

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairman Les Donovan at 10:40 a.m. on March 11, 2010, in Room 152-S of the Capitol.

All members were present except:

Senator Chris Steineger- excused

Committee staff present:

Gordon Self, Office of the Revisor of Statutes

Scott Wells, Office of the Revisor of Statutes

Chris Courtwright, Kansas Legislative Research Department

Brandon Riffel, Kansas Legislative Research Department

Mary Jane Brueck, Committee Assistant

Conferees appearing before the Committee:

Mike Mathes, Superintendent, Seaman Unified School District #345

Mark Desetti, Kansas National Education Association

Shannon Jones, Director, Statewide Independent Living Council of Kansas (SILCK)

Mark Tallman, Assistant Executive Director/Advocacy, Kansas Association of School Boards

Stuart J. Little, Association of Community Mental Health Centers of Kansas, Inc.

Others attending:

See attached list

Chairman Donovan explained the plan is for **SB 516 - Increasing rate of tax on cigarettes and tobacco products and increasing rate of sales tax** to be divided into two separate bills. One will deal with increasing rate of tax on cigarettes and tobacco products; the other will address increasing the sales tax rate. He then opened the hearing for proponents of **SB 516 - Increasing rate of sales tax**. Mike Mathes, Superintendent, Seaman Unified School District #345 was first to speak in favor of this bill. He explained all the cuts he has made in his district's budget. If another cut is made in education funds, any further cuts will impact the students, workforce as well as the entire Seaman community. He told the committee the people of his district want to increase revenue (tax), and have no more cuts. ([Attachment 1](#))

Shannon Jones, Director, Statewide Independent Living Council of Kansas (SILCK) also favors the one cent sales tax. She said Home and Community Based Services receives support from the state and because of that support Kansas has 54% of the persons with disabilities to be part of the state job market. These people are working and paying taxes, and they would rather pay an additional one cent in sales tax and continue to have help with their Activities of Daily Living. ([Attachment 2](#))

The Assistant Executive Director/Advocacy for the Kansas Association of School Boards, Mark Tallman, told the committee he supports this bill to increase state revenue for use in school budgets; decreasing state and local tax burdens; help poor who need education so they can earn better salaries. He said the sales tax is the best way to go about increasing state income. ([Attachment 3](#))

Stuart J. Little, Association of Community Mental Health Centers of Kansas, Inc. also supports this tax increase. He told the committee the mental health community in Kansas is no longer able to help all who need it, due to reductions in their funding. This sales tax increase could restore those services. ([Attachment 4](#))

Mark Desetti, Kansas National Education Association told the committee KNEA is in support of the 1% sales tax increase as well as an increase in tobacco taxes to provide additional revenue without which the education system will soon experience cuts to the bone. ([Attachment 5](#)). Sen. Donovan recognized Secretary of Revenue Joan Wagon, who told the committee the Department of Revenue also supports this tax increase.

The next meeting is scheduled for March 15, 2010.

The meeting was adjourned at 11:33 a.m.

SENATE

Assessment & Taxation Committee

GUEST LIST

DATE: 3/11/10

| NAME | REPRESENTING |
|-----------------------|---------------------------|
| Kyle Abbott | Smith Center Sr. Class |
| Jesse Roush | Smith Center |
| Garrett Kuhlmann | Smith Center |
| Kyle Hake | Smith Center |
| Spencer Vander Giesen | Smith Center |
| Katharina Wiens | Smith Center |
| Charlotte Byberg | Smith Center |
| Matt Atwood | Smith Center |
| Tom Lance | PMCA OF KS |
| Roy Seeler | KARA / K6FA |
| Kent Eckles | KS Chamber of Commerce |
| Matt Casey | GBA |
| Jay Concanan | Senate President's Office |
| Bernie Koch | KEPC |
| Nora Lockton | Greater KC Chamber |
| Cathy Bennett | " |
| Bob Vancrum | " |
| Michelle Buelles | Capitol Strategies |
| Kelsey Merritt | Smith Center Senior Class |

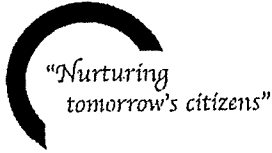
SENATE

Assessment & Taxation Committee

GUEST LIST

DATE: _____

| NAME | REPRESENTING |
|-----------------|-------------------------------|
| Sean Tomb | Budget |
| David R. Colvin | KDOR |
| Jean Wignan | KDOR |
| Tracy Russell | Schools For Quality Education |
| Wanda DeCewsey | American Heart Assoc |
| Anne Spiess | American Cancer Society |
| Nicholas Pinson | Rock Hills |
| Miles Kles | Rock Hills |
| Greg Guntner | KSNA |
| Shannon Jones | SILCK |
| F. Vegelesburg | Kearney and Assoc. |
| Cheryl Semmet | USA/Kansas |
| Mike Mathes | USD 345 |
| Mark Tallman | KASB |
| Mark DeBem | KNEA |
| Kathy Cook | KFE |
| Bob Harder | SILCK |
| Gretchen Albert | Smith Center |
| Mariah Bennett | Smith Center |



Seaman Unified School District #345

SEAMAN EDUCATION CENTER

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Testimony on SB 516 Senate Committee on Assessment and Taxation

March 10, 2010

Presented by: Mike Mathes, Superintendent, Seaman USD 345

Dear Chairman Donovan and members of the Committee:

BOARD OF EDUCATION

Keith Sowards
President

Frank Henderson
Vice President

James Andrews

Mark Boyd

Susan Fowler-Hentzler

Mike Lesser

Fred Patton

My name is Mike Mathes and I am the superintendent of schools from Seaman USD 345. The Seaman school district is a suburban district located in northern Topeka and Shawnee County. We have 3,730 students enrolled in pre-K through 12th grade. The Seaman public schools have long been a source of pride for our community.

First, thank you for the opportunity to appear before you today. I am here to provide testimony about how recent budget cuts have impacted the Seaman school district and Governor Parkinson's proposal to increase the sales tax by one cent for the next three years. More importantly, however, I am here to convey our desire to work with you to identify solutions that will prevent additional cuts to education programs.

The 2010 Legislative Session promises to be one of the most challenging in the history of our state as we continue to deal with an economic downturn of global proportions. As one of those charged with leading our state through the budget and revenue crisis we are currently experiencing, I know you will be called upon to make some of the most weighty decisions of your legislative service.

Impact of recent budget reductions

The investment our state has made in schools has been critical to the success we have seen in student achievement and in preparing students for entry into the workforce. The Seaman school district has done an excellent job managing the district's finances and ensuring that each student receives a quality education. In response to the funding reductions enacted this past year, the Seaman school district:

ADMINISTRATORS

Mr. Mike Mathes, Ed.S.
Superintendent

Dr. Robert O. Balsters II, RSBA
Deputy Superintendent

Dr. Carolyn Orozco
Assistant Superintendent

Mr. Craig Carter
Assistant Curriculum & Personnel Director

A Tradition of Quality in Education Since 1920
Seaman High School, Lyman Learning Center, Seaman Middle School,
Elmont, Logan, North Fairview, Pleasant Hill,
Rochester, West Indianola Elementary Schools

Sn Assmnt & Tax
3-11-10

Attachment # 1

- Used all of the money saved through the consolidation of four elementary schools to two elementary schools
- Transferred money saved by consolidating two middle schools into the contingency fund to pay bills and payroll when state aid payments were delayed
- Eliminated 31.5 positions (including 3 administrative, 5.5 teachers, 23 classified)
- Reduced the special education and administrative staff development budgets

Planning for the future

Governor Parkinson's budget proposal calls for a three-year, one-cent increase in the state sales tax as part of a plan to enhance revenue and prevent additional cuts to K-12 education and other state programs. Our understanding is that this proposal would yield approximately \$300 million a year for the next three years.

We realize that raising taxes or identifying additional sources of revenue is never an easy or popular task; however, the Seaman school district is optimistic and committed to engaging in a dialogue about alternatives to additional cuts. The one-cent sales tax increase would certainly help maintain funding levels and would prevent additional, harmful reductions that would negatively impact student achievement and result in further workforce reductions.

So, what happens if a revenue enhancement package is not enacted and school funding is cut even further? The State Department of Education estimates that without additional revenue there could be an additional \$187 million cut from schools next year. For the Seaman school district, that would result in a reduction of \$1.5 million dollars on top of the \$1.2 million already cut. These additional cuts may result in:

- Deeper cuts to building, instructional, professional development and library budgets
- Eliminating field trips
- Eliminating many middle school extracurricular activities
- Eliminating some sports, including non-varsity sports, at the high school level
- Eliminating almost all non-special education paraprofessionals
- Eliminating 10 to 20 teaching positions
- Increasing class size
- Eliminating after school programs
- Reducing the number of elective courses offered
- Increasing the local option mill levy

As you see, any further cuts will significantly impact our students, our workforce and our community. The Seaman school district is not asking you to increase school funding in the upcoming year, but we are imploring you: **NO MORE CUTS**. Educating our children and building strong communities requires a shared commitment, collaboration and open dialogue. This is a critical point in the history of Kansas education. The Seaman school district is proud of the unprecedented academic achievement our students have made – not only in our district, but also throughout the state. Are we going to cut ourselves into mediocrity, or are we going to step up and demand excellence? I can assure you that the Seaman school district and administrators statewide are committed to ensuring that our students continue along this path of increasing academic excellence and that our schools continue to be a source of pride for our community...our state.

Testimony to Senate Assessment & Taxation Committee
In Support of SB 516

March 9, 2010

Mr. Chairman, members of the Committee, my name is Shannon Jones. I am the director of the Statewide Independent Living Council of Kansas, (SILCK). The SILCK envisions a world in which people with disabilities are valued equally and participate fully. To realize that vision, the SILCK works closely with the 12 Centers for Independent Living to promote productivity and economic self-sufficiency for people with all types of disabilities.

The SILCK supports SB 516 calling for an increase in tobacco tax and a one cent increase in the sales tax.

Coupled with the recent good work of the House and Senate in passing a statewide smoking ban, the SILCK believes now would be a good time to pass a tobacco tax increase. SB 516 calls for a .55 increase on tobacco products. According to 'Campaign for Tobacco Free Kids', currently, Kansas ranks 35th among all states. By adding another .55 to Kansas' current tax would put us at the national average of \$1.34.

Our support for these revenue measures are with good reasons. In terms of economic development, the state has invested in home and community based services (HCBS) for the past 25 to 30 years to enable folks with disabilities to enhance their independence, productivity and economic self-sufficiency. That assistance provided through the HCBS programs has also benefited the economic development of the State. From the latest census information, we find that nationally there are approximately 24% of persons with disabilities to be in the job market. In KS that percentage is approximately 54%. More than double.

Through the support of the State many individuals are working and paying taxes. Their hourly wage on average is \$8.68 compared to the federal minimum wage of \$7.25. Persons with disabilities who are working also pay premiums to ensure their continuation of Medicaid support. That means in FY 2008 these persons paid \$717,362 in Medicaid premiums.

Persons with a disability want to work and can work if they are provided the necessary supports and are able to accomplish that goal through participation in the Home and Community Services program. These individuals have become taxpayers. The KU School of Social Work did a five year study of 218-228 persons and found in that five year period, the group paid a total of \$117,122 in state taxes. The Federal Adjusted Gross Income of continuously enrolled participants was approximately \$7.8M.

We recognize the regressive nature of a sales tax. However, I would point out the steps the state has taken to mitigate that problem;

- For the Tax Year 06 there were 285,000 claims for food sales tax refund paying out approximately \$36M. The average payment was \$120.
- For Fiscal Year 08 there 96,020 homestead refunds paying out approximately \$31M. The average payment was \$324.
- The Earned Income Tax Credit provided a \$47M. benefit to low-income families.

We think, through these programs, a substantial number of persons we would consider as poor or low-come are covered. When the number of persons affected by the above programs are compared to the numbers of persons getting Medicaid and Food stamps; we find the total figures are comparable.

The SILCK is in support of a one cent tax increase because the HCBS programs currently provides services to 6500 persons on HCBS/PD who need these services to remain in their own homes and community and to be productive in our Kansas society. There is also an urgent need for the 1800 persons on the waiting list who need HCBS to stay at home and have a shot at making it in the job market and be productive in their communities.

Let me say also, if these persons and their families and their friends were asked, would they pay an extra penny to be assured of these services on an ongoing basis; I am sure the answer would come back with a resounding YES.

I will stand for questions.



STATE CIGARETTE EXCISE TAX RATES & RANKINGS

Overall All States' Average: \$1.34 per pack
 Major Tobacco States' Average: 40.2 cents per pack
 Other States' Average: \$1.47 per pack

| State | Tax | Rank |
|-------------------|---------------|-------------|
| Alabama | \$0.425 | 46th |
| Alaska | \$2.00 | 11th |
| Arizona | \$2.00 | 11th |
| Arkansas | \$1.15 | 27th |
| California | \$0.87 | 32nd |
| Colorado | \$0.84 | 33rd |
| Connecticut | \$3.00 | 2nd |
| Delaware | \$1.60 | 18th |
| DC | \$2.50 | 8th |
| Florida | \$1.339 | 24th |
| Georgia | \$0.37 | 47th |
| Hawaii | \$2.60 | 5th |
| Idaho | \$0.57 | 42nd |
| Illinois | \$0.98 | 30th |
| Indiana | \$0.995 | 29th |
| Iowa | \$1.36 | 23rd |
| Kansas | \$0.79 | 35th |
| Kentucky | \$0.60 | 40th |

| State | Tax | Rank |
|---------------------|---------------|------|
| Louisiana | \$0.36 | 48th |
| Maine | \$2.00 | 11th |
| Maryland | \$2.00 | 11th |
| Massachusetts | \$2.51 | 7th |
| Michigan | \$2.00 | 11th |
| Minnesota | \$1.56 | 20th |
| Mississippi | \$0.68 | 37th |
| Missouri | \$0.17 | 50th |
| Montana | \$1.70 | 17th |
| Nebraska | \$0.64 | 38th |
| Nevada | \$0.80 | 34th |
| New Hampshire | \$1.78 | 16th |
| New Jersey | \$2.70 | 4th |
| New Mexico | \$0.91 | 31st |
| New York | \$2.75 | 3rd |
| North Carolina | \$0.45 | 44th |
| North Dakota | \$0.44 | 45th |
| Ohio | \$1.25 | 25th |

| State | Tax | Rank |
|-----------------------|---------------|------|
| Oklahoma | \$1.03 | 28th |
| Oregon | \$1.18 | 26th |
| Pennsylvania | \$1.60 | 18th |
| Rhode Island | \$3.46 | 1st |
| South Carolina | \$0.07 | 51st |
| South Dakota | \$1.53 | 21st |
| Tennessee | \$0.62 | 39th |
| Texas | \$1.41 | 22nd |
| Utah | \$0.695 | 36th |
| Vermont | \$2.24 | 9th |
| Virginia | \$0.30 | 49th |
| Washington | \$2.025 | 10th |
| West Virginia | \$0.55 | 43rd |
| Wisconsin | \$2.52 | 6th |
| Wyoming | \$0.60 | 40th |
| Puerto Rico | \$2.23 | NA |
| Guam | \$1.00 | NA |
| Northern Marianas | \$1.75 | NA |

Tax stamp includes 75¢ health impact fee & 33¢ cigarette sales tax (Commissioner of Revenue sets sales tax rate each year)

** Effective 11/1/2009.

Table shows all cigarette tax rates in effect now and those that will go into effect through November 1, 2009. Since 2002, 46 States, DC, and several U.S. territories have increased their cigarette tax rates more than 95 times. The four states in **bold type** have not increased their cigarette tax since 1999 or much earlier. Currently, 28 states (including DC) and Puerto Rico, the Northern Marianas, and Guam have cigarette tax rates of \$1.00 per pack or higher; 15 states (including DC) and Puerto Rico have cigarette tax rates of \$2.00 per pack or higher; and two states (CT, RI) have cigarette tax rates of \$3.00 per pack or higher. Tobacco states are KY, VA, NC, SC, GA, and TN. States' average includes DC, but not Puerto Rico, other U.S. territories, or local cigarette taxes. The median tax rate is \$1.18 per pack. MI, MN, and UT also have special 35¢ per pack taxes or fees on brands of manufacturers not participating in the state tobacco lawsuit settlements (NPMs).

The highest combined state-local tax rate is \$4.25 in New York City, with Chicago, IL second at \$3.66 per pack. Other high state-local rates include Evanston, IL at \$3.48 and Anchorage, AK at \$3.324 per pack. For more on local cigarette taxes, see: <http://tobaccofreekids.org/research/factsheets/pdf/0267.pdf>.

Federal cigarette tax is \$1.01 per pack. From the beginning of 1998 through 2002, the major cigarette companies increased the prices they charge by more than \$1.25 per pack (but also instituted aggressive retail-level discounting for competitive purposes and to reduce related consumption declines). In January 2003, Philip Morris instituted a 65-cent per pack price cut for four of its major brands, to replace its retail-level discounting and fight sales losses to discount brands, and R.J. Reynolds followed suit. In the last several years, Philip Morris, Reynolds American, and Lorillard have increased their product prices by almost \$1.00 per pack. **The U.S. Centers for Disease Control & Prevention estimates that smoking-caused health costs total \$10.47 per pack sold and consumed in the U.S.**

The average price for a pack of cigarettes nationwide is roughly \$5.15 (including statewide sales taxes but not local cigarette or sales taxes, other than NYC's \$1.50 per pack cigarette tax), with considerable state-to-state differences because of different state tax rates, and different manufacturer, wholesaler, and retailer pricing and discounting practices. AK, DE, MT, NH & OR have no state retail sales tax at all; CO, MN & OK have a state sales tax but it do not apply it to cigarettes; and AL, GA & MO (unlike the rest of the states) do not apply their state sales tax to that portion of retail cigarette prices that represents the state's cigarette excise tax.

Campaign for Tobacco-Free Kids, January 26, 2010 / Eric Lindblom

For additional information see the Campaign's website at <http://tobaccofreekids.org/reports/prices>.

Sources: Orzechowski & Walker, *Tax Burden on Tobacco*, 2008; media reports.



Testimony before the
Senate Committee on Assessment and Taxation
on
SB 516

by

Mark Tallman, Assistant Executive Director/Advocacy
Kansas Association of School Boards

March 9, 2010

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to testify on **SB 516**. We believe the components of this bill, increasing the state sales tax and cigarette tax are acceptable, but we are also willing to consider other proposals to increase state revenue to avoid deeper, damaging cuts in K-12 education funding and other important state programs.

This support comes from the following statement adopted this past December by the KASB Delegate Assembly:

"After hundreds of millions of dollars in spending cuts, the Governor and Legislature must find ways to provide the revenue necessary to fund the cost of high educational outcomes and other vital public services. The Legislature must evaluate recent tax reductions, tax exemptions and credits, and broad-based tax rates in the same manner as state expenditures."

This position was supported by school board members are who not only elected officials, subject and responsible to the voters, but also businessmen and women and family members just like other Kansans. School board members, by state law, serve without compensation. They have no economic benefit for a tax increase. Through our policy-setting process, they have decided not raising taxes is a good choice, but continuing to cut spending is a worse choice.

I. We support increasing state revenue because our members believe the following:

- A. *As a state, we must improve educational attainment for legal, moral and educational reasons.*

1. Legal responsibilities of school districts:

- a. The Legislature requires improvement in student academic performance as a condition of school accreditation. (School District Finance and Quality Performance Act.) *SEE CHARTS, PAGE 5*
- b. Pursuant to that requirement, the Kansas State Board of Education has imposed the Adequate Yearly Progress requirements under No Child Left Behind upon school districts.
- c. Under No Child Left Behind, the federal government imposes sanctions on schools that do not meet AYP.
- d. Schools and districts failing to make AYP are placed “on improvement” and subject to public approbation and ultimate loss of accreditation status.

2. Moral duty to provide equal opportunity for all.

There are deep historical differences in educational attainment, which both reflect and cause differences on social conditions. Giving all students a real chance at the American Dream requires giving all students a high quality education.

3. Economic value of education: You earn what you learn.

The economic value of educational attainment is significant and growing. *SEE CHARTS, PAGE 6*

B. We know funding is a critically important component of educational quality and improvement.

1. Legislative Post Audit studies determined:

- a. In Kansas, there was a strong correlation between spending and academic results, even if this is not true in other cases or studies.
- b. It costs far more to educate certain groups of students than others (the achievement gap), and funding for these groups was too low. Much of the funding added in recent years was targeted at these groups.
- c. The cost of meeting Adequate Yearly Progress requirements will continue to increase.
SEE CHART, PAGE 7

2. Student performance increased as funding increased.

- a. Scores on Kansas assessments improved for 10 straight years and the achievement gap has narrowed.
- b. ACT scores increased – more than the national and regional average.
- c. National Assessment of Education Progress scores increased, along with national ranking.
- d. These results happened even though the percentage of harder-to-educate students increased.

3. High achievement states spend more than low achievement states.

- a. States with the highest academic results on average spend more than lower achievers.
SEE TABLES, PAGE 8
- b. Higher spending states in the region, like Kansas, get better academic results. *SEE TABLE, PAGE 9*

4. Legislative policy supports increased funding to improve education.

The Legislature has repeatedly, with bi-partisan support, increased local authority to spend more money, in response to arguments that higher funding fosters higher quality and local excellence.

5. Public action recognizes the importance of funding.

Over the past 10 years, local funding has increased more than state funding, rising from 31.5 percent in 2000 to 34.7 percent in 2009. Local funds are either approved by local school boards, accountable to the voters, for the LOB; are subject to protest petition (LOB, capital outlay), or require a public vote (bond issues).

C. We believe education funding and the positive results achieved are threatened as follows:

1. State aid cuts in the current year.

The base budget per pupil is now \$4,012, \$421 or 9.5 percent below last year. With November's allotments, school districts will have to reduce general fund budgets by \$82.7 million below their *published* budgets for the current year. The reduced budgets will be **\$205.5 million below last year's final general fund budgets.**

2. Funding cuts equal position cuts equal reduced programs and services for students.

Position cuts would have been greater if not for (1) increased local funding through LOB, cost-of-living and other local sources, including student fees; (2) increased federal funding for Title I, which expires in FY 2012, and (3) increased at-risk weighting, which must be used for at-risk services.

3. Potential reductions in FY 2011 without additional revenue.

- a. The Governor has proposed reducing \$187.5 million in state general state aid, or about \$286 per pupil (7.1 percent); plus elimination of mentor teacher aid (\$1.45 million) and parents as teachers (\$7.5 million).
- b. These cuts of \$196.5 million equal 51.6 percent of the "deficit" in the Governor's budget, about K-12's share of the state general fund. Protecting other programs would result in higher cuts for education; reducing education cuts would require more cuts to other state needs.
- c. Without more *state* revenue, the only way to mitigate these cuts is to raise *local* taxes, which for most districts will require more LOB authority, more local property tax, and more state equalization aid.

II. We believe raising revenue, including this proposal, is acceptable for the following reasons:

A. The state tax burden has *not* been rising.

According to your Research Department's Kansas Tax Facts publication, state and local taxes as a percent of local income were 10.82 in FY 2009, the lowest in five years and, in fact, lower than 1990 or 2000. Had the \$300 million sales tax increase proposed in this bill been added to tax collected, the tax burden would have been 11.1 percent. Even with the cigarette tax, the figure would be average by historical measures.

B. We do not believe a reasonable tax increase will harm the state economy.

1. After tax increases in both 1992 (for school finance) and 2002 (to avoid deeper budget cuts), the economy boomed, allowing state tax cuts in both the late 1990s and 2000s.
2. States with higher tax rates are just as likely to be high income states as those with lower taxes.
SEE TABLE, PAGE 10
3. Improving education helps the economy by increasing productivity and wages, attracting high skill/high wage businesses, and giving citizens more money to spend and invest.
4. Public spending isn't a drain on the economy; it's immediately reinvested in direct spending (usually with Kansas businesses) and wages (that are usually spent with Kansas businesses.)

5. Cutting state funding reduces jobs, wages and spending, which pulls money out of the economy.

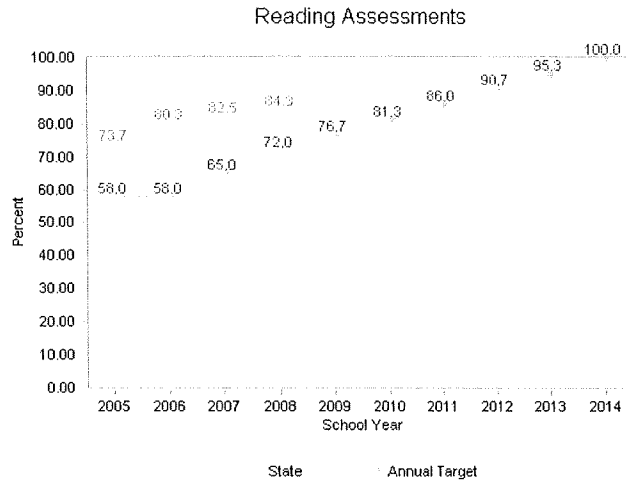
C. A sales tax and other consumption tax increases are acceptable.

1. Although a sales tax is regressive, cutting education and social services hurts the poor even more. For example, the lifetime loss of income for a high school drop-out is likely far more than another one-cent sales tax.
2. The sales tax has also been falling as a percent of state and local revenue, from 28.6 percent in FY 2000 to 25.7 percent in 2009 (Tax Facts see page 11). It is the property tax that has been rising – and will likely continue to, more so if education funding is cut and schools turn to more local revenues. Our members believe the property tax is the least popular tax, and the sales tax least unpopular.
3. A temporary increase in the sales taxes could help transition to a modified tax system if the Legislature approved a study of overall tax policy, which we strongly support. A higher sales tax would move toward both a more **balanced** system (among property, sales and income), or a more **consumption-based** system.

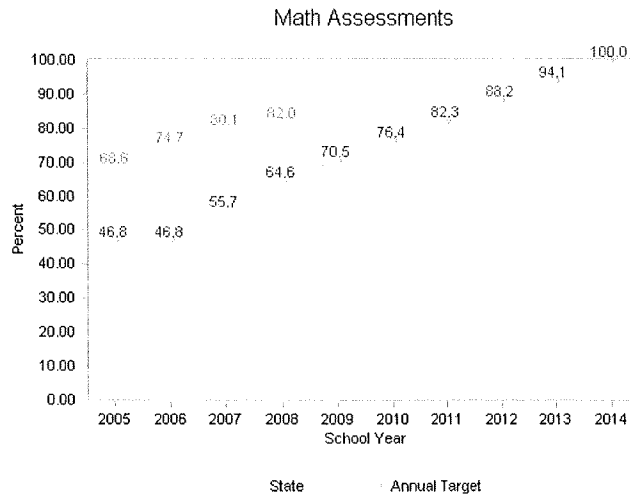
In conclusion, KASB understands there are no good options for your consideration. Far from being “out of control,” state spending has increased to meet the cost of important services, including K-12 education. The state has addressed the current budget crisis through significant cuts in spending. We believe deeper cuts will harm both the current and long-term economic outlook for Kansas more than proposed increases in revenue.

Thank you for your consideration.

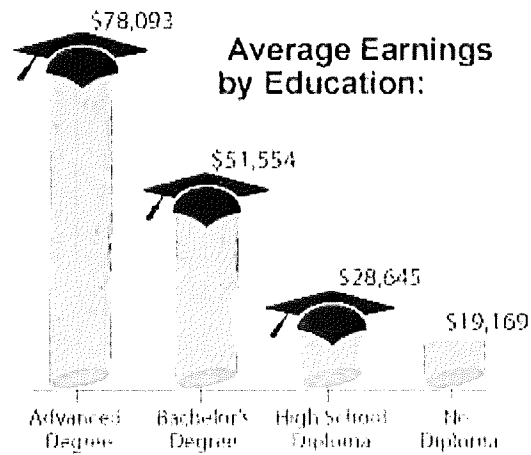
No Child Left Behind Requirements



No Child Left Behind Requirements



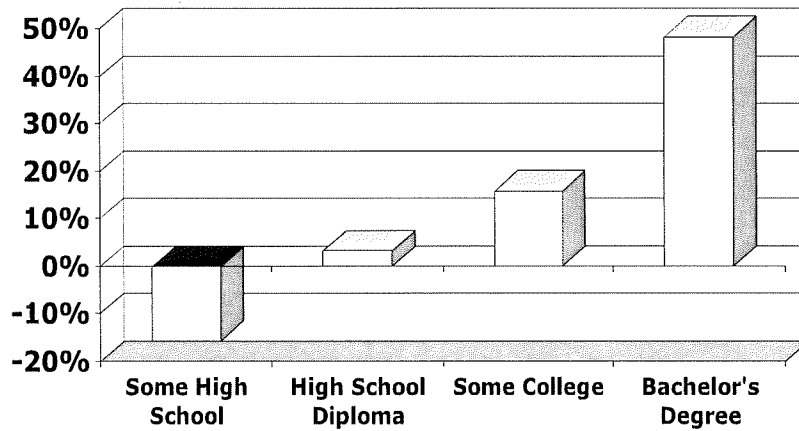
Learning Equals Earning



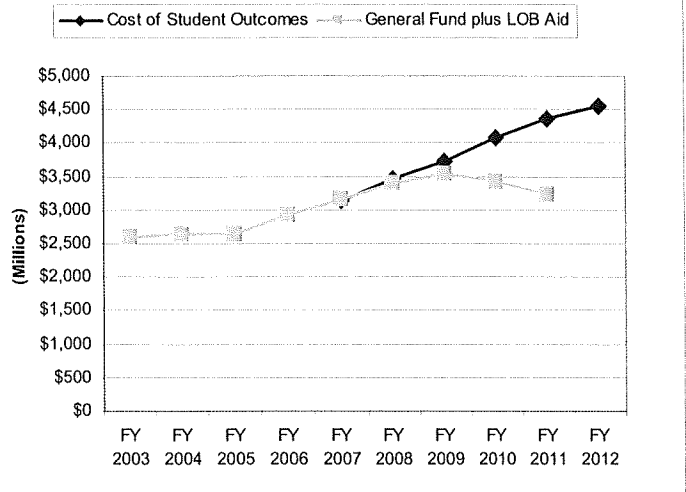
Source: U.S. Census Bureau, Current Population Survey, Educational Attainment in the U.S., 2005

U.S. CENSUS BUREAU

Change in Family Income by Education 1973-2007



Projected Outcomes Cost and Funding



Tables for March 9 Testimony

Table One: National Measure of Education Performance and Spending Per Pupil

| Average Rank in Six Education Measures for Each State, with 2005-06 Current Spending per Pupil | | | | | | | | | |
|--|----------|--------------------------------|----------|-------------------------------|----------|--------------------------------|---------|--------------------------------|---------|
| Top 10 Education Ranking | | Second 10 Education Ranking | | Third 10 Education Ranking | | Fourth 10 Education Ranking | | Bottom 10 Education Ranking | |
| 4.7 Vermont | \$12,614 | 15.8 Colorado | \$8,057 | 21.2 Iowa | \$8,360 | 29.0 Idaho | \$6,440 | 37.8 Oklahoma | \$6,961 |
| 5.7 Massachusetts | \$11,981 | 16.2 Utah | \$5,437 | 21.7 Wyoming | \$11,197 | 29.8 Missouri | \$8,107 | 38.7 S. Carolina | \$8,091 |
| 8.5 N. Hampshire | \$10,079 | 17.2 Washington | \$7,830 | 22.5 S. Dakota | \$7,651 | 30.2 Florida | \$7,759 | 39.0 Kentucky | \$7,662 |
| 9.0 Minnesota | \$9,138 | 17.2 N. Dakota | \$8,603 | 23.5 Illinois | \$9,149 | 30.3 Indiana | \$8,793 | 39.3 Tennessee | \$6,883 |
| 9.2 New Jersey | \$14,630 | 17.5 Maine | \$10,586 | 23.5 Oregon | \$8,545 | 33.2 N. Carolina | \$7,388 | 41.0 West Virginia | \$9,352 |
| 9.7 Connecticut | \$12,323 | 17.5 Pennsylvania | \$11,028 | 23.8 Ohio | \$9,598 | 33.7 California | \$8,486 | 41.5 Arkansas | \$7,927 |
| 11.2 Kansas | \$8,392 | 18.5 Wisconsin | \$9,970 | 24.7 Delaware | \$11,666 | 34.8 Georgia | \$8,565 | 42.5 Louisiana | \$8,402 |
| 11.3 Montana | \$8,581 | 19.0 Nebraska | \$8,736 | 25.3 Rhode Island | \$11,769 | 35.0 Arizona | \$6,472 | 43.7 Nevada | \$7,345 |
| 13.8 Virginia | \$9,447 | 20.3 New York | \$14,884 | 26.7 Alaska | \$11,460 | 35.7 Texas | \$7,561 | 44.0 Alabama | \$7,646 |
| 14.5 Maryland | \$10,670 | 21.2 Hawaii | \$9,876 | 27.5 Michigan | \$9,572 | 36.7 New Mexico | \$8,086 | 49.5 Mississippi | \$7,221 |
| Average per pupil: \$10,786 | | Average per pupil: \$9,501 | | Average per pupil: \$9,893 | | Average per pupil: \$7,766 | | Average per pupil: \$7,749 | |

Table Two: Regional Measure of Education Performance and Spending Per Pupil

| State | 2006 Funding Per Pupil | | Educational Achievement (with Regional Rank) | | | |
|---------------|------------------------|--------------------|--|-----------------|--------------------|---------------------|
| | (with Regional Rank) | | High School Completers | ACT | 2007 NAEP Combined | |
| | Total Revenue | Current Spending | Percent of 18- to 24-year-olds | 2008 Score | Basic or Above | Proficient or Above |
| Minnesota | \$11,010 (1) | \$9,138 (1) | 84.0 (3) | 22.6 (1) | 321 (3) | 168 (1) |
| Nebraska | \$10,541 (2) | \$8,736 (2) | 84.0 (3) | 22.1 (3) | 304 (6) | 143 (7) |
| Kansas | \$9,973 (3) | \$8,392 (4) | 84.2 (2) | 22.0 (4) | 323 (2) | 162 (2) |
| N. Dakota | \$9,815 (4) | \$8,603 (3) | 88.4 (1) | 21.6 (6) | 336 (1) | 154 (3) |
| Iowa | \$9,771 (5) | \$8,360 (5) | 83.8 (5) | 22.4 (2) | 318 (5) | 150 (5) |
| Missouri | \$9,585 (6) | \$8,107 (6) | 80.8 (7) | 21.6 (6) | 296 (8) | 131 (8) |
| Colorado | \$9,285 (7) | \$8,057 (7) | 80.4 (8) | 20.5 (8) | 306 (7) | 149 (6) |
| S. Dakota | \$8,904 (8) | \$7,651 (8) | 81.2 (6) | 22.0 (4) | 321 (4) | 151 (4) |
| Oklahoma | \$8,069 (9) | \$6,961 (9) | 79.2 (9) | 20.7 (9) | 285 (9) | 107 (9) |
| U.S. | \$10,771 | \$9,138 | 80.4 | 21.1 | 290 | 131 |

State Per Capita Income, Tax Burden and Education Attainment

| State Rank | State Name | Per Capita Income 2007 | Tax Collections: % of Personal Income | Taxes: % of Personal Income (State Rank) | Education Attainment Ranking |
|-------------------------|----------------|------------------------|---------------------------------------|--|------------------------------|
| 1 | Connecticut | \$54,981 | 11.9 | 15 | 2 |
| 2 | New Jersey | \$49,511 | 12.5 | 9 | 9 |
| 3 | Massachusetts | \$48,995 | 10.9 | 35 | 3 |
| 4 | Wyoming | \$47,047 | 16.6 | 1 | 27 |
| 5 | Maryland | \$46,471 | 11.1 | 30 | 5 |
| 6 | New York | \$46,364 | 15.7 | 2 | 16 |
| 7 | California | \$41,805 | 12.1 | 13 | 28 |
| 8 | Virginia | \$41,727 | 10.5 | 42 | 11 |
| 9 | New Hampshire | \$41,639 | 9.2 | 49 | 5 |
| 10 | Washington | \$41,203 | 11.2 | 28 | 14 |
| 10 State Average | | | 12.17 | 22.4 | 12 |
| 11 | Colorado | \$41,192 | 9.8 | 46 | 11 |
| 12 | Minnesota | \$41,105 | 11.8 | 19 | 5 |
| 13 | Illinois | \$41,012 | 11.2 | 27 | 18 |
| 14 | Delaware | \$40,112 | 11.6 | 23 | 28 |
| 15 | Alaska | \$40,042 | 15.1 | 3 | 24 |
| 16 | Nevada | \$39,853 | 10.8 | 38 | 48 |
| 17 | Rhode Island | \$39,829 | 12.2 | 12 | 18 |
| 18 | Hawaii | \$39,242 | 14 | 6 | 4 |
| 19 | Pennsylvania | \$38,793 | 11.4 | 25 | 22 |
| 20 | Florida | \$38,417 | 10.8 | 40 | 32 |
| 10 State Average | | | 11.87 | 23.9 | 21 |
| 21 | Vermont | \$37,483 | 13.5 | 7 | 1 |
| 22 | Texas | \$37,083 | 10 | 45 | 45 |
| 23 | Kansas | \$36,525 | 11.7 | 22 | 10 |
| 24 | Nebraska | \$36,372 | 11.9 | 14 | 15 |
| 25 | Wisconsin | \$36,272 | 12.3 | 11 | 20 |
| 26 | North Dakota | \$36,082 | 11.7 | 21 | 23 |
| 27 | South Dakota | \$35,760 | 9.1 | 50 | 30 |
| 28 | Oregon | \$35,143 | 10.8 | 39 | 21 |
| 29 | Louisiana | \$35,100 | 14.3 | 5 | 43 |
| 30 | Oklahoma | \$34,997 | 10.6 | 41 | 40 |
| 10 State Average | | | 11.59 | 25.5 | 24.8 |
| 31 | Iowa | \$34,916 | 10 | 34 | 26 |
| 32 | Ohio | \$34,468 | 11.8 | 17 | 31 |
| 33 | Michigan | \$34,423 | 10.9 | 37 | 25 |
| 34 | Maine | \$33,991 | 14.3 | 4 | 17 |
| 35 | Missouri | \$33,964 | 10.1 | 44 | 32 |
| 36 | North Carolina | \$33,735 | 11.3 | 26 | 38 |
| 37 | Georgia | \$33,499 | 10.9 | 36 | 36 |
| 38 | Tennessee | \$33,395 | 9.3 | 48 | 41 |
| 39 | Montana | \$33,225 | 11.1 | 32 | 11 |
| 40 | Indiana | \$33,215 | 11.9 | 16 | 39 |
| 10 State Average | | | 11.16 | 29.4 | 29.6 |
| 41 | Arizona | \$32,833 | 11 | 33 | 35 |
| 42 | Alabama | \$32,419 | 9.6 | 47 | 47 |
| 43 | Idaho | \$31,804 | 11.2 | 29 | 37 |
| 44 | South Carolina | \$31,103 | 10.3 | 43 | 42 |
| 45 | Kentucky | \$30,824 | 11.5 | 24 | 46 |
| 46 | New Mexico | \$30,706 | 12.9 | 8 | 34 |
| 47 | Arkansas | \$30,177 | 11.7 | 20 | 49 |
| 48 | Utah | \$29,831 | 11.8 | 18 | 8 |
| 49 | West Virginia | \$29,385 | 12.3 | 10 | 44 |
| 50 | Mississippi | \$28,541 | 11.1 | 31 | 50 |
| 10 State Average | | | 11.34 | 26.3 | 39.2 |

State Ranking of Educational Attainment

| State Name | 2007 NAEP Combined Basic | 2007 NAEP Combined Proficient | 18-24 High School Completers | High School Grads | Bachelors Degree | Advanced Degree | Average Rank All Measures | 2005-06 Total Current Expenditures Per Pupil | Quintile Average |
|----------------|-----------------------------------|--|------------------------------------|-------------------------|---------------------|--------------------|---------------------------------|---|---------------------|
| Vermont | 3 | 3 | 3 | 6 | 7 | 6 | 4.7 | \$12,614 | |
| Massachusetts | 1 | 1 | 10 | 19 | 1 | 2 | 5.7 | \$11,981 | |
| New Hampshire | 5 | 4 | 19 | 5 | 8 | 10 | 8.5 | \$10,079 | |
| Minnesota | 8 | 4 | 11 | 1 | 11 | 19 | 9.0 | \$9,138 | |
| New Jersey | 6 | 2 | 9 | 26 | 5 | 7 | 9.2 | \$14,630 | |
| Connecticut | 19 | 9 | 6 | 17 | 4 | 3 | 9.7 | \$12,323 | |
| Kansas | 7 | 6 | 8 | 13 | 16 | 17 | 11.2 | \$8,392 | |
| Montana | 3 | 8 | 5 | 4 | 19 | 29 | 11.3 | \$8,581 | |
| Virginia | 13 | 13 | 18 | 28 | 6 | 5 | 13.8 | \$9,447 | |
| Maryland | 25 | 20 | 16 | 23 | 2 | 1 | 14.5 | \$10,670 | \$10,786 |
| Colorado | 21 | 17 | 30 | 17 | 3 | 7 | 15.8 | \$8,057 | |
| Utah | 27 | 26 | 4 | 2 | 16 | 22 | 16.2 | \$5,437 | |
| Washington | 22 | 15 | 34 | 9 | 10 | 13 | 17.2 | \$7,830 | |
| North Dakota | 2 | 10 | 2 | 16 | 25 | 48 | 17.2 | \$8,603 | |
| Maine | 11 | 17 | 15 | 12 | 24 | 26 | 17.5 | \$10,586 | |
| Pennsylvania | 15 | 7 | 13 | 24 | 27 | 19 | 17.5 | \$11,028 | |
| Wisconsin | 20 | 11 | 7 | 14 | 30 | 29 | 18.5 | \$9,970 | |
| Nebraska | 23 | 22 | 11 | 8 | 21 | 29 | 19.0 | \$8,736 | |
| New York | 26 | 23 | 26 | 34 | 9 | 4 | 20.3 | \$14,884 | |
| Hawaii | 44 | 44 | 1 | 9 | 12 | 17 | 21.2 | \$9,876 | \$9,501 |
| Iowa | 12 | 15 | 13 | 11 | 36 | 40 | 21.2 | \$8,360 | |
| Wyoming | 10 | 17 | 21 | 3 | 39 | 40 | 21.7 | \$11,197 | |
| South Dakota | 9 | 12 | 25 | 15 | 31 | 43 | 22.5 | \$7,651 | |
| Illinois | 32 | 31 | 21 | 30 | 15 | 12 | 23.5 | \$9,149 | |
| Oregon | 31 | 28 | 28 | 20 | 18 | 16 | 23.5 | \$8,545 | |
| Ohio | 14 | 11 | 24 | 24 | 38 | 32 | 23.8 | \$9,598 | |
| Delaware | 16 | 25 | 46 | 27 | 20 | 14 | 24.7 | \$11,633 | |
| Rhode Island | 39 | 35 | 19 | 37 | 13 | 9 | 25.3 | \$11,769 | |
| Alaska | 34 | 33 | 44 | 7 | 21 | 21 | 26.7 | \$11,460 | |
| Michigan | 36 | 33 | 17 | 22 | 34 | 23 | 27.5 | \$9,572 | \$9,893 |
| Idaho | 18 | 23 | 30 | 21 | 37 | 45 | 29.0 | \$6,440 | |
| Missouri | 28 | 30 | 27 | 31 | 35 | 28 | 29.8 | \$8,107 | |
| Florida | 29 | 31 | 35 | 32 | 28 | 26 | 30.2 | \$7,759 | |
| Indiana | 17 | 21 | 38 | 29 | 42 | 35 | 30.3 | \$8,793 | |
| North Carolina | 30 | 28 | 39 | 39 | 31 | 32 | 33.2 | \$7,388 | |
| California | 49 | 46 | 33 | 45 | 14 | 15 | 33.7 | \$8,486 | |
| Georgia | 38 | 39 | 48 | 38 | 23 | 23 | 34.8 | \$8,565 | |
| Arizona | 43 | 41 | 41 | 36 | 26 | 23 | 35.0 | \$6,472 | |
| Texas | 24 | 27 | 46 | 49 | 33 | 35 | 35.7 | \$7,561 | |
| New Mexico | 48 | 48 | 45 | 40 | 28 | 11 | 36.7 | \$8,086 | \$7,766 |
| Oklahoma | 35 | 40 | 36 | 33 | 41 | 42 | 37.8 | \$6,961 | |
| South Carolina | 40 | 36 | 39 | 41 | 39 | 37 | 38.7 | \$8,091 | |
| Kentucky | 33 | 36 | 37 | 47 | 47 | 34 | 39.0 | \$7,662 | |
| Tennessee | 42 | 41 | 29 | 43 | 42 | 39 | 39.3 | \$6,883 | |
| West Virginia | 41 | 43 | 23 | 42 | 50 | 47 | 41.0 | \$9,352 | |
| Arkansas | 37 | 38 | 32 | 44 | 49 | 49 | 41.5 | \$7,927 | |
| Louisiana | 46 | 48 | 41 | 28 | 46 | 46 | 42.5 | \$8,402 | |
| Nevada | 45 | 45 | 50 | 35 | 45 | 42 | 43.7 | \$7,345 | |
| Alabama | 47 | 47 | 43 | 45 | 44 | 38 | 44.0 | \$7,646 | |
| Mississippi | 50 | 50 | 49 | 50 | 48 | 50 | 49.5 | \$7,221 | \$7,749 |

- Sales and use tax revenue over the decades also has been increasing significantly as part of the state-local tax mix, *i.e.*, rising from 10 percent of the total in FY 1940, to 16 percent in FY 1970, and to about 26 percent in FY 2009. The spread of local sales taxes has contributed significantly to the growth of sales tax revenue since 1970.
- State and local tax revenue in FY 2009 was 10.82 percent of CY 2008 Kansas personal income. Historically, this figure has remained remarkably constant. (The ratio was 14.63 percent in FY 1940; 11.64 percent in FY 1970; and 11.55 percent in FY 1990). The following table provides the data for the last six fiscal years.

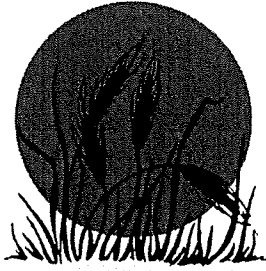
Taxes as Percent of Personal Income

| | State | Local | Both |
|---------|-------|-------|--------|
| FY 2004 | 6.52% | 4.59% | 11.11% |
| FY 2005 | 6.76 | 4.73 | 11.48 |
| FY 2006 | 7.18 | 4.92 | 12.10 |
| FY 2007 | 7.12 | 4.87 | 11.98 |
| FY 2008 | 6.94 | 4.82 | 11.76 |
| FY 2009 | 6.11 | 4.72 | 10.82 |

- Although the rate of growth in overall local taxes decelerated somewhat in FY 2009 the rate growth in local property taxes remained fairly constant. Local property taxes in FY 2009 increased by \$186 million. Of this amount, schools accounted for \$91 million of the increase. Local property taxes in FY 2008 increased by \$183 million. Of this amount, schools accounted for \$80 million of the increase. Property taxes in FY 2007 had increased by about 7.7 percent, or \$254 million, with schools accounting for \$101 million of the increase. Property taxes in FY 2006 had increased by \$228 million (7.5 percent), with \$117 million of the increase attributable to schools.
- It should be noted that while the courts have held that the mandatory school district general fund property tax levy is a state tax, it is primarily treated as a local tax for the maintenance of historical tax tables. The relatively small portion of “excess” local effort that is recaptured for deposit in the State School District Finance Fund is treated as a state tax receipt.

State Tax Revenue

In FY 2009, state tax revenue totaled \$6.641 billion, which was a decrease of \$565 million, or 7.84 percent below collections in FY 2008. FY 2008 reports had increased over FY 2007 receipts by \$191 million, or 2.72 percent. FY 2007 receipts had been up \$494 million, or 7.57 percent above FY 2006 receipts. FY 2006 receipts had grown by \$632 million, or 10.74 percent above FY 2005 collections. Receipts in FY 2005 had grown by \$425 million, or 7.78 percent, above FY 2004. (Total state tax collections had declined in two of the previous four fiscal years prior to FY 2003 and likely would have declined in FY



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Senate Assessment and Taxation Committee

Testimony in Support of Senate Bill 516

March 9, 2010

Presented by:

Stuart J. Little, PhD

Sn Assmnt & Tax
3-11-10

Attachment # 4

Mister Chairman and members of the Committee, my name is Stuart Little and I represent the Association Community Mental Health Centers of Kansas, Inc. The Association represents the 27 licensed Community Mental Health Centers (CMHCs) in Kansas who provide home and community-based, as well as outpatient mental health services in all 105 counties in Kansas, 24-hours a day, seven days a week. In Kansas, CMHCs are the local Mental Health Authorities coordinating the delivery of publicly funded community-based mental health services. The CMHC system is state and county funded and locally administered. Consequently, service delivery decisions are made at the community level, closest to the residents that require mental health treatment. Each CMHC has a defined and discrete geographical service area. With a collective staff of over 4,500 professionals, the CMHCs provide services to Kansans of all ages with a diverse range of presenting problems. Together, this system of 27 licensed CMHCs form an integral part of the total mental health system in Kansas. As part of licensing regulations, CMHCs are required to provide services to all Kansans needing them, regardless of their ability to pay. This makes the community mental health system the "safety net" for Kansans with mental health needs, collectively serving over 131,000 Kansans with mental illness.

I stand before you to express the support of the CMHC system for Senate Bill 516, which increases the cigarette tax to \$1.34 per pack and would also increase the state retail sales and compensating use tax rate by one cent. Our understanding is this increase would generate approximately \$420 million in FY 2011. This comes at a time when our state is facing historic fiscal challenges causing the Governor and Legislature to impose devastating cuts to critical services to our most vulnerable citizens. As I stand before you today, the Senate Ways and Means Subcommittee on SRS is deliberating on ways in which to cut an additional \$42 million from the SRS budget.

Consider the follow reductions in funding sustained by the CMHC system:

1. \$20 million reduction in Mental Health Reform grants since FY 2008 – a 65 percent reduction.
2. \$4.7 million quarterly (all funds) or \$19 million annually in Medicaid rate reductions.
3. \$3.1 million in MediKan funding in FY 2010 – a 45 percent reduction.
4. \$560,000 SGF in Community Support Medication Program funding – a 53 percent reduction

This list puts into context how devastating cuts have been to the public mental health system, and to the CMHCs in particular.

Cuts in Mental Health Reform Funding

Mental Health Reform grants allow CMHCs to serve the uninsured and underinsured who do not qualify for Medicaid and do not have resources to pay for their mental health treatment. It is this funding which essentially ensures every Kansan has universal access to mental health treatment. The CMHCs have a State mandate to serve everyone regardless of their ability to pay. If those living with mental illness do not receive timely treatment, they could easily end up being admitted into a State psychiatric hospital - the most costly level of care. It is the grant funding which has allowed Mental Health Reform to be a success.

Those served by the CMHCs who are not Medicaid eligible (the non-target population) are the largest population segment served, yet the CMHCs have limited resources available to cover the cost of providing those services. For example, 30 percent of individuals served by the CMHCs (or 39,300) have Medicaid as their sole payor source. The remaining 70 percent (or 91,700) are non-Medicaid eligible and benefit in some way from state grant funding.¹ We also know that of those served by the CMHC system who are non-Medicaid, and reporting income information, 69% earn less

than \$20,000 a year. **Without treatment and care, many will end up in contact with law enforcement, jails, hospital emergency rooms or State psychiatric hospitals.** Individuals who are able to be treated in the community will have improved quality of life for themselves and their families, and ultimately be more productive citizens.

Budget cuts are placing the public mental health system at a breaking point – community services that are critical to every Kansan who experiences a mental illness and are services that our citizens have come to rely upon in their time of need. Every Kansan who walks through the doors of a CMHC is being impacted by these budget cuts, and our workforce is equally impacted. These cuts have gone too far. We can no longer cut our way out of this crisis.

The response of the State is to impose deep cuts to the public mental health system, walking away from a longstanding commitment to ensuring Kansans have access to quality community-based treatment when they need it. The chart below details this trend.

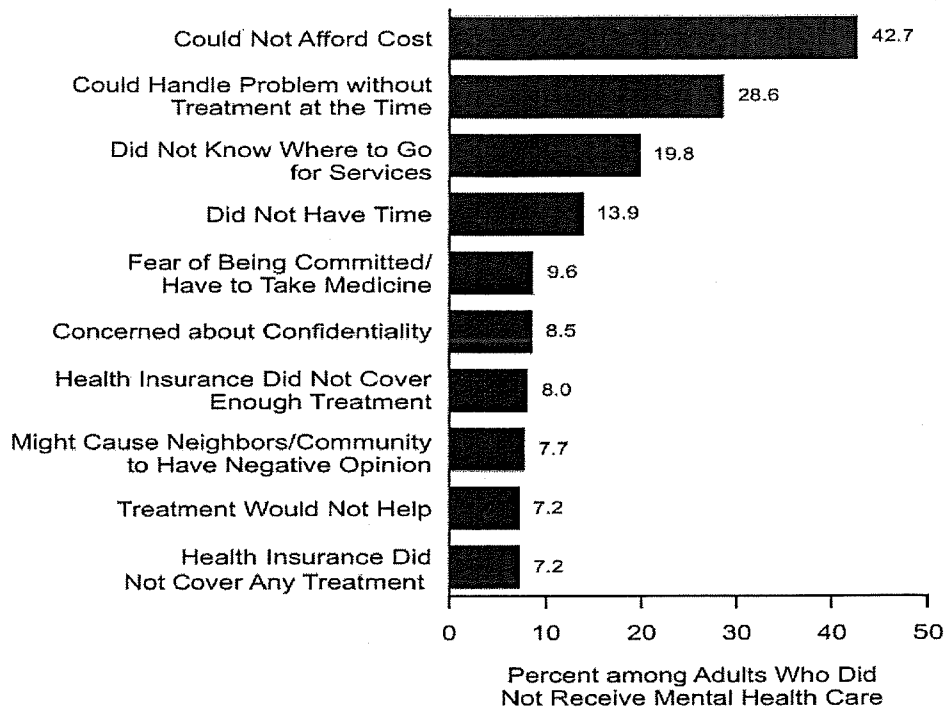
Mental Health Reform Funding

| FY | Amount | Impact | Cumulative Impact | % Difference | Cumulative Difference |
|---|--------------|---------------|---------------------|--------------|-----------------------|
| FY07 | \$31,066,330 | | | | |
| FY08 | \$21,874,340 | (\$9,191,990) | (\$9,191,990) | -29.59% | -29.59% |
| FY09 (Base) | \$21,874,340 | - | (\$9,191,990) | - | -29.59% |
| FY09 (Revised - Governor's 3% cut to SRS) | \$20,074,340 | (\$1,800,000) | \$10,991,990 | -8.23% | -35.38% |
| FY10 Budget Bill | \$17,374,340 | (\$4,500,000) | \$13,691,990 | -20.57% | -44.07% |
| FY10 Omnibus Bill | \$14,874,340 | (\$2,500,000) | \$16,191,990 | -14.39% | -52.12% |
| FY10 Governor's Allotments | \$10,874,340 | (\$4,000,000) | \$20,191,990 | -26.89% | -65.00% |

The impact on those we serve and on the CMHC system is devastating and is already being felt throughout this State.

- Increased admissions to hospitals - local emergency rooms and psychiatric hospitals.
- Increased suicide calls.
- Increased demand for services (90% of CMHCs are experiencing increased demand for services).
- Delayed access to services for the uninsured - outpatient, therapy limits, crisis services, reduced/capped benefits.
- Waiting lists for some services, longer wait times for appointments.
- Elimination of programs and closing of local offices (75% of CMHCs have done so).
- Reduced staff hours.
- Reduced operating hours.

According to the 2008 National Survey on Drug Use and Health (NSDUH), among the 5.1 million adults aged 18 or older who reported an unmet need for mental health care and did not receive mental health services in the past year, several barriers to care were reported, which are outlined in the bar chart below. **The top reason (43%) was they could not afford the cost of treatment.**



In these distressing economic times, mental health needs are on the rise and individuals negatively impacted by the economy turn to our public mental health system for help. With these difficult times come increased drinking, domestic violence and marital problems linked to financial stress, as well as children trying to cope with extreme anxiety within the home. Research shows rates of depression and suicide tend to climb during times of economic tumult.² **Given these facts, in addition to the State mandate placed on CMHCs to serve everyone regardless of their ability to pay, the Association requests that the Legislature begin restoring cuts to Mental Health Reform funding.**

Without treatment and care, many would end up in contact with law enforcement, jails, hospital emergency rooms or state psychiatric hospitals. Mental Health Reform funding helped our system close state hospital beds and helps support services that are essential in keeping individuals out of inpatient settings. Reducing these funds puts at risk an already overstretched state hospital capacity. Without Mental Health Reform funding, there would be no universal system; no safety net; no 24 hour emergency care; increasing demands for mental health care in emergency rooms and in-patient setting; and a growing number of persons in our jails.

Community Based Mental Health Services are the Best Value for the State

In the face of budget shortfalls, severe cuts have been imposed on CMHCs that will impact the public mental health system and individuals with mental illness and their families. Policy makers must understand that paying for the costs of treating mental illness is unavoidable. Our only decision is how we as a State pay for it. The State can either invest in the public mental health system or pay a greater price through increased psychiatric hospitalization and primary care costs, greater reliance correctional facilities, homelessness, and other costs to society including lost productivity and suicide.

We know it costs on average, \$428 per day for treatment at one of our State psychiatric hospitals; \$80 per day on average to be incarcerated at Larned Correctional Mental Health

Facility; \$10 per day on average for Medicaid expenditures for community-based mental health treatment; and \$22 per day on average for Medicaid expenditures for the most chronic mental health conditions. This is consistent with other data which confirms community-based treatment for mental illness is the best value.

It is also important to note that investing in community-based mental health services directly lowers healthcare costs. Treatment for mental disorders is associated with a 20 percent reduction in the overall use of health care services.³ Budget gains from reducing access to pharmaceuticals are more than offset by increases in spending on services elsewhere in the system (such as increased hospitalization and emergency room care).⁴ At a time when the State is struggling with containing the costs of health care, paying for the cost of community-based mental health treatment is part of the solution to our State's budget crisis.

Desired Recommendations:

Mister Chairman and members of the Committee, I thank you for this opportunity to bring to the forefront the critical challenges facing our public mental health system as a result of funding reductions. For all the reasons that I have testified to today, and for those that will follow, we urge you to support Senate Bill 516 and pass it out of this Committee favorably.

Thank you for allowing me to appear before you today.

¹ Automated Information Management System (AIMS); Kansas Department of Social and Rehabilitation Services; FY 2009.

² National Alliance on Mental Illness; National Survey with MHA and Depression is Real. October 2009.

http://www.nami.org/Content/NavigationMenu/Top_Story/Economys_Toll_on_Mental_Health.htm.

³ Lave J. The cost offset effect. In FogelBS, Furino A, Gottlieb GL, *Mental health policy for older Americans: Protecting minds at risk*. Washington, DC: American Psychiatric Press. 1990.

⁴ The Lewin Group. *Health Plan Benefit Barriers to Access to Pharmaceutical Therapies for Behavioral Health*. 1998.



Making public schools great for every child

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

Mark Desetti, Testimony
Kansas National Education Association

Senate Assessment and Taxation Committee
March 9, 2010

Senate Bill 516

Mr. Chairman, members of the Committee, thank you for the opportunity to appear before you today to share our thoughts on Senate Bill 516, proposal for a 1% Sales Tax Increase and an increase in tobacco taxes.

We believe that it is time for the Legislature to put revenue on the table. For some time now, the Kansas legislature has been in the habit of passing revenue reductions. These reductions have exacerbated the impact of the recession on the budgetary problems you faced last year and are facing again this year.

Throughout 2009, you reacted to the recession and budget shortfall by cutting state spending in every program. You have looked everywhere for savings and efficiencies. But now every state program is suffering. You have probably heard it said by every agency that the cuts so far enacted have reached the bone.

You have also heard that schools – K-12 education in particular – were not harmed. That spending is nearly identical to the prior year. I think it is advisable to consider two reactions to that statement:

1. Schools benefited from the passage of the American Recovery and Reinvestment Act (ARRA) fiscal stabilization fund and additional federal funding for certain programs, particularly Title I and IDEA (Special Education). These ARRA funds allowed general state aid to decline significantly and to be “backfilled” with federal aid. While this was helpful, we are looking to a day in the near future when the ARRA funds disappear. At that time, we in K-12 and higher education will find ourselves peering over the edge of a cliff. Much of these federal funds will disappear leaving only the hole that they had temporarily filled.
2. While the fiscal stabilization funds helped all school districts, the additional Title I and IDEA funds are different. These funds are restricted and targeted to specific populations. They are not distributed equally across the education spectrum. They are very important to the schools with large concentrations of poverty or special education students but there are some schools that do not benefit nearly as much from these funds. It is not accurate to depict the additional Title I and IDEA funds as helping all schools.

We are led to the conclusion that without additional revenue, our education system will soon experience cuts to the bone.

Because of this, and because we have witnessed the devastation to other state services that did not benefit from ARRA funds to the same degree that education did, we rise in support of a revenue solution to this budgetary crisis.

We leave it to the Legislature to determine what the best revenue raising solution is. We know that there are concerns specific to raising any particular tax. There are concerns about whether the tax is regressive or progressive, whether it is elastic, or whether or not it is too targeted to a specific population. We understand those concerns and we know that you must weigh all of them.

But the simple fact is that Kansans are suffering due to budget cuts and, if more cuts are imposed, that suffering will increase.

We believe that the measure of a society is in how it treats its most vulnerable citizens. The impact of these cuts on every agency is troublesome. We believe that we must consider how we intend to provide for every Kansan with a disability, for every Kansan in a mental health crisis, for every Kansas senior needing assistance to continue living in his or her home or depending on the care they receive in nursing homes, for the safety we all enjoy thanks to our public safety officers, and for every Kansas child moving through our schools whose parents look forward to the day when that child will graduate with a world-class education and take his or her place as a contributing member of our society.

As the Governor said in his State of the State speech and repeated last week in his budget announcement, he is less tied to how you raise revenue than he is to the fact that you need to raise revenue to prevent more crippling cuts.

We urge you to hold the line on new tax cuts, to examine the recommendations of the Kansas Advisory Council on Intergovernmental Relations, and to pass a revenue package that provides for strong Kansas communities and the services upon which so many Kansans depend.