration to identify those current offices or positions in state government that are relocatable.
- Next, the affected agency will have an opportunity to respond with their sense of the necessity to maintain these positions in high-cost areas. After that, the identified positions will be published in the Kansas Register.
- Lastly, we then allow Kansan ingenuity and entrepreneurialism to kick into action. Local governments, individuals, businesses and such can essentially bid for relocation of these jobs into their areas.

SB 618 is a win-win for the state and rural areas. Many government jobs, including routine administrative functions, are located in high-cost areas – often with no compelling reason for them being there. Instead, with honest assessment and citizen input, we can achieve both savings and much-needed jobs for our strained rural areas. I urge your favorable consideration of this proposal. I would be happy to stand for questions at the appropriate time.

Excerpt from:

Reversing Rural America's Economic Decline

The Case for a National Balanced Growth Strategy

by Robert D. Atkinson

Recommendation 3: Decentralize Government Facilities and Employment Away from High-Cost Metropolitan Areas to Rural Growth Poles

While most of what governments can do to influence rural growth patterns depends on indirect actions—for example, boosting skills of rural workers—governments do have direct control over the location of government jobs. The federal government and all 50 state governments employ 16 percent of the workforce. These jobs can play an important role in rural economic development. As a result, federal and state governments need to begin relocating government facilities that do not need to be in expensive metro areas to designated growth poles.

Not all government facilities can be likely candidates for relocation. Facilities that serve customers through face-to-face transactions need to be where customers are, and other functions like regional and national headquarters need to be in larger metro areas. However, many government jobs are located in crowded, expensive metropolitan areas, even when there is no compelling business reason for them to be there. For example, the seven Social Security Administration claims processing centers are all located in large metro areas: New York, Philadelphia, Birmingham, Chicago, San Francisco Bay Area, Kansas City, and Baltimore. Likewise, SSA's 36 teleservice centers are also located in major metro areas. These kinds of routine "back office" government functions can be relocated to rural growth poles, allowing governments to cut costs while maintaining the same level and quality of service.

"Where possible, decentralize government facilities and employment away from high cost metropolitan areas to rural growth centers."

Other nations are using the location of government facilities as a conscious rural development strategy. For example, in 2001 the Finnish government issued a directive that any new governmental units must be located outside Helsinki in any of 30 to 40 designated growth poles. If an agency cannot do this when a new unit is created, they must designate an offsetting number of existing workers to relocate. While the U.S. government has attempted to do this in the past, the efforts have been ad hoc, stimulated by elected officials seeking to bring jobs to their state. A decade ago, when West Virginia Senator Robert Byrd used his seniority to move some federal facilities, including the FBI fingerprint facility, out of Washington, D.C., to less-densely populated West Virginia, he was criticized by many. However, moving jobs out of the highcost D.C. area was good policy for West Virginia, the District of Columbia, and the nation. One reason why governments have not used government facility location more as a

The New Rural Development Challenge:

Revitalizing Rural America

By Rob Atkinson

6. Move Selected Government Jobs Out of

High-Cost Metro Areas to Rural Growth Poles

While most of what states can do to influence rural growth patterns depends on indirect actions—for example, boosting skills of rural workers—there is one area that governments have direct control over—the location of government jobs. State governments employ over 5 million workers, most of them in state capitals and other metropolitan areas. These jobs can play an important role in rural economic development. Many government jobs, including routine "back office" government functions, are located in crowded, expensive metropolitan areas, even when there is no compelling business reason for them being there. These kinds of jobs can be relocated to rural growth poles, allowing governments to cut costs while maintaining the same level of service quality.

http://www.csg.org/pubs/Documents/BOS2005-RuralDevelpmnt.pdf regional development tool is that government personnel policies limit wage differentials according to the location of work, reducing the savings to government from moving to low-cost locations. While the U.S. Office of Personnel Management (OPM) does manage a locality pay system in which federal employees in high-cost areas receive higher salaries than in other areas, the difference in pay is quite small, about 10 percent between the highest and lowest paying areas. It is even lower for some areas. For example, a GS11, step 1 employee in Washington, D.C., is paid only 3 percent more than her counterpart in a small town like Tattnall County, Georgia. However, non-government pay in Washington, D.C., is 60 percent higher than in Tattnall County. Given that annual salary increases in high-cost places went up by an average of only one-half of 1 percent (approximately 4.5 percent, compared to 4.03 percent), under current policies, the pay differences are not likely to widen anytime soon.[68] As a result, governments should restructure public employee contracts so that government workers located in larger metros with a higher cost of living are paid significantly more than workers with equivalent jobs in less costly areas.

The Bush administration should commit to increasing federal pay in high-cost areas by twice as much annually than lower-cost areas until the interregional pay differences for government workers reflect civilian job pay differences.[69] While this would not increase rural incomes in the short run, in the moderate- to long-run it would provide a much stronger incentive for the federal government to shift work out of high-cost metros to lower-cost small metros and rural areas.

The federal government and state governments should develop strategic plans to relocate government facilities that do not need to be in crowded metro areas to smaller cities and rural areas. In addition, when the federal government is making decisions to close certain facilities, such as military bases, one of the deciding factors should be whether the facility is in a large, high-cost metropolitan area.

http://www.ppionline.org/documents/rural_economy_0204.pdf

GREETINGS; Pass out info.

EXPLANATION:

Information Highway - two way street - info flow

Drivers Lisc. - one way

Funnel - trough - job bucket Topeka

BUILDING

Description

Topeka $11 - $22 s/ft/yr

REASONS

Lower building lease costs

Labor entrance level civil service jobs w/benefits

John Moore

Community

Rural jobs

Hospital

Retirement

Fresh thinking - feedback from outside Topeka

Centralized bureaucracy is an entrenched bureaucracy

Summation - Info highway two way

Well constructed bldings.

Benefits spread - beneficial to local community and to the state

Beneficial to state and local community

Dr. Jay Anderson

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Oberlin Business Center; formally The First National Bank, Oberlin, Kansas

One story brick building, corner lot on Main Street. Two sides building street parking.

8,525 sq. ft.

- 4 vaults – three upstairs, one in basement
- 8 office suites- space for more
- Lobby area
- 4 entrances – double door front entrance, full length metal canopy over main entrance
- 3 restrooms
- Conference room
- Kitchenette
- Carpeted
- Tornado shelter in basement
- Natural gas
- Central A/C, heating

Communications

- ITV capable
- Fiber optic capability
- Wireless internet service
- Color copier

Municipal water and sewer

Power – Sunflower Electric backed by municipal plant

Dr. Jay Anderson

FY 2008 and FY 2009

SENATE WAYS AND MEANS SUBCOMMITTEE

State Conservation Commission
Kansas Water Office

Senator Carolyn McGinn, Chair

Senator Chris Steineger

Senator Mark Taddiken

Senate Ways and Means
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Attachment 5

Senate Subcommittee Report

Agency: State Conservation Commission **Bill No.** SB **Bill Sec.**

Analyst: O'Hara **Analysis Pg. No.** Vol.- **Budget Page No.** 107

Expenditure Summary	Agency Estimate FY 08	Governor's Recommendation FY 08	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	$ 1,218,474	$ 1,218,474	$ 0
Other Funds	21,537,492	20,966,382	0
Subtotal - Operating	$ 22,755,966	$ 22,184,856	$ 0
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 22,755,966	$ 22,184,856	$ 0
FTE Positions	14.0	14.0	0.0
Non FTE Uncl. Perm. Pos.	8.0	8.0	0.0
TOTAL	22.0	22.0	0.0

Agency Estimate

The **agency** estimates a revised FY 2008 budget totaling $22.8 million an increase of $3.2 million, or 16.2 percent, above the amount approved by the 2007 Legislature. The increase is primarily attributed to the reappropriation of $3.2 million in FY 2007 funding from the State Water Plan Fund. The agency's current year estimate also includes State General Fund expenditures of $1.2 million, which is an increase of $4,814, or 0.4 percent, above the approved amount. The increase in State General Fund expenditures is attributed to a reappropriation in FY 2007 funding of the same amount. The revised estimate would fund the currently approved 14.0 FTE positions.

Governor's Recommendation

The **Governor** recommends a revised FY 2008 budget totaling $22.1 million, a decrease of $571,110, or 2.5 percent, below the agency's FY 2008 revised estimate. The Governor concurs with the agency's operating expenditures budget with the exception of lapsing $571,110 from the State Water Plan Fund that was reappropriated from FY 2007, which is included in the agency's revised estimate.

Senate Subcommittee Recommendation

The **Senate Subcommittee** concurs with the Governor's FY 2008 recommendation, with the following adjustment:

1. **Water Resources Cost-Share Program.** Delete $236,110 from the State Water Plan Fund in FY 2008 from the Lake Restoration and Management Program and add $236,110 from the State Water Plan Fund to the Water Resources Cost-Share Program. The Governor's FY 2008 recommendation included a lapse of $236,110, all from the State Water Plan Fund, in the Water Resources Cost-Share Program. The shift in funding recommended by the Senate Subcommittee would restore the lapsed funding to the Water Resources Cost-Share Program.

Senate Subcommittee Report

Agency: State Conservation Commission **Bill No.** SB **Bill Sec.**

Analyst: O'Hara **Analysis Pg. No.** Vol.- **Budget Page No.** 107

Expenditure Summary	Agency Request FY 09	Governor's Recommendation FY 09	Senate Subcommittee Adjustments*
Operating Expenditures:			
State General Fund	$ 1,203,094	$ 1,222,898	$ (85,304)
Other Funds	17,260,510	14,877,578	(63,099)
Subtotal - Operating	$ 18,463,604	$ 16,100,476	$ (148,403)
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 18,463,604	$ 16,100,476	$ (148,403)
FTE Positions	14.0	14.0	0.0
Non FTE Uncl. Perm. Pos.	8.0	8.0	0.0
TOTAL	22.0	22.0	0.0

*Of the Subcommittee's recommended reductions, $36,903, including $23,804 from the State General Fund, is related to pay plan adjustments.

Agency Request

The **agency** requests a FY 2009 budget of $18.5 million, a decrease of $4.3 million, or 18.9 percent, below the agency's revised FY 2008 estimate. The request includes State General Fund expenditures of $1.2 million, which is a decrease of $15,380, or 1.3 percent, below the FY 2008 revised estimate. The request also includes enhancement funding of $119,765, all from the State Water Plan Fund, for the Aid to Conservation Districts Program to provide a match to local conservation districts' funds, in accordance with legislation passed by the 2007 Legislature to increase the state match from $10,000 per district to a new maximum of $25,000 per district.

Governor's Recommendation

The **Governor** recommends a FY 2009 budget of $16.1 million, a decrease of $2.4 million, or 12.8 percent, below the agency's FY 2009 request, and a decrease of $6.1 million, or 27.4 percent, below the Governor's FY 2008 recommendation. The recommendation includes the agency's enhancement request of $119,765, all from the State Water Plan Fund, for the Aid to Conservation Districts Program and $31,653, including $19,804 from the State General Fund, for the Governor's pay plan. Reductions to the agency's request include $2,395,602 for other assistance programs financed by the State Water Plan Fund.

Senate Subcommittee Recommendation

The **Senate Subcommittee** concurs with the Governor's FY 2009 recommendation with the following adjustments and notation:

1. **Pay Plan Adjustments.** Delete $36,903, including $23,804 from the State General Fund, to remove the following pay plan adjustments recommended by the Governor. Pay plan adjustments will be considered in a separate bill.

   a. ***State Employee Pay Increases.*** Delete $26,389, including $16,514 from the State General Fund, to remove the amount recommended by the Governor for the 2.5 percent base salary adjustment.

   b. ***Classified Employee Pay Plan.*** Delete $5,264, including $3,290 from the State General Fund, to remove the amount recommended by the Governor for FY 2009 pay increases for basic vocational classes and for those employees identified as having the most disparity relative to market rate.

   c. ***Longevity Pay.*** Delete $5,250, including $4,000 from the State General Fund, to remove the amount recommended by the Governor for longevity bonus payments.

2. **State Water Plan Fund Adjustments.** The Senate Subcommittee recommends the following adjustments within the agency's State Water Plan Fund programs:

   a. ***Lake Restoration and Management.*** Delete $1,550,000, all from the State Water Plan Fund, in the Lake Restoration and Management Program in FY 2009 to reallocate funds to other State Water Plan Fund programs. The Subcommittee notes that no cost share is requested for the City of Horton in FY 2009 for the Mission Lake storage restoration project, and funding that was set aside for this project in FY 2009 can be reallocated to other State Water Plan Fund programs.

   b. ***Non-Point Source Pollution Assistance.*** Add $1,150,000, all from the State Water Plan Fund, in the Non-Point Source Pollution Assistance Program in FY 2009 to restore the program's funding to the amount requested by the agency.

   c. ***Contamination of Public Water Supply.*** Add $400,000, all from the State Water Plan Fund, for a new program regarding contamination of public water supply. The Subcommittee recommends this expenditure from the State Water Plan Fund to address contamination of public water supply in the Burrton area.

   d. ***Salt Cedar Control Projects.*** Delete $50,000, all from the State Water Plan Fund, for salt cedar control projects.

   e. ***State General Fund Transfer.*** Reduce the transfer from the State General Fund to the State Water Plan Fund from $6,400,000 to $6,000,000, which is the statutory transfer amount as provided for in K.S.A. 82a-953(a). In the Governor's FY 2009 recommendation, a $400,000 increase was recommended in the transfer from the State General Fund to the State Water Plan Fund.

f. ***Reappropriation Authority.*** The Subcommittee recommends granting the agency reappropriation authority to carry over to FY 2009 any unencumbered balance in excess of $100 as of June 30, 2008, in the Conservation Reserve Enhancement Program (CREP). The Subcommittee notes that its members have not yet seen the appropriations bill and want to ensure that this reappropriation language is included.

3. **Conservation Easements.** Delete $61,500, all from the State General Fund, for conservation easements that would be used to match conservation easement funding in the Department of Defense Army Compatible Use Buffer (ACUB) Program and the United States Department of Agriculture (USDA) Farm and Ranchlands Protection Program (FRPP). The Senate Subcommittee's recommendation leaves $250,000 for conservation easements. The Subcommittee recommends that not more than 25.0 percent, or $62,500, be used for the ACUB conservation easements.

Senate Subcommittee Report

Agency: Kansas Water Office **Bill No.** SB **Bill Sec.**

Analyst: O'Hara **Analysis Pg. No.** Vol.- **Budget Page No.** 435

Expenditure Summary	Agency Estimate FY 08	Governor's Recommendation FY 08	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	$ 2,308,144	$ 2,308,144	$ 0
Other Funds	10,238,250	10,238,250	0
Subtotal - Operating	$ 12,546,394	$ 12,546,394	$ 0
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 12,546,394	$ 12,546,394	$ 0
FTE Positions	23.5	23.5	0.0
Non FTE Uncl. Perm. Pos.	2.0	2.0	0.0
TOTAL	25.5	25.5	0.0

Agency Estimate

The **agency** requests a revised FY 2008 budget totaling $12.5 million, which is an increase of $216,468, or 1.8 percent, above the amount approved by the 2007 Legislature. The revised estimate includes $2,308,144 from the State General Fund, which is the same as the approved amount. The revised estimate also includes $3,469,974 from the State Water Plan Fund, which is an increase of $62,064 above the amount approved by the 2007 Legislature. The revised estimate includes a reappropriation of $168,639 in funding from the State Water Plan Fund, of which the agency has budgeted $62,064 for conducting assessments on high priority water projects in FY 2008. The remaining balance of $106,575 from the State Water Plan Fund would be lapsed. The revised estimate would fund the currently approved 23.5 FTE positions.

Governor's Recommendation

The **Governor** concurs with the agency's estimate for FY 2008 funding and staffing.

Senate Subcommittee Recommendation

The **Senate Subcommittee** concurs with the Governor's FY 2008 estimate.

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Senate Subcommittee Report

Agency: Kansas Water Office **Bill No.** SB **Bill Sec.**

Analyst: O'Hara **Analysis Pg. No.** Vol.- **Budget Page No.** 435

Expenditure Summary	Agency Request FY 09	Governor's Recommendation FY 09	Senate Subcommittee Adjustments*
Operating Expenditures:			
State General Fund	$ 3,352,271	$ 2,350,593	$ (47,737)
Other Funds	8,932,922	9,917,613	(227,852)
Subtotal - Operating	$ 12,285,193	$ 12,268,206	$ (275,589)
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 12,285,193	$ 12,268,206	$ (275,589)
FTE Positions	24.0	23.5	0.0
Non FTE Uncl. Perm. Pos.	2.0	2.0	0.0
TOTAL	26.0	25.5	0.0

* Of the Subcommittee's recommended reductions, $55,589, including $47,737 from the State General Fund, is related to pay plan adjustments.

Agency Request

The **agency** requests a FY 2009 budget of $12.3 million, a decrease of $261,201, or 2.1 percent, below the revised FY 2008 estimate. The request includes State General Fund expenditures of $3.4 million, an increase of $1.0 million, or 45.2 percent, above the revised current year estimate. The increased State General Fund request is primarily a result of the agency's enhancement requests, which total $1,038,065. The enhancement requests include: $38,065, all from the State General Fund, and a 0.5 FTE position (to be combined with an existing vacant 0.5 FTE position) for an administrative support position, and $1.0 million, all from the State General Fund, for the Aquifer Storage and Recovery (ASR) Project located in the Equus Beds Aquifer region of Kansas. Absent the enhancement requests, the requested budget for FY 2009 would total $11.2 million, including $2.3 million from the State General Fund, representing a total decrease of $1.0 million (8.3 percent) and a State General Fund increase of $6,062, or less than 1.0 percent.

Governor's Recommendation

The **Governor** recommends a FY 2009 budget of $12.3 million, a decrease of $16,987, or 0.1 percent, below the agency's FY 2009 request and a decrease of $278,188, or 2.2 percent, below the Governor's FY 2008 revised recommendation. The recommendation includes enhancement funding of $1.0 million from the State Water Plan Fund for the Aquifer Storage and Recovery (ASR) Project located in the Equus Beds Aquifer region of Kansas, and $42,189, including $36,387 from the State General Fund, for the Governor's pay plan.

Senate Subcommittee Recommendation

The **Senate Subcommittee** concurs with the Governor's FY 2009 recommendation, with the following adjustments:

1. **Pay Plan Adjustments.** Delete $55,589, including $47,737 from the State General Fund, to remove the following pay plan adjustments recommended by the Governor. Pay plan adjustments will be considered in a separate bill.

   a. ***State Employee Pay Increases.*** Delete $39,288, including $33,884 from the State General Fund, to remove the amount recommended by the Governor for the 2.5 percent base salary adjustment.

   b. ***Classified Employee Pay Plan.*** Delete $5,264, including $3,290 from the State General Fund, to remove the amount recommended by the Governor for FY 2009 pay increases for basic vocational classes and for those employees identified as having the most disparity relative to market rate.

   c. ***Longevity Pay.*** Delete $13,400, including $11,350 from the State General Fund, to remove the amount recommended by the Governor for longevity bonus payments.

2. **Weather Stations.** Delete $100,000, all from the State Water Plan Fund, for the Weather Stations Program.

3. **Weather Modification.** Delete $120,000, all from the State Water Plan Fund, for the Weather Modification Program.

KANSAS DENTAL ASSOCIATION

Date: February 27, 2008

To: Senate Committee on Ways and Means

From: Kevin J. Robertson, CAE
Executive Director

Re: Hearing on SB 597

Senator Umbarger and members of the Committee I am Kevin Robertson, executive director of the Kansas Dental Association which represents about 80% of Kansas' 1,300 practicing dentists. I am here today to testify in support of SB 597 which creates the "**dentistry bridging loan program**" patterned largely after the existing medical bridging loan program.

The loan program is quite simple. It creates an incentive for new dental school graduates to practice in the more rural counties of our state by providing dental students who agree to practice dentistry upon graduation in any county other than Johnson, Wyandotte, Douglas, Shawnee or Sedgwick with a three-year loan of $8,000/per year. The student repays the loan by practicing dentistry for three years in the lower population county. SB 597 also calls for a match from the community that would result in a total $48,000 loan to the dental student.

The KDA envisions four loans would be awarded per year with an appropriation of $32,000, $64,000 and $96,000 phasing in over the next three years. Twelve students will ultimately receive a loan payment during any given year. The program would be administered by the KU Medical Center Office of Rural Health and there would likely need to be some administrative financial support necessary as well.

Students who fail to complete their obligation to practice in the counties described would be required to repay the administer within 90 days with 15% interest. That money would then be used to provide loans to other students. According to the KUMC Office of Rural Heath, the similar physician program has an 11% default rate of physicians who do not fulfill their rural practice obligation and a 74% retention rate of physicians who stay in rural Kansas after their obligation is completed.

The KDA suspects that both the default rate and retention rate would be even better for dentists as there are not the large dental group practices that might be interested in buying out a new graduate's obligation to lure them to the big city. Also, dentists generally have more

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equipment and infrastructure expenditures making it more difficult to move practices once the dental practice is established and the obligation is completed.

Communities from Atwood to Elwood struggle to recruit dentists into their communities. Many have dental office facilities that a previous dentist simply abandoned after unsuccessful attempts to sell the practice at any price. New dental school graduates seem to be less willing to locate in rural areas. Though the reasons vary from student to student, we commonly hear concerns about dental school debt that now averages $130,000 and the financial viability of rural practices.

Financial factors and dental school loans force new dental school graduates to seek opportunities within busy metropolitan practices as an associate because it provides an opportunity to practice without bearing additional debt or overhead. Because of the indebtedness, purchasing or starting practices directly out of school has become less common. Depending upon infinite variables, a dentist starting a new practice would need a minimum of $250,000 in capital to purchase equipment, hire staff, lease office space, etc.

SB 597 will help reduce some of the financial stresses of a dental student and put them in a better financial position when they graduate. The Administrator will work closely with both the student and Kansas communities to find a practice location for the dentist that satisfies the practice obligation of the loan agreement.

Currently, there is loan funding available to students through the National Health Service Corps (NHSC), however, this funding is not well utilized as the requirements for the dental practices are not desirable for a new dentists trying to establish a successful practice in a rural area. For example, the NHSC loan requires that the recipient provide care to all patients on a sliding fee schedule based on income. Though this appears to be a fair expectation of a loan recipient, in actuality it is a barrier by creating an environment by which a new dentist cannot produce the appropriate income to pay the 60-65% overhead, and others loans needed to purchase and begin a new business venture.

During the 1980's and 1990s the number of dentists being trained across the United States decreased dramatically from a high of 5,336 in 1976 to 3,810 in 1996. The large number of dental school graduates during the 1960s and 1970s was largely the result of federal money provided to dental schools to increase the dentist population, as many dental school closed while others decreased their class sizes. In the past five years, however, there has been an uptick in dental education as new schools are beginning to open and others are now increasing the size of their classes. This trend was also true at the University of Missouri Kansas City (UMKC) (Kansas' Dental School). Class sizes reached a high of 160 in the 1970s before being reduced throughout the 1980s and eventually settling at around 60 throughout the 1990s. In 2002 UMKC increased its class size to 100, and is currently considering an additional increase to 120.

As recently as 2004, Kansas had only **NINE** dental students graduate from UMKC! I'm pleased to report that the current four dental classes at UMKC contain 20, 22, 27 and 24 Kansas students respectively. In addition, the new Advanced Education in General Dentistry residency program starting in Fall 2009 at Wichita State University will house around ten dental students in each class of a two-year residency program that will include a rural rotation during the second year.

These are positive steps to helping dental access in Kansas. However, if we do nothing to encourage these new dentists to practice in rural Kansas, the dentist to population ratios in rural counties versus the "Big 5" more populous Kansas counties will continue to grow apart. An unscientific study by the KDA of Kansas dentists shows that the population of the "Big 5"counties versus all other Kansas counties is virtually the same at about 1.35 million each. **The dentists to population ratio in the "Big 5" counties is 1:1,400 while the ratio in the rest of the state is 1:2,440.**

The KDA believes that the creation of the "dentistry bridging loan program" specifically designed to encourage dental school graduates to locate in the less populous areas of the state would be a positive step toward increasing access to oral health care in rural Kansas.

Thank you for your time. I'll be happy to answer any questions you may have.

Testimony for Senate Bill 597

Good Morning Members of the Senate Ways and Means Committee. I'm Joyce Tibbals, Assistant Director of Rural Health Education and Services, KU Medical Center.

This is a statement of support for Senate Bill 597, Dentistry Bridging Loan Program. Rural Health Education and Services of the University of Kansas Medical Center will accept responsibility for the administration of the Dentistry Bridging Loan Program should additional funds be appropriated for the program. Our office has been asked to administer this program because we administer a similar program, the Kansas Bridging Plan.

As dental workforce shortage continues to escalate, the Dentistry Bridging Loan Program will meet a considerable need in Kansas. The Kansas Department of Health and Environment (KDHE), Office of Local and Rural Health reported that there are a total of 90 Dental Health Professional Shortage Areas in Kansas (2005 Kansas Primary Care report). In the same report, KDHE states that the existing dental professional shortage is an area of concern and there is a need to recruit replacements for the many dentists nearing retirement age. Coupling the growing need for recruiting dental providers into Kansas, a recent study by Rural Health Education and Services, entitled, *Study on the Need for a Centralized Dental Recruitment Program, Dental Temporary Coverage Program, and Dental Loan Forgiveness in Kansas*, established a strong interest in dental students to participate in a loan forgiveness program in exchange for a practice commitment in a rural area. In this study, 69% of the dental students reported that their decision regarding where to practice would be influenced by the availability of a loan forgiveness program. The development of a dental loan forgiveness program would create a valuable resource in efforts to recruit dental providers into Kansas.

The University of Kansas Medical Center officials recommend that the appropriation be a separate line item and not come part of the University of Kansas Medical Center base, similar to the Kansas Medical Student Loan Program and its Repayment Fund.

Thank you for the opportunity to speak in support of Senate Bill 597.

Lorene Valentine, Director, Rural Health Education and Services, KU Medical Center
Joyce Tibbals, Assistant Director, Rural Health Education and Services, KU Medical Center

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ORAL HEALTH KANSAS

Testimony for the Senate Ways & Means Committee

In support of SB 597, a bill creating the dentistry bridging loan program

February 27, 2008

Chairperson Umbarger and Members of the Committee:

I am the Executive Director of Oral Health Kansas, the statewide oral health coalition. The coalition was established just over four years ago to respond to critical oral health issues in the state. In that time, the coalition has been built to over 200 members representing a wide array of stakeholders, including Head Start, elder care and disability organizations, safety net clinics, educational institutions, advocacy organizations, professional associations, health foundations, dental insurers as well as private dentists, dental hygienists and other medical clinicians.

As you are all well aware, access to dental care presents a major challenge to many Kansans, especially those living in rural areas of our state. In January 2005, Kansas Health Institute (KHI) released a report entitled *The Declining Supply of Dental Services: Implications for Access and Options for Reform*. The report clearly showed that many poor and rural Kansans lag significantly behind an accepted standard for dental care and oral health—the gaps in services caused in part by a limited supply of dentists, especially in rural areas of the state.

It is clear that rural areas face significant challenges to providing dental care to their residents, including recruiting dentists to practice in rural Kansas. In fact, according to a recent Office of Oral Health workforce survey, there are currently 14 counties in Kansas that do not have a full-time practicing dentist, including the following: Barber, Chase, Clark, Comanche (an Oklahoma dentist provides care one day per week in Coldwater), Elk, Greeley, Haskell, Hodgeman, Kiowa, Lane, Ness, Rawlins, Trego and Wabaunsee.

In a report recently released by Rural Health Education and Services of the University of Kansas Medical Center, they indicated that 92% of dental students surveyed reported having student loan debt, and of that number, 58% indicated having debt of more than $100,000. In that same report, nearly 70% of students indicated that their decision regarding where to practice would be influenced by the availability of loans to help pay debt accumulated from dental school.

With the creation of a bridging loan program, the state could impact access to dental care for underserved Kansans by financially supporting dentists willing to practice in some of the more rural areas of the state.

Respectfully submitted,
Teresa R. Schwab, LMSW

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LISC
Greater Kansas City
Helping neighbors build communities

Testimony
Before the Senate Ways and Means Committee
SB 605
February 27, 2008
Local Initiatives Support Corporation
Ashley Jones

Mr. Chairman and Members of the Ways and Means Committee,

I want to thank you for the opportunity to speak to you today. My name is Ashley Jones and I am Assistant Program Officer at Greater Kansas City LISC. Greater Kansas City LISC is a program area of the Local Initiatives Support Corporation, the nation's largest community development organization, dedicated to revitalizing urban core and rural neighborhoods.

Greater Kansas City LISC started the Kansas Housing Policy Network about a year and a half ago. Although it began with only a hand-full of individuals from across the state interested in the creation of community development tools, it has grown to include over 300 members to date. The Kansas Housing Policy Network includes representations from the Homebuilders, Realtors, Homeless Providers and Advocates, Community Development Corporations, and many other interested entities.

In 2006, LISC sponsored a Kansas Statewide Housing Conference to begin the discussion on housing issues throughout the state. This past September, when LISC held the second annual conference in Hutchinson, the number of participants far exceeded our expectations. Over 350 individuals from across the state took part in the conference, including many members of the Kansas Legislature. We heard from legislators, including Senate President Steve Morris and House Minority Leader Dennis McKinney, that because of the recent disasters in Coffeyville and Greensburg, housing was going to be at the forefront of the legislature this session. In hearing this, the Policy Network decided to hold six regional meetings during the month of November in an effort to identify the housing needs across the state. In doing so, we heard a vast variety of personal testaments of the housing problem throughout Kansas. For example - in SE Kansas we heard about the struggles in Montgomery County, where currently individuals are being bussed in from Oklahoma to work at Cessna and Amazon.com because of the lack of workforce housing. In NW Kansas, we heard about the need for gap financing. Right now, there is little construction being done because the cost to build a home is significantly more than what the home will appraise for. It was apparent that housing was a problem in Kansas before the disasters, but now has been elevated to a crisis level.

When I testified in front of this committee a month ago in favor of Senate Bill 417, I mentioned that the bill does an excellent job of addressing the parts of Kansas affected by the 2007 disasters. However, I pointed out that the bill's scope does not cover the housing needs that were present before the tornado and floods. Because of the committee members and committee Chairman's interest in finding solutions to the States housing issues, we helped to craft Senate Bill 605.

We feel that the established Housing Trust Fund could be the catalyst to focus on these housing needs. By creating an ongoing revenue source for the Housing Trust Fund, there will be funds readily available when and if another disaster occurs. In years that disasters do not occur, or occur on a smaller scale, funds will be available to be applied for on a statewide basis to address each areas specific housing concerns.

Senate Bill 605 creates a permanent revenue source for the Housing Trust Fund by increasing the document recording fee by one dollar. Currently, the average document recorded in Kansas is three and one half pages. We calculate that with a dollar increase, approximately two million dollars will be generated annually for the Housing Trust Fund. At a time when state general fund dollars are extremely limited, we feel that this funding source, which will have no fiscal note for the State, is a viable alternative to consider for solving the housing crisis Kansas is facing.

It is important to note that a document recording fee is different than the mortgage registration fee – which when we began looking at funding sources was a very controversial option. The document recording fee is the second most common way State Housing Trust funds are funded in the nation. For one of our Housing Policy Network meetings, LISC brought in one of the nations leading experts in Housing Trust Funds, and this funding source was what she recommended, given our states diverse mix of urban, suburban and rural communities.

Creating a permanent revenue source will allow communities to engage in long term planning to address their housing needs. Builders, developers, investors and lenders are more likely to engage in addressing the housing needs throughout our state if the state's Housing Trust Fund is funded to acceptable levels. Reliability of the funding source will encourage builders and developers to gear up business operations where the state focuses the money.

The disasters shed light on the fact that Kansas is lacking in community development tools. In fact, Kansas ranks 48th in the nation in terms of state spending on housing because the only community development tools or funding available in Kansas are for federal programs. As most of you know, a major problem with federal programs is that they adapt the mantra that one-size-fits-all. Kansas has a unique mixture of urban, suburban, and rural communities, so a one-size-fits-all solution will not work here. A funded Housing Trust Fund would allow us to tackle the many issues that are specific to each community. Many of Kansas's finest including teachers, police officers and firefighters are not able to find or afford housing in the communities in which they live and work, as they are just above the threshold for qualifying for federal programs. If we don't attack our housing issues now, our state has the potential of losing families and jobs.

Populations/Kinds of Programs HTF would serve:

- Homeless
- Very low income
- Low income
- Workforce

- Special needs (accessible)
- New construction and rehab of existing homes

Components

- Concentrated in housing - acquisition/new construction/rehab/special needs
- mixed income
- 100-120% area median income
- flexible but within specific guidelines
- in urban environment, connected to overall revitalization strategies
- low income
- workforce
- manufactured housing
- homeless
- address green and universal design

By expanding and enhancing the current State Housing Trust Fund to meet the needs of Kansans not eligible for federal programs, we will help improve the available housing options for all Kansans; and in turn, contribute to the economic vitality of our communities and leverage available resources.

Greater Kansas City LISC strongly encourages you to support Senate Bill 605 for the purpose of ensuring that safe, quality and affordable housing is accessible for all Kansans during all times of need.

Thank you for your time today and I would be happy to answer any questions you may have.

Testimony for SB605
Ways and Means Committee
By
A. Michael Klein, ACSW, LCSW
Divisional Government Relations Director

Thank you Mister Chairman and members of the Ways and Means Committee for this opportunity to speak in support of this important community housing legislation.

I am Michael Klein, Director of Government Relations for The Salvation Army in Kansas. The Salvation Army is among the largest faith-based social service agencies in Kansas. Providing family supports for low-income working families, individuals, veterans, frail elderly and disabled in their efforts to find affordable and accessible housing is one of the goals of our housing outreach.

The Salvation Army has participated in the Kansas Housing Policy Network Coalition to help develop a permanent funding stream for the Kansas Housing Trust Fund. The Salvation Army Disaster Service Teams continue to work with Kansas families recovering from tornados and floods during this past year. Finding housing that is affordable and accessible is one of the highest priority. SB650 provides resources that fund workforce housing, senior housing and housing activities and supports that each family needs during this rebuilding of residents, their spirit and their hope.

SB650 creates a permanent revenue source for the Housing Trust Fund by increasing the document recording fee by one dollar which has been estimated to generate about $2 million annually.

This funding source will assist in ensuring that safe, quality and affordable workforce housing is accessible for all Kansans. The Kansas Housing Trust Fund contributes to the economic vitality of Kansas communities by leveraging dollars it brings to the state and the financial training programs it supports.

We ask your favorable consideration for passage of this important bipartisan community legislation, SB605.

Thank you.

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Testimony
Before the Senate Ways and Means Committee
SB 650
February 27, 2008
School of Social Welfare, University of Kansas, Office of Mental Health Research & Training
Monika Eichler, LMSW

Mr. Chairman and Members of the Ways and Means Committee,

Thank you for the opportunity to speak to you today. My name is Monika Eichler and I am a Research Associate in the Office of Mental Health Research & Training, at KU's School of Social Welfare. Our office conducts training, consultation and research throughout the state of Kansas' mental health system. I want to clarify that the opinions and perspectives in this testimony are my own and do not represent official policy of the University of Kansas nor are they necessarily views of the KU administration

I am here today to support passage of SB 605 that provides a dedicated revenue source into the Kansas state housing trust fund, administered by the Kansas Housing Resources Corporation. This dedicated revenue stream in Kansas is long overdue, and I am grateful that there is so much support for it. We know that thirty-eight states have created forty-nine housing trust funds, including the District of Columbia. Eight states have created more than one state housing trust fund. Nearly 600 housing trust funds in cities, counties and states generate more than $1.6 billion a year to support critical housing needs, underscoring the integral role these funds play in the world of affordable housing.

What I am asking for today is to have us reflect on elements of this bill that do not specifically cover the critical housing needs in Kansas. There are two points I will be making today:

- ✓ One has to do with the beneficiaries of the fund.
- ✓ Second one has to do with the programs that it serves.

First, a national expert and consultant in the field of housing trust funds, Mary Brooks has written that *"Among the most important decisions to be made regarding [state housing trust fund] programs are requirements that funded projects must meet. Chief among these are the incomes of those to benefit from the housing provided. Most housing trust funds serve populations earning no more than 80% of the area median income, but many serve lower incomes or set aside a portion of the funds to serve only lower incomes."*[1]

The current housing trust fund, as it stands today, has an 80% median income target. What is the justification for raising it? What are recommending that we amend this bill to dedicate ALL of the funds to assist those individuals living at the 80% or less of the state median income. In addition, 50% of these funds should be targeted to those living at the 30% or less of the state median income level. This is in alignment with what other state housing trust funds have done.

In addition, if we want to go further and find additional support for serving those who are defined as extremely low income, at the 30% or below state median income, we need to seriously consider the National Housing Trust Fund, passed by the House with strong bipartisan support this past October. "In both the House and Senate bills, all housing assistance is for households with incomes less than 80% of local median income, with at least 75% of the funds going to extremely low income households, that is, those with incomes that do not exceed the higher of 30% of the median income for the area or the poverty line".[2]

Kansas needs to be prepared to match these funds, as will be expected by the federal government, through a dedicated revenue source for the housing trust fund. If the targeting income levels are not changes it moves us in a direction of using scarce public funds that doesn't address the most critical needs.

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- **RECOMMENDATION: Bill is targeted to those who earn 80% or less of the area median income.**

The second point I would like to bring up is how is the money spent. In the bill, it stipulates "as deemed appropriate by the president of the Kansas Housing Resources Corporation". This is very vague without any specificity at all. Unless there is an oversight/advisory committee to make these allocations transparent, legislation needs to be enacted as to how the funds are used. There are a several reasons for the bill to specify that 50% of the funds to be used for tenant rental assistance.

1. First, we know that 3.8 million dollars was requested of the Kansas Housing Resources Corporation for rental assistance in their 2006-2007 fiscal year, and only 1.2 million or so was allocated, from federal dollars. In talking with housing specialists throughout the state of Kansas, we find that there is no bridge money to help people get from point A (homelessness/institutions/relatives couch) to point B (federal housing vouchers) to afford their own apartment.

2. Second, in looking at the data from 2005, from the National Low Income Housing Coalition (see Appendix A), we see that there is a deficiency of available rental units for those earning 30% or less of area median incomes in Kansas. Many communities have large vacancy rates, with individuals who cannot afford to live in them based upon their earnings. **Providing tenant rental assistance on a time-limited basis,** will assist these individuals to get back on their feet, while they find jobs and/or receive federal housing vouchers. While tax credit housing can help, building cannot be the overarching answer. KHRC spent close to $60 million dollars in building/tax credit housing.

- **RECOMMENDATION: Set-aside 50% of the funds to use for tenant rental assistance.**

Thank you for your support of SB 605, and for further consideration that we need to target these funds to the neediest of Kansas residents, as described above.

Thank you for your time today.

Sincerely,

Monika S. Eichler, LMSW
Office of Mental Health Research & Training
School of Social Welfare
University of Kansas

1. HOUSING TRUST FUND PROGRESS REPORT 2007, published by the CENTER FOR COMMUNITY CHANGE, Washington, D.C.
202-339-9300
www.communitychange.org

2. Senate Action Needed on S. 2523, The National Affordable Housing Trust Fund Act of 2007, published by the National Low Income Housing Coalition, Washington, D.C. **www.nlihc.org**

Housing Trust Fund Summary with Recommendations (February 08)

Issues	SB 605	Recommendations
Revenue Source	Document Recording Fee: 2.7 M	No change
Funding Program	KHRC has listed the following in a 'use statement': • Concentrated in housing – new acquisition/new construction/rehab/special needs/… • Mixed income • 100-120% area median income • flexible but within specific guidelines • in urban environment, connected to overall revitalization strategies • low income • workforce • manufactured housing • homeless • address green and universal design	The use statement lists both beneficiaries and programs served and is very broad. So, let's just look at "programs", for now: While Kansas has many housing needs, we know that rental assistance supports in Kansas are in great need, based on a study by the National Low Income Housing Coalition (see appendix A). The Coalitions's tabulations of 2005 American Community Survey data, indicate that there is a deficit of 1000 units of affordable housing for those with area median incomes of 30% or less. While there is a surplus for those with higher incomes. Kansas Housing Resources Corporation, administers HOME rental assistance funds, a federal grant, indicated that over $3.8 million in HOME rental assistance funds was requested last fiscal year, and only $1.1 was allocated. Funding levels for rental assistance need to be greatly increased. We propose that **50% of funding be allocated towards a rental housing assistance program** to serve those ineligible for other housing assistance programs, until they become eligible.
Beneficiary	KHRC has listed the following in a 'use' statement with regarding to populations/programs: • Homeless • Very Low Income • Low Income • Workforce • Special Needs (accessible) • Construction and rehab	Currently, there is a specification of serving those earning 120% or less of the state median income (defined as workforce housing), senior housing activities and other housing activities as determined by the president of the Kansas housing resources corporation. The National Housing Trust Fund received strong bipartisan support, passing the House by a vote of 264-148 in October 2007. It was introduced in the Senate in December as S. 2523. **In both the House and Senate bills, all housing assistance is for households with incomes less than 80% of the greater of state or local median income, with at least 75% of the funds going to extremely low income households, that is, those with incomes that do not exceed the higher of 30% of the median income for the area or the poverty line**. At least 30% of the total Trust Fund dollars must be used for housing that is affordable to households with incomes at the equivalent of the federal Supplemental Security Income payment level or less."[2] The National Housing Trust Fund is written in such a way that after a certain amount is spent on homelessness and low incomes, then the extra funds could be used for higher level incomes. Kansas can follow a similar model.

		Mary Brooks of The Housing Trust Fund Project, from The Center for Community Change states the following: *"At a minimum there should be a set-aside for serving the lowest incomes, because they are always ignored and if the fund is set up to serve 80% of ami or median income ...most, if not all, of the funds will go to serve that population. If the National HTF passes, a portion will go to states and requires matching funds. Kansas might think about this as well."*
Administrative oversight	There is no outside administrative oversight committee designated for the housing trust fund.	The bill currently stipulates "other housing activities as determined by the president of the Kansas housing resources corporation". This determination can change from year to year, depending on the leadership of the corporation. As is done in many other states an **oversight committee** is in place for state housing trust funds. **This does not have to cost the state any money.** These committees typically have 7-15 members who are broadly representative of the housing field, including non-profit developers, bankers, housing advocates, service providers and low income people themselves, among others. They are usually appointed. The legislation usually identifies some general characteristics (have experience with affordable housing) and who they are to represent, usually by general categories. Although sometimes specific organizations are listed who are to be represented. Their responsibilities range from having decision-making authority over who gets funded (or more commonly making recommendations on funding), general oversight, annual reporting on the activities and accomplishments of the fund, and an assessment or identification of priority housing needs.

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January 2008

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Appendix A: Kansas Renters and Units as Defined by Low Income

The problem of insufficient and affordable housing is limited to the poorest households. In Kansas there are only 51 units of affordable housing to every 100 households at extremely low-income, which is below the state median family income. No state has a shortage of units for households above the low-income threshold, which is 51-80% of the state medial family income.

The National Low Income Housing Coalition has provided each state with information on the number and percent of renter households with a severe housing cost burden and an estimate of the surplus/deficit of rental units affordable and available to Extremely Low Income (ELI) renter households. This figure represents the difference between the number of ELI renter households and the number of units affordable and available (not occupied by higher-income renter households) to them; a negative number indicates a deficit.

This chart also contains information on the median housing cost to income ratio, which represents the percentage of household income spent on housing for each income category. Data on the absolute surplus/deficit of units affordable to ELI and Very Low Income (VLI) households, as well as units that are affordable and available to them (i.e., affordable units not occupied by higher-income households), are also provided. A ratio of the number of these units affordable and available for every 100 households in each income category is also calculated for the state.

ELI	Extremely Low Income (income at or below 30% of area median)
VLI	Very Low Income (income between 31% and 50% of area median)
LI	Low Income (income between 51% and 80% of area median)
Not Low Income	Income greater than 80% of area median
Severely Burdened	Household spending >50% of income on housing costs

Kansas Statistics

	Total Renter Households	Severely Burdened Households	Share of Severely Burdened	Median Housing Cost to Income Ratio
ELI Households	77,955	52,685	77%	75
VLI Households	63,431	12,638	18%	36
LI Households	75,251	2,725	4%	25
Not Low Income	111,098	639	1%	16
Total	327,735	68,687	100%	26

There is a Real Deficit of Affordable and Available Rental Units

	Deficit/Surplus of Affordable Rental Units	Deficit/Surplus of Affordable and Available Rental Units	Affordable and Available Rental Units Per 100 Households
Extremely Low Income	-839	-38,224	51
Very Low Income	78,392	-8,885	94

This chart was produced in January 2007 by the research staff at the National Low Income Housing Coalition. Please visit www.nlihc.org or call (202) 662-1530 to request additional information.

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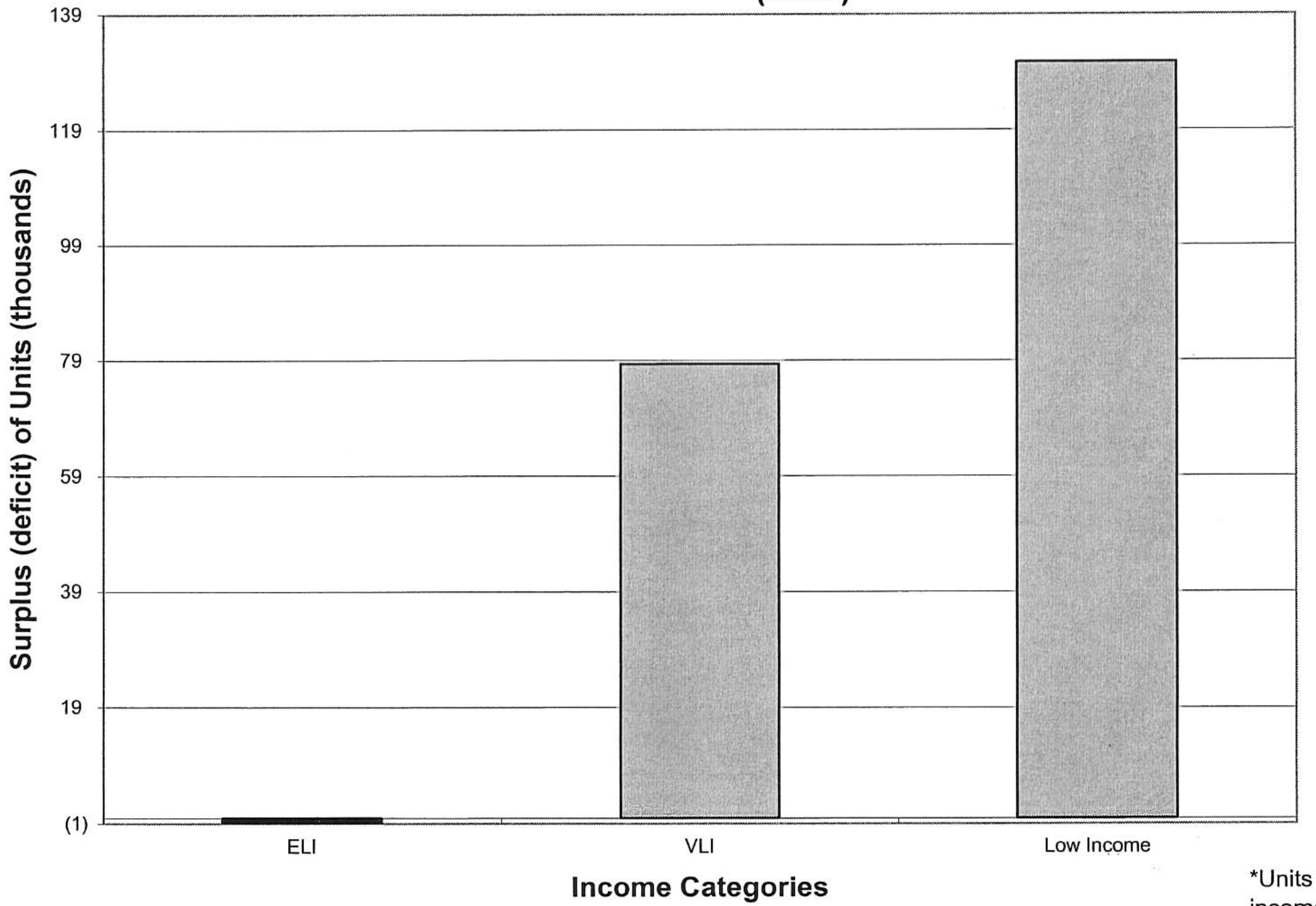
Appendix A

Comparison of Low Income Kansas Renters and Units by Income Threshold* (2005)



ELI = Extremely Low Income (<=30% AMI)
VLI = Very Low Income (<=50% AMI)
Low Income (<=80% AMI)
AMI: Area Median Income

*Units are affordable within an income category if rent and utilities cost 30% or less of top threshold income.

Source: NLIHC Tabulations of 2005 American Community Survey data

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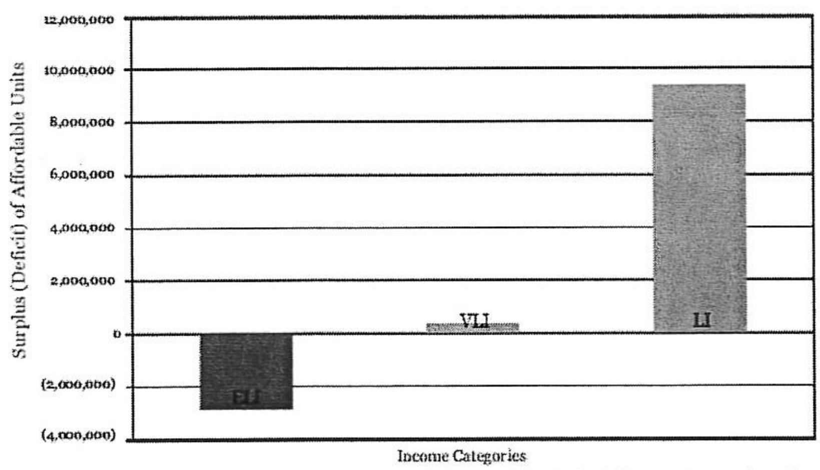
Why the National Housing Trust Fund Primarily Targets the Lowest Income Renters

1 - There is an Absolute Deficit of Units Affordable to Extremely Low Income Renters

A range of recent studies have all reached the same conclusion:

- Nationwide there are 9 million extremely low income (ELI)[1] renter households in the U.S. and just 6.2 million rental units affordable to them.[2]
- As a result, nationwide it is only extremely low income households who face an absolute deficit of affordable rental units of at least 2.8 million units. Even if every existing affordable rental unit housed an ELI household, we would still need 2.8 million units to meet the remaining demand (Figure 1 and Table 1).
- Moreover, only four in ten ELI renters nationwide have access to affordable and available rental housing (Table 1).[3]
- Nationwide, the rental housing market facing renter households at 80% of AMI is fairly well balanced with a healthy surplus of affordable units available.
- The gap between the demand and the supply of ELI housing is growing.[4]

A Comparison of Households and Units by Income Threshold* (2005)



AMI: Area Median Income

ELI = Extremely Low Income
(<=30% AMI)

VLI = Very Low Income
(<=50% AMI)

LI = Low Income
(<=80% AMI)

* Units are affordable within an income category if rent and utilities cost 30% or less of top threshold income.

Source: NLIHC Tabulations of 2005 American Community Survey.

Figure 1 Only ELI Renters Face an Absolute Deficit of Affordable Housing Nationwide

[1]Earning 30% or less of area median income (AMI). [2]Pelletiere, D. (2007). *American Community Survey Estimate Shows Larger National, State Affordable Rental Housing Shortages* Research Note #07-01. Washington, D.C.: National Low Income Housing Coalition. [3]"Affordable and available" refers to affordable units that either are currently occupied by household with incomes at or below the income threshold or are vacant and therefore potentially available to such households. [4]U.S. Department of Housing and Urban Development (HUD) (2007). *Affordable housing needs 2005: A report to Congress.* Washington, D.C.: Author.

	Recent Gap Analyses[5]		
	HUD 2007	HUD 2005	NLIHC 2007
Data Source	2005 AHS	2003 AHS	2005 ACS
Absolute ELI Deficit (million)	4.0	2.0	2.8
Aff and Avail Units per 100 ELI renter households	40	44	38
Aff and Avail Units per 100 Low Income renter households	109	109	101

Table 1 Recent Studies Show ELI Renters Increasingly Lack of Housing

2 - Lowest Income Households have the Greatest Need

The lowest income households have the greatest incidence of housing problems and the greatest need for affordable housing, as indicated by all available data.

- NLIHC (2005 American Community Survey)[6]
  - 74% of renters and 60% of owners with severe housing cost burdens[7] are ELI households, though combined they are just 13% of the U.S. household population.
  - 60% of all ELI households rent and ELI households make up 25% of all renters in the U.S.
  - In recent years the problem has become worse. The median housing cost to income ratio for an ELI renter increased from 71% in 2001 to 79% in 2005.
- HUD (2005 American Housing Survey):[8]
  - 77% of the renter households with Worst Case Needs[9] were ELI households, and ELI households make up 60% of all households with severe housing problems.[10]
- The Joint Center for Housing Studies at Harvard University (2005 American Community Survey):[11]
  - The poorest 25% of Americans made up 62% of all the households spending over 50% of their income on housing.

[5]Sources HUD (2007); Hardiman, D., Martin, M, Schroder. M.D. Steffan, B., Susin, S., Vandenbroucke, D & Yao, D. (2005). *Affordable housing needs: A report to Congress on the significant need for housing.* Washington, DC: U.S. Department of Housing and Urban Development; Pelletiere (2007). [6]Wardrip, K., & Pelletiere, D. (2006). *Recent data shows continuation, acceleration of housing affordability crisis.* NLIHC Research Note #06-05. Washington, D.C.: National Low Income Housing Coalition. [7]Spending over half of household income on housing. [8]HUD (2007). [9]Households with incomes at or below 50% of AMI receiving no housing assistance and either spending over half their income for housing or facing another severe housing problem, or both. [10]Severe housing cost burden and severe housing quality problems See HUD (2007) for list. [11]Joint Center for Housing Studies at Harvard University (2007). *The state of the nations housing: 2007.* Cambridge, MA: Author.

3 - No current federal program produces housing affordable to these poorest families (See Table 2).

Table 2 Income Targeting and Expenditures for Major Housing Programs

Housing Program	Income Targeting Requirements	National Annual Funding
Section 202 and Section 811	All units are for households under 50% of AMI.	$972 million (FY07 HUD appropriation)
HOME	At least 90% of rental units assisted throughout the jurisdiction must be for households under 60% AMI, with the remainder for households up to 80% AMI. If there are more than 5 HOME-assisted units in a building, then 20% of the HOME-assisted units must be for households under 50% AMI. All assisted homeowners must be below 80% AMI.	$1.7 billion (FY07 HUD appropriation)
Community Development Block Grant	Seventy percent of the funds must serve households below 80% AMI. Remaining funds can serve any income level.	$3.7 billion (FY07 HUD appropriation)
McKinney-Vento Homeless Assistance Grants	Participants must meet HUD's definition of homeless (those who lack a fixed, regular and adequate nighttime residence). Only 30% of funds are required to be spent on permanent housing.	$1.4 billion (FY07 HUD appropriation)
Housing Opportunities for People with AIDS (HOPWA)	All housing is for households with incomes under 80% of AMI.	$286 million (FY07 HUD appropriation)
Low Income Housing Tax Credit	Either 40% of units must serve households below 60% AMI, or 20% of units must serve households below 50%, owner decides.	$3.5 billion (FY07 tax expenditure)
Federal Home Loan Banks' Affordable Housing Program	AHP subsidized units must serve households with incomes less than 80% of AMI. Rental projects are required to insure that 20% of the total units are for households with incomes less than 50% of AMI.	$295 million (2006 amount)
Section 515, Rural Rental Housing	Up to $5,500 above 80% AMI, with priority to households in substandard housing. If Section 521 Rural Rental Assistance is used, 95% of tenants in new projects and 75% of new tenants in existing projects must be below 50% AMI	$99 million (FY07 USDA appropriation)
Section 538, Guaranteed Rural Rental Housing Program	All housing is for households with incomes less than 115% of AMI.	$100 million (FY07 USDA appropriation)
Proposed:		
H.R. 2895, National Affordable Housing Trust Fund	All housing assistance is for households with incomes less than 80% of greater of state or local median income; at least 75% under 30% AMI or poverty line; 30% less than amount equivalent to federal Supplemental Security Income level.	Approximately $1 billion.

2008-02-27 Testimony Before the Senate Ways and Means Committee Regarding Senate Bill 605

Senators, honorable servants of our state, ladies and gentlemen;

My Name is Jay Preston. I am Director of a nonprofit organization in Paola, Kansas called My Father's House Community Services. I am here today because I have a great concern for people all around our state living without housing. I've been working with this population for 6 years now and I've learned a few things---things that I hope can be helpful in this conversation about funding affordable housing.

To begin with There is far more homelessness in rural Kansas than is generally recognized by Kansas citizens. Rural homelessness has its own culture and is different than urban homelessness in some ways. The largest difference I have seen is that the rural homeless are far more hidden that their urban counterparts. They are hidden because of issues of shame---everyone is a small town knows everyone else. Accessing services with any anonymity is nearly impossible. Very few small towns have programming that addresses homelessness in any way. Small towns still tend to criminalize homelessness in some way. So they hide.

The problem is they aren't counted during homeless counts and so their numbers are harder to determine. The Kansas Statewide Homeless Coalition estimates, based on homeless research studies, that about 8,000 people are homeless any given night in RURAL Kansas. If you include urban areas the total statewide is around 18,000.

Senate Bill 605 is setting aside monies for "disaster areas" throughout the state. There has been a disaster going on silently for years now in regards to homelessness in this state. Long before Greensburg had tornadoes or Osawatomie had floods, there was an affordable housing disaster happening for many, many people in Kansas.

I am not in anyway trying to minimize the tragedy of these disasters, but with this background having been stated I have some questions. Aren't the people who desperately needed affordable housing before the disasters struck just as important as those involved in the disasters? What do we tell people when we make them go to the back of the line while people newly in need step in front of them? Are we minimizing their struggle? Do we think they deserve affordable housing less than those who survived a disaster? The truth is that these folks have all survived disasters . . . small personal, family disasters. Individual tragedies that have knocked them right out of their housing.

Are we trying to prefer the disaster victims because of media coverage? We saw news stories for months after most of the disasters had occurred. I have never seen homelessness in rural areas covered on television, only in my local newspaper.

My greatest fear is that many of you here today from rural areas don't have a handle on the numbers of homeless within your own districts. The truth is that almost no one in my

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2-27-08
Attachment 12

home town knew that there were any homeless within Miami County. After several years we have convinced them. Our transitional housing program remains filled with a waiting list . . . always. So, in part, I am here as an advocate for the silent, hidden homeless in rural Kansas.

The second group of questions I have revolve around the proposal in this new bill to change the target to serve persons at 120% of the median income. Is the4re any other state that has set the threshold this high? I am unaware of any other Housing Trust Fund in any other state that has. What is the difference between FEMA designated disasters and the personal disasters that I have described that would make it appropriate to serve people above the median income? Are the reasons economic? Helping house anyone without affordable housing is a plus for the economy anywhere.

I don't have all the answers and I don't pretend to, but this seems worth questioning to me. You all have a much better view from the inside of such things. But I work everyday with folks who need affordable housing and they are not making 120% of median income. If they are, we have always been able to find permanent housing for them. Thanks for hearing me. I would like for the Senate to first reconsider the 120% median income threshold and reduce it to 80%. Secondly, please reconsider setting housing trust funds aside for disaster counties only.

Jay L. Preston