



Kansas Advisory Council on Intergovernmental Relations

2010 *Annual* *Report*

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Statutory Charge and Membership

Statutory Charge (K.S.A. 12-4001 - 4008)

The 2002 Kansas Legislature created the 15-member Kansas Advisory Council on Intergovernmental Relations (KACIR). The Council has the duty to engage in continuous study of the services provided by the various types and levels of government within the state, the division of responsibility for providing and financing governmental services, possibilities of improving the organizational structure and operational efficiency of the various governmental units serving the citizens of the state; and the state and local tax structure and the revenue requirements and fiscal policies of the state and its local units of government.

The KACIR is required to give particular attention to modernization of the structure of Kansas local government, the impact of urbanization on the organization and functions of local government, the impact of technology on the organization and functions of local government, and the relationships between state and local governments.

In addition, the KACIR is required to make an annual report in writing to the Governor and Legislature.

Membership

The Governor appoints 11 of the 15 members:

- Two members shall be elected county officials of which, one shall be a member of a board of county commissioners
- Two members shall be elected city officials
- One member shall be an elected township official
- One member shall be an elected school board member
- Two members shall be executive branch officials
- Three members shall be private citizens

The remaining four members are as follows: Two members of the Council shall be members of the Kansas Senate – one shall be appointed by the President of the Senate and one by the Senate Minority Leader. Two members of the Council shall be members of the Kansas House of Representatives – one shall be appointed by the Speaker of the House and one shall be appointed by the House Minority Leader.

Members shall serve without compensation but may be reimbursed for expenses. No more than seven members may be from the same political party.

Members appointed by the Governor shall be for terms of four years. Legislative members are appointed to terms that correspond to their terms of office.

KACIR Roster

KACIR Position	Appointed by	Term End	Last Name	First Name
Private Citizen (1 of 3)	Governor	June 30, 2011	Arnold	John
House Speaker Apptee	H. Speaker	January 2009	Burgess	Mike
County Official (1 of 2)	Governor	June 30, 2014	Diehl	Glenn
Township Official	Governor	June 30, 2012	Finney	Tom
Exec Branch Official (1 of 2)	Governor	June 30, 2011	Vacant	Vacant
City Official (1 of 2)	Governor	June 30, 2011	Heck	Willis
Private Citizen (1 of 3)	Governor	June 30, 2014	Hixson	Warren
School Board Member	Governor	June 30, 2011	Lair	Judy
Private Citizen (1 of 3)	Governor	June 30, 2014	Lockner	Allyn
County Official (1 of 2)	Governor	June 30, 2012	Martin	Gwendolyn
House Min Ldr Apptee	H. Minority Ldr	January 2009	Menghini	Julie
Sen President Apptee	S. President	January, 2009	Owens	Tim
City Official (1 of 2)	Governor	June 30, 2011	Rowlett	Jack
Senate Min Ldr Apptee	S. Minority Ldr	January 2009	Steineger	Chris
Exec Branch Official (1 of 2)	Governor	June 30, 2010	Wagnon	Joan

Mike Gaughan, Exec Branch Official (1 of 2), also served on the Council in 2010.

Meetings staffed by Lynn Robinson, Kansas Department of Revenue

Report of Meetings

The KACIR is required to convene at least once every 2 years in each Congressional District (K.S.A. 12-4004).

In Calendar Year 2009, The Council met 4 times. Three of these meetings were held in Topeka (Congressional District 2). The fourth meeting was located in Wichita (Congressional District 4). Two meetings were conducted by teleconference.

In Calendar Year 2010, The Council met 4 times. One meeting convened in Topeka (Congressional District 2). The Council also met in Andover (Congressional District 4). In addition, two meetings were held as public hearings. The first public hearing was held in Hays (Congressional District 1). The second public hearing was held in Overland Park (Congressional District 3). This annual report was finalized and approved during a teleconference on January 5, 2011.

This report includes a brief summary of the minutes of all meetings in 2010.

April 14, 2010 – Teleconference

Council members present: John Arnold, Rep. Mike Burgess, Tom Finney, Mike Gaughan, Willis Heck, Allyn Lockner, Gwen Martin, Matt Traster, Sec. Joan Wagnon

Other interested parties in attendance: Melissa Wangemann – KAC

The Council discussed the status of the KACIR legislative proposals that were introduced in the 2010 legislature. (*See page 15 for discussion of various KACIR legislative proposals.*)

The group talked about local government financing issues. Members noted problems with the local sales tax distribution formula. They also discussed problems in the property tax created by the use value formula for agricultural land. The members also discussed surveying public officials from cities and counties about problems they are experiencing financing local government.

June 15, 2010 – Andover, KS – Congressional District 4

Council members present: John Arnold, Willis Heck, Warren Hixson, Judy Lair, Allyn Lockner, Gwen Martin, Rep. Julie Menghini, Sen. Tim Owens, Sec. Joan Wagnon

Other interested parties in attendance: Randall Allen and Melissa Wangemann – KAC; Kim Winn – LKM; John Miller – Norton County Commission; Dr. John Leatherman – Office of Local Government at Kansas State University; Dennis Kriesel – KAC; Ed Flentje– Wichita State University; Barb McCandless – retired auditor

The members were given presentations by Dr. John Leatherman from the Office of Local Government at Kansas State University and from Dennis Kriesel from Kansas Association of Counties. Dr. Leatherman gave an overview of local government financing and reported on three particular elements of local financing. He stated local governments are fairly well constrained in revenue sources because the property tax is the only major revenue source that offers flexibility to them.

He summarized the research his office completed regarding the Kansas property tax lid. Kansas has functioned under two property tax lid policies. The Aggregate Property Tax Levy Limitation limited the amount by which municipalities could increase their levies every year. The legislature changed the lid by giving local governments some increased flexibility. The

Report of Meetings

Truth in Taxation (Sunshine Law) was a softer lid. Dr. Leatherman's research indicated that the soft tax lid is more effective at constraining revenue and expenditure growth and property tax growth. He stated that his belief is that local government officials are responsible, fiscally conservative, and do a good job of managing their own public financial affairs.

Next, Mr. Kriesel discussed his research report, Demographic & Taxation Report 2009-10. Mr. Kriesel asked the members to notice the statewide total drop in assessed valuation at -2.6%. The members discussed the per capita statistics and how they reflect the variation in the state. Mr. Kriesel reported there was a -1.28% decrease of county total tax levies during the 2008-2009 period. He stated that the decrease in the mill reflects there was a resistance to raise the property tax. They either received dollars from another source, or they cut their budget, which is what Mr. Kriesel feels happened.

The Council discussed the public hearings to be held in September.

The members elected Willis Heck, Mayor of Newton as Chair and Rep. Julie Menghini of Pittsburg as Vice-Chair.

November 19, 2010 – Topeka, KS – Congressional District 2

Council members present: John Arnold, Glenn Diehl, Warren Hixson, Judy Lair, Allyn Lockner, Gwen Martin, Sen. Tim Owens, Sec. Joan Wagnon

Other interested parties in attendance: John Miller – Norton County Commissioner; Richard Cram and Steve Brunkan – Policy and Research, Department of Revenue; Rachel Whitten – Kansas Reporter

The Council heard a state financial update from Richard Cram, Director of Policy and Research in the Department of Revenue. Richard reported that the FY 2011 revenue receipts' estimate increased by \$18 million. On the spending side, the estimated deficit is \$492 million in FY 2012 – largely due to the discontinuation of the federal stimulus money. The members discussed the state's economy and gave mixed opinions on whether it was a short-run cyclical problem or a long-run structural problem.

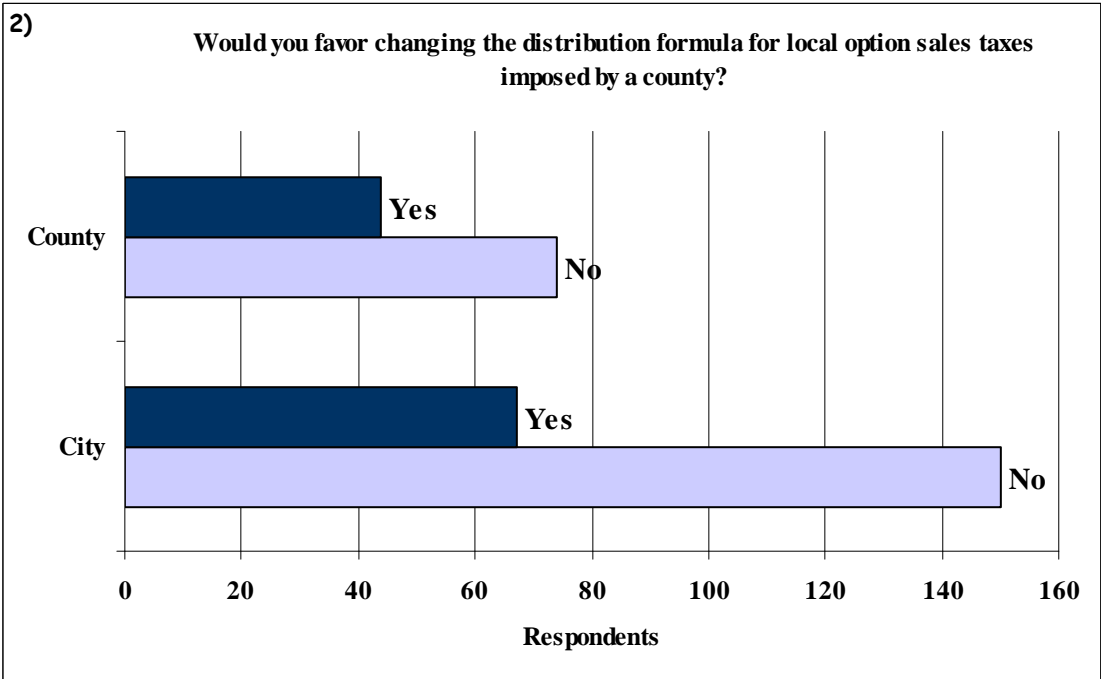
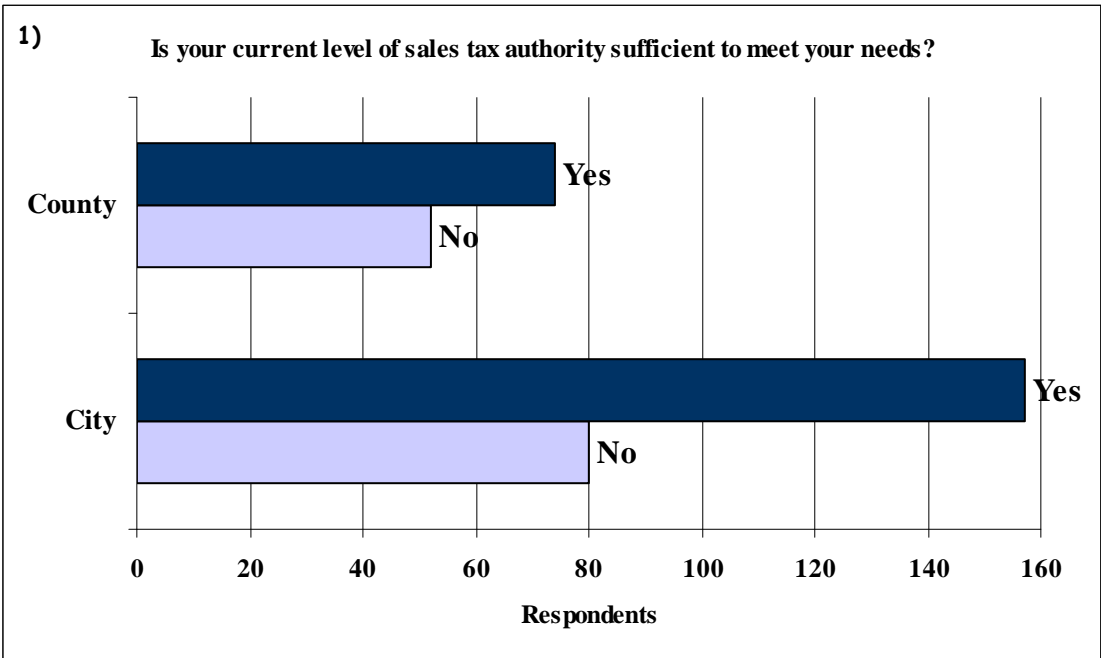
The council members present at the two September public hearings in Hays and Overland Park discussed what the hearings revealed about the finances of local government. (The forums are detailed in the KACIR Activities section of this report.)

The group talked about policy recommendations the KACIR should present to the legislature and governor in 2011, and agreed to have a teleconference in January to approve the recommendations and the KACIR Annual Report.

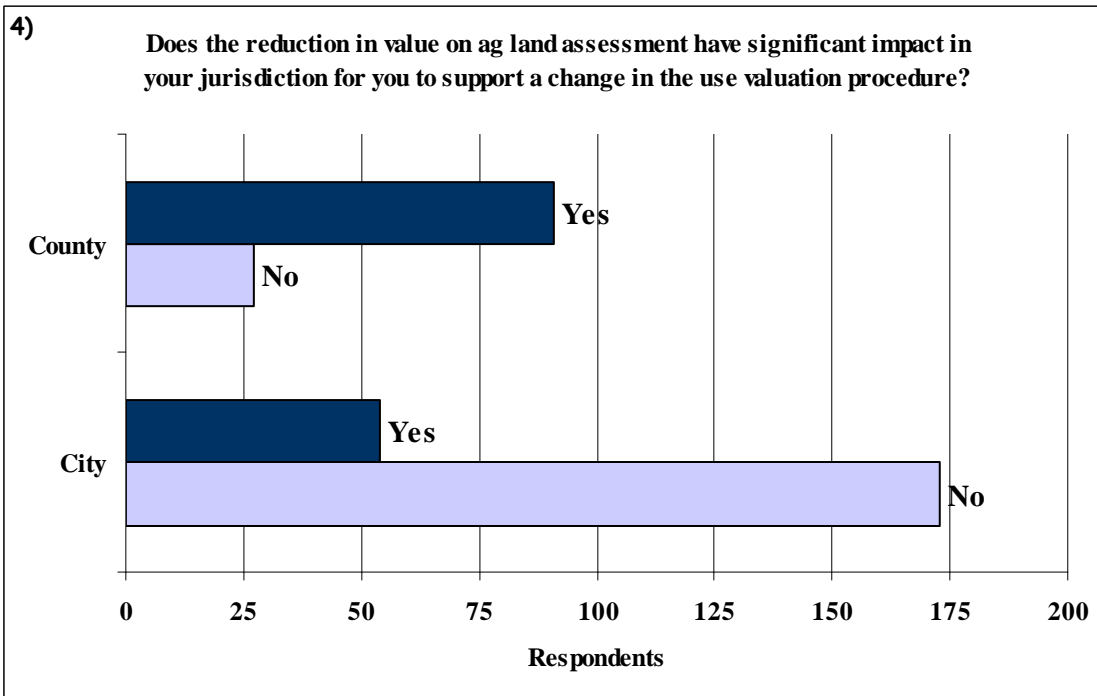
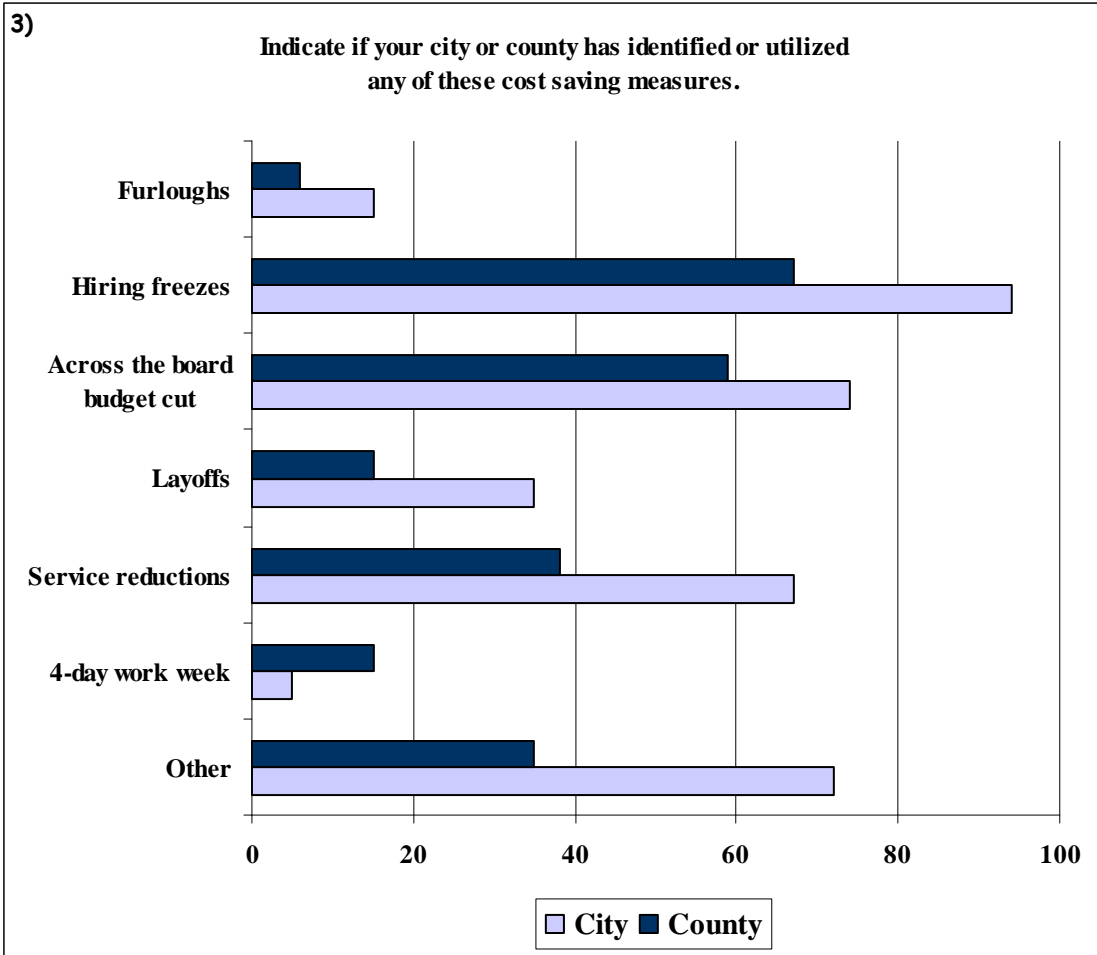
KACIR Activities

I. Summary of Results from Local Government Financing Survey.

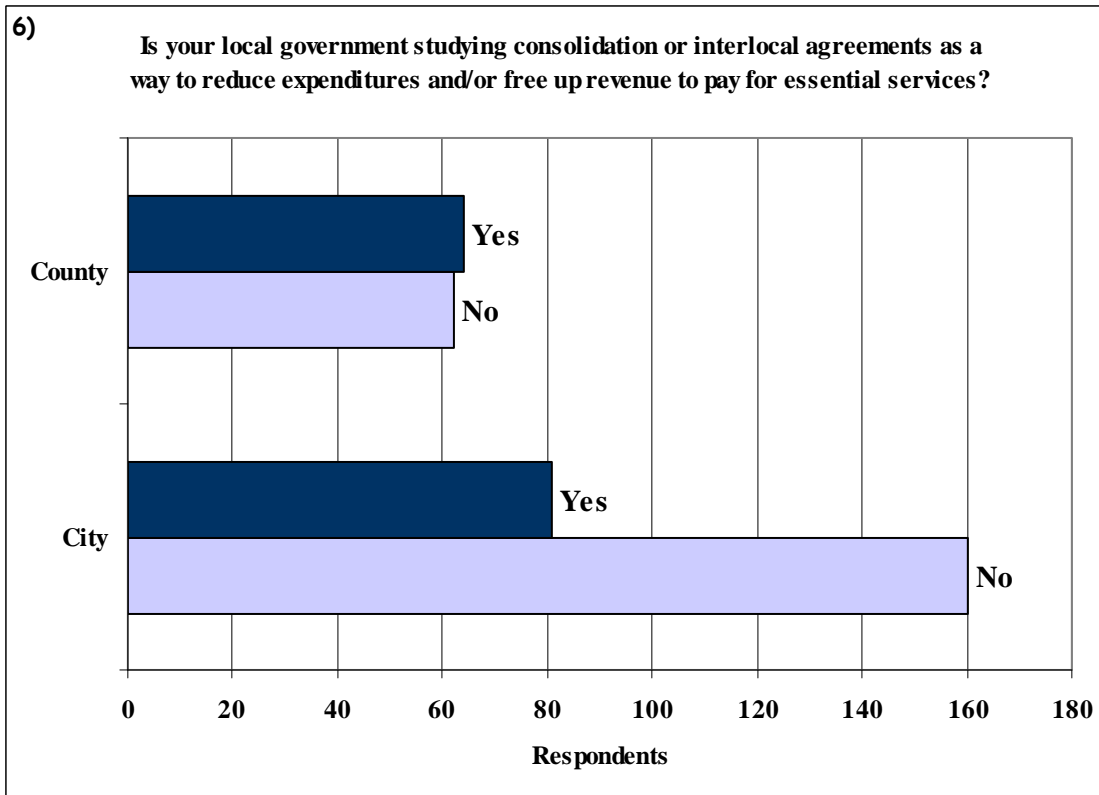
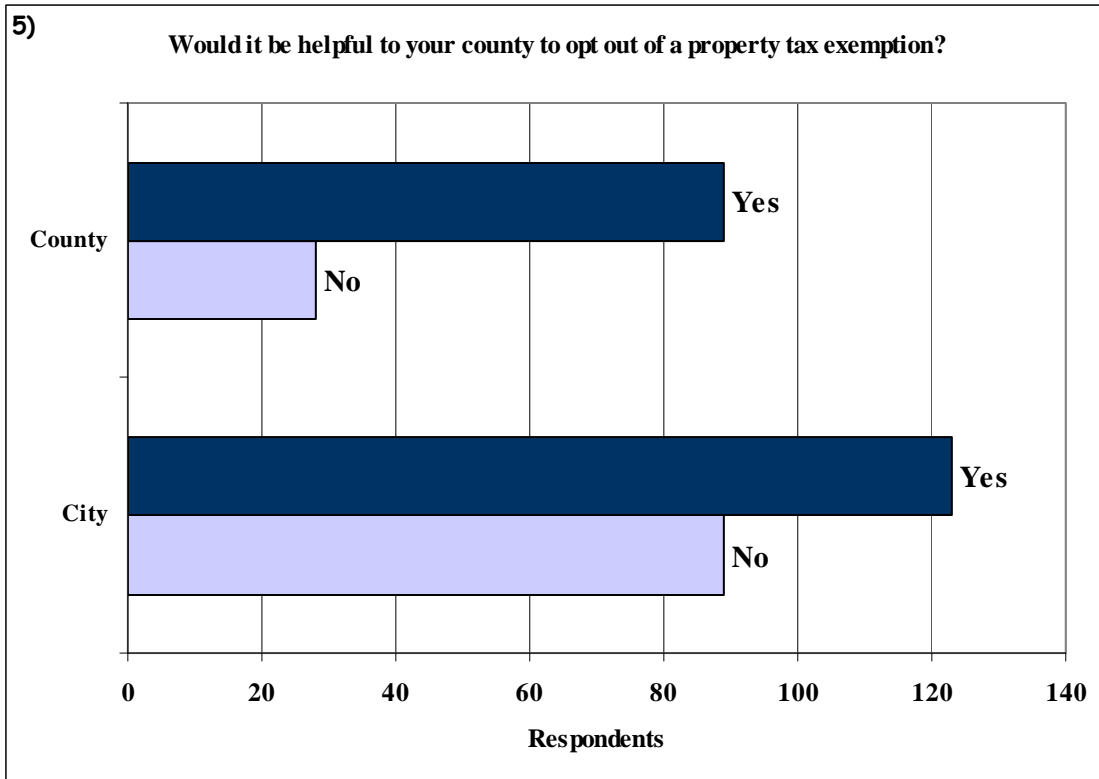
Between June and September of 2010, the KACIR surveyed Kansas local government officials and Kansas legislators. The purpose of the survey was to identify a variety of potential options for funding local governments. The results of the survey are reported below.



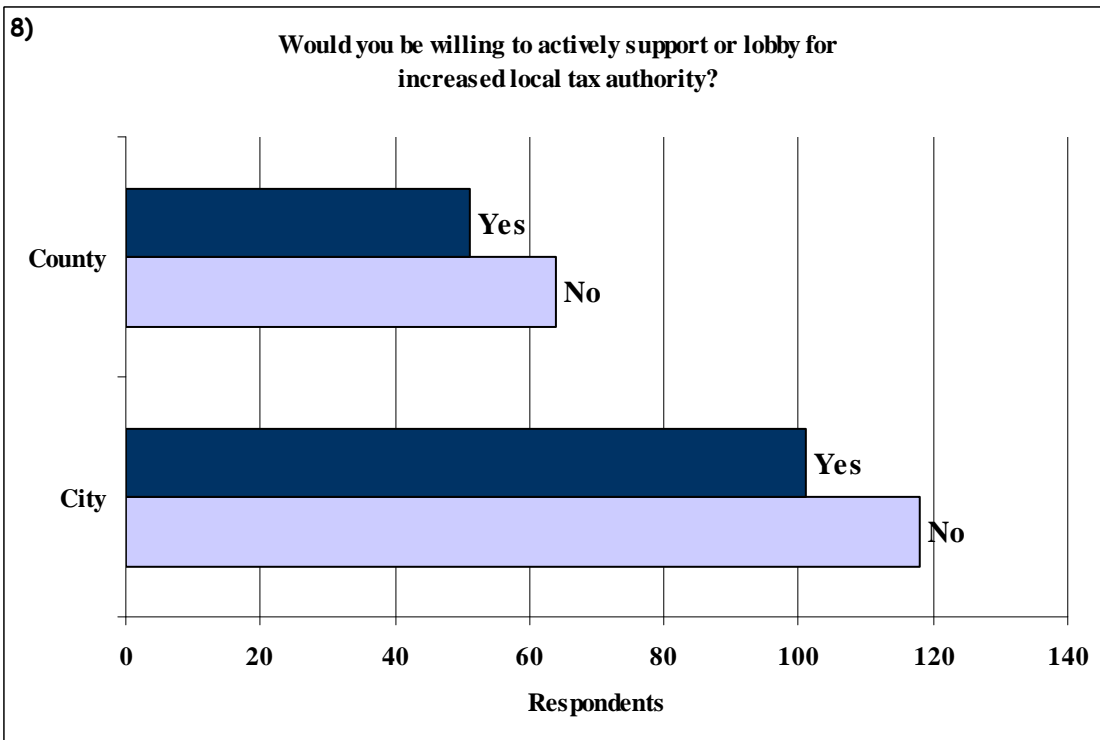
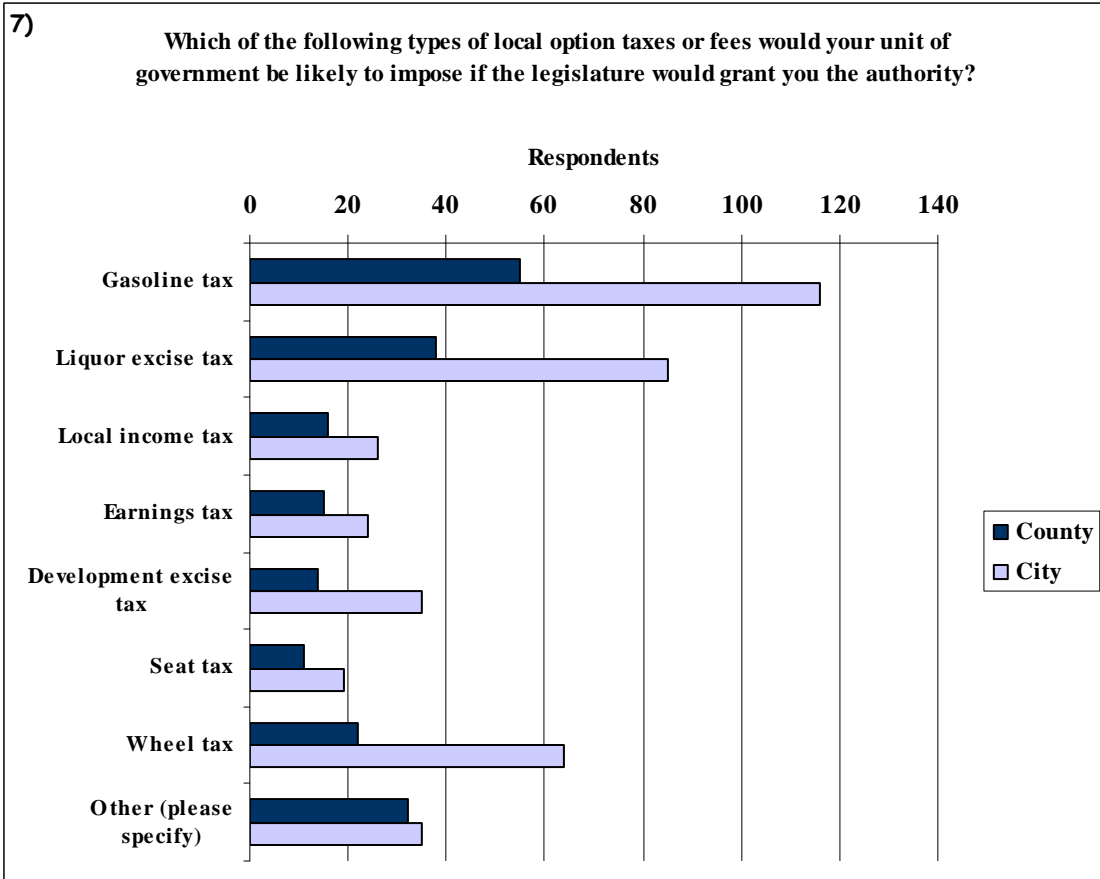
KACIR Activities



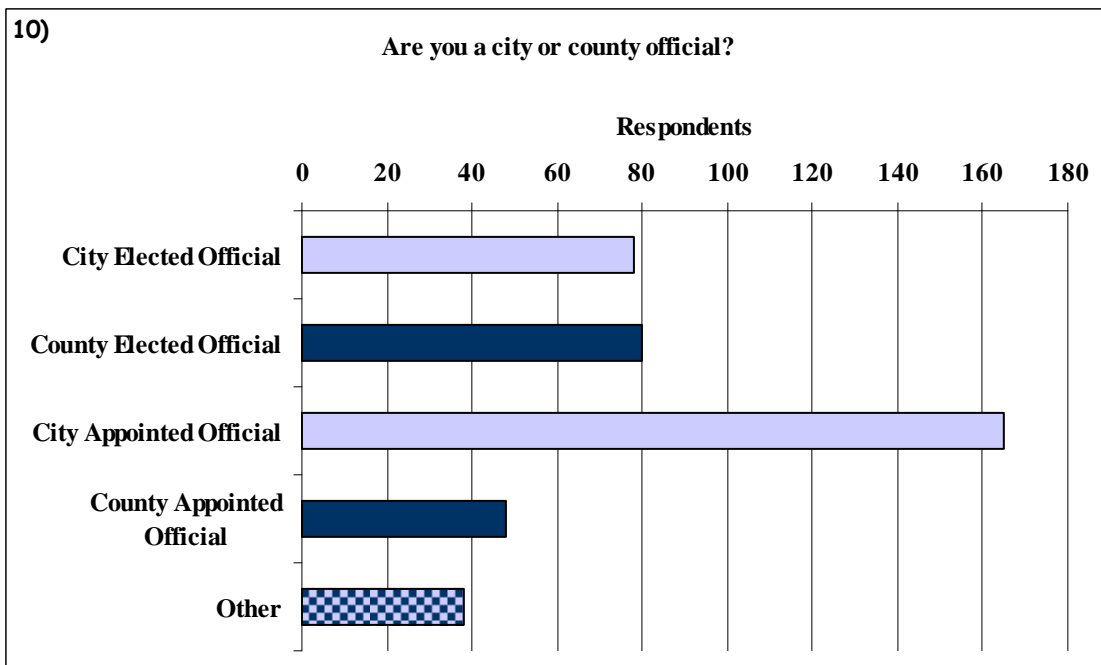
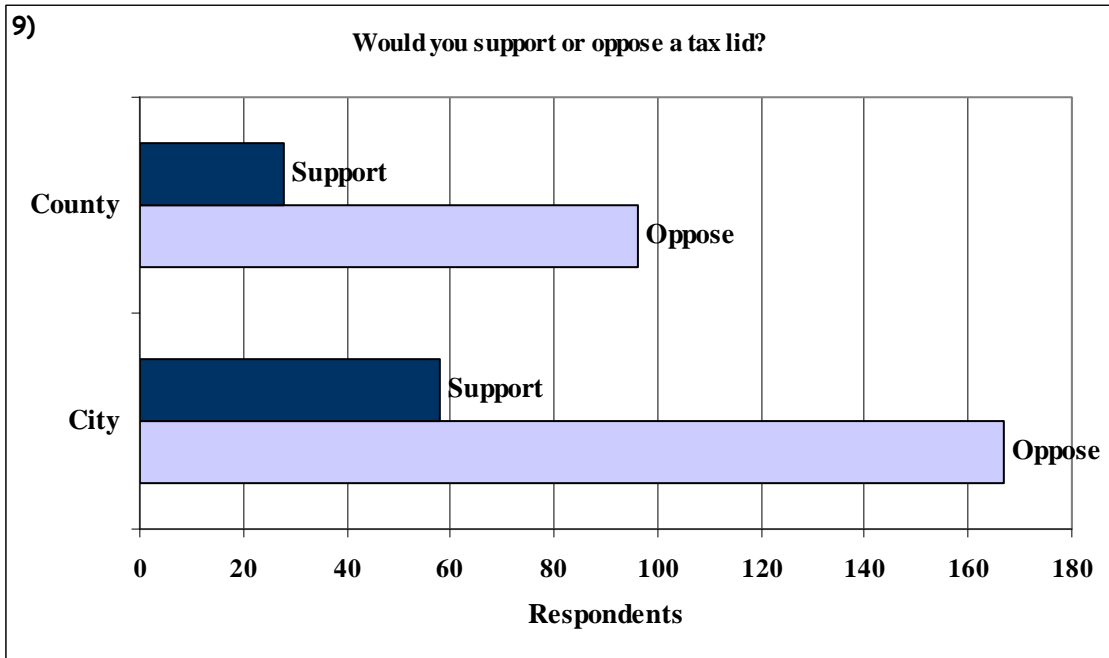
KACIR Activities



KACIR Activities



KACIR Activities



KACIR Activities

II. Public Hearings in Hays and Overland Park

In September 2010, the KACIR held two public hearings to give local government officials and the public an opportunity to talk with the members of the KACIR, as well as to each other, about their financial issues and cost savings ideas.

September 9, 2010 – Hays, KS – Congressional District 1 – Public Hearing

Council members present: Glenn Diehl, Tom Finney, Willis Heck, Warren Hixson, Allyn Lockner, Sen. Tim Owens, Sec. Joan Wagnon

Other interested parties in attendance: Melissa Wangemann – KAC; John Miller – Norton County Commission; Richard Cram and Steve Brunkan – Policy and Research, Kansas Department of Revenue

Attendance at the forum: 33

Chair Heck and Secretary of Revenue Wagnon asked the audience to complete the Local Government Financing Survey, as it would be used as an impetus to get conversation started at the hearing. The attendees were also asked to share the issues they face trying to finance their government and/or practices that have been successful in reducing expenditures or promoting efficiencies in their government.

A few of the issues and solutions discussed are as follows:

- Capping the property tax may work in some areas of the state, but not all. There are local entities that do not have much retail. If the property tax rate is capped in those areas, revenue will be limited.
- Local governments need flexibility to do their jobs.
- Health insurance is a huge financial strain.
- Cost cutting measures practiced were implementing a 4-day workweek, although it does not work in all counties.
- The agricultural use cap rate should be a floating rate. It needs to fluctuate.
- Forced consolidation is a bad idea. It only works when local governments can choose it. Interlocal agreements have a lot of success throughout the state.
- Everyone needs to come to the table regarding sales tax and property tax exemptions.
- The State should keep its word. Specifically, this means the State should continue making the demand transfers and distributing the slider payments for the machinery and equipment property tax exemption.

KACIR Activities

September 30, 2010 – Overland Park, KS – Congressional District 3 – Public Hearing

Council members present: Rep. Mike Burgess, Warren Hixson, Allyn Lockner, Sen. Tim Owens, Sen. Chris Steineger, Sec. Joan Wagon

Other interested parties in attendance: Melissa Wangemann – KAC; John Miller – Norton County Commission; Richard Cram and Steve Brunkan – Policy and Research, Kansas Department of Revenue

Attendance at the forum: 26

Councilmember Secretary of Revenue Wagon presided over the hearing. She asked the audience to complete the Local Government Financing Survey, as it would be used as an impetus to get conversation started at the hearing. The attendees were also asked to share the issues they face trying to finance their government and any practices that have been successful in reducing expenditures or promoting efficiencies in their government.

A few of the issues and solutions discussed are as follows:

- County allocations of sales tax are not adequate. The county has to get approval from the legislature for its sales tax. The city should have its sales tax and the county should have its sales tax and should not be forced to share. There may need to be an expansion of the home rule authority because counties do not have constitutional home rule. There is a need for other revenue sources rather than changing the local sales tax distribution.
- A community that does not have business retail would rather eliminate the sales tax exemptions than change the local sales tax distribution.
- Health and Human Services is a major issue. Local governments need more local authority to do these things.
- Sales and property tax exemptions should be reviewed by the legislature every year before being renewed.
- There needs to be a clear understanding of the delineation of responsibility between state government and local governments.
- State needs to be held accountable to local governments for tax modification programs.
- Cataloging successful interlocal agreements and having a central repository of interlocal agreements would be helpful.

KACIR Activities

III. Best Practices Survey

During November and December of 2010, the KACIR surveyed local government officials asking for examples of what their governments were doing to promote efficiencies in service provision. Some of their best practices are identified below. Included at the end is a bibliography of best practices in government across the country.

From the City of DeSoto

Intergovernmental Cooperation

1) You know the old management spelling gimmick about “team work?” “T.E.A.M....Together Everyone Achieves More.” That can apply to the way the City of De Soto and Johnson County approach doing the public’s business. Whenever it makes any sense to cooperate and join forces, we try to do it.

De Soto and Johnson County have a rich history of joint service arrangements, all of which leads to less government by virtue of less duplication of employees, bureaucracy, and money.

The most recent example is the creation of the Northwest Consolidated Fire District (NCFD). For years, the City and Johnson County Rural Fire District #3 divided De Soto fire protection between themselves. If you can envision De Soto as a donut, then the center of the City, or the hole in the donut, was served by the De Soto Fire Department. The ring of the donut, plus surrounding unincorporated Johnson County, were served by JoCo #3. Wouldn’t it make more sense to combine the two entities and share equipment, buildings, and reduce duplicated administrative costs such as employees, insurance, etc.? Because it makes sense, the two separate fire agencies were dissolved and the City of De Soto and Johnson County teamed up to create the new NCFD which started business on January 1 of 2010.

The other traditional public safety function of government--police services--also serves as an example of intergovernmental cooperation. De Soto and Johnson County teamed up years ago to provide De Soto police services, thus avoiding costly ancillary aspects of a police department. For example, the contract arrangement with Johnson County’s Sheriff’s Department provides 5 assigned deputies to De Soto 24 hours a day, seven days a week. For that service, De Soto simply covers the cost of the assigned deputies’ personnel costs, vehicle expenses, a \$38,000 annual administrative cost, and a single office in City Hall. Compare that to the added costs the City would have to absorb if we had our own police department. We would have to provide added employees which would include a police chief, supervisory positions for each shift, added police officers beyond our 5 County-assigned deputies to give coverage for officers off duty for vacation/sick time/court appearances/initial police academy and on-going training and re-certifications, added clerical personnel for records and police administration. The single City Hall office currently provided would have to be supplemented with added office space for police chief and supervisors, police records and evidence keeping, a holding cell, interview room, secured weapons room and evidence room, a police records room, and locker/ready room for police officers. Add to that the special police services we currently receive at no added cost such as narcotics, detectives, animal control, and 24/7 radio dispatching.

KACIR Activities

III. Best Practices Survey (continued)

There is no doubt that the City is served well through our annual \$458,000 cooperative police arrangement.

We enjoy the benefit of the County's social service programs as well, none of which costs the City any out-of-pocket expense. The daily senior citizen lunch program operated by County staff in our Community Center provides a free location to the County and a much-appreciated County-staffed program at no cost to the City. Down the hallway in City Hall is the County's Multi Service Center, staffed by the County's much loved Jodi Hitchcock. The service provides staffing free to the City and office and program space free to the County.

Elsewhere in this newsletter is an article that details the working arrangement between the City and Johnson County's Transportation Department in providing the FlexRide program to De Soto residents. This scheduled and on-demand service is dedicated to De Soto residents who have no private means of transportation.

Our Recreation program shares in the benefits of cooperation as well. The County's Sunflower Park on 103rd St. provides baseball fields for De Soto use. The County provides all of the park's capital improvements and maintenance of the new toilet facility while the City, in turn, receives exclusive rights to manage the use and reservations for the baseball field.

2) Have you seen The JO bus in De Soto? You might be wondering who can ride this bus, how much it costs and where it goes. Introducing the De Soto FlexRide. The De Soto FlexRide is a public bus service which began in 2006. This service is open to the public and provided by Johnson County Transit (JCT). The service is funded by JCT, the City of De Soto and a state grant. The De Soto FlexRide operates on Tuesday and Wednesday and costs \$1.00 per trip!

De Soto FlexRide will serve anyone in De Soto who needs a lift. If your car is broken down, you don't have a car, you are disabled and need a vehicle with a wheelchair lift or if you just want to save gas and mileage, let The JO pick you up! All JO vehicles are equipped with wheelchair lifts.

It's so easy to catch a ride. If you are at a designated bus stop – the driver will stop to pick you up. If you want to be picked up at a place other than a designated bus stop location, call 913-397-7300 to reserve your ride. Please be ready to give the dispatcher your starting address and the address of your destination. That's right, the bus will come to the curb of your residence to pick you up or drop you off.

Tuesday travel destinations-the City of De Soto, Monticello Shops at K-7 & Shawnee Mission Parkway, Shawnee Station at I-435 & Shawnee Mission Parkway and Shawnee Mission Outpatient Pavilion at Prairie Star Parkway.

Wednesday travel destinations-the City of De Soto, College Point Medical Plaza at K-7 & College, Wal-Mart at K-7 & Santa Fe in Olathe, and Price Chopper at I-435 & Shawnee Mission Parkway.

III. Best Practices Survey (continued)

For more information, check out the De Soto FlexRide brochure posted on the City's website at www.desotoks.us. Don't have a computer? No problem—call Nancy at 913-583-1182 and ask for the brochure. We will be happy to put one in the mail for you.

Can't wait for the mail and want an immediate answer to a question? Call Johnson County Transit at 913-782-2210.

Why not give The JO a try? For information all bus routes – visit their website at www.thejo.com. Happy riding – Getting you there is our BUSINESS!

From Gove County

Health Care

Due to rising health care in Gove County early in 2003 the Gove County Commissioners appointed an Insurance Committee to gather information on different companies and cost of health insurance for the employees. The committee consists of elected officials and department heads to insure equal representation for all employees. The health committee was eager to find the best and cheapest insurance for Gove County. It did not take long for the committee to understand that they had “no clue” how big the insurance world was and confronted the Commissioners with hiring an insurance consultant. After the hiring of an insurance consultant the committee was relieved to have someone that understood all the terms and definitions of insurance. We began meeting with the consultant and the consultant would scan the insurance that would be available to us and guide us in the right direction for health care for Gove County. As the deductible went from a \$250-\$500.00 plan to \$3,000-\$6,000.00 plan our insurance consultant advised us to look into a Health Reimbursement Plan. This plan would be owned by the county and each employee would receive \$3,000.00 for a family plan and \$1,500.00 for a single and could build to \$10,000.00. If the employee resigned or was fired the remainder of the money would be transferred to the employee benefit fund. If an employee retired they would have 1 year to use the money for health benefits and after 1 year the balance would be transferred to the employee benefit fund. If any employee would have over the \$10,000.00 at the plan year end it would also transfer back to the employee benefit fund. The employee can use this money in their plan for reimbursement for deductibles, medicine, eye care or over the counter drugs that are reimbursable per government guidelines. All claims to the health reimbursement account are submitted by the employees to an outside benefit management company and the county pays per employee for the company to manage this fund. The company scans the claims to make sure all the government guidelines are followed and that they are legal claims. This takes the responsibility off the county of verifying the valid claims.

By doing the health reimbursement plan Gove County was able to go with higher deductibles and lower premiums. Every year before our insurance plan year starts over we meet with our insurance consultant and she will begin to scan for us different insurance rates for our county. The committee will go over the insurance and then present to the Commissioners what we feel would be best for the county and the employees. This helps also so the Commissioners do not have to meet with different insurance representatives each year. The past two years we have raised the health reimbursement account for the employees to \$5,000.00 for a family and

III. Best Practices Survey (continued)

\$2,500.00 for a single plan with a cap of \$12,000.00. As of present 32 employees and 2 retirees are using this fund and this year we may have 3 employees with the cap amount to be reimbursed to the county. This plan has worked very well for Gove County as we have seen insurance rates increase and lower as our consultant searches for insurance. We now are still pretty equal with the insurance rates that were quoted to us back in 2003 and have had some lower premium years in between.

From Jefferson County

Cost Cutting Measures

- 1) Conservative budgeting of revenues
- 2) Have kept mill levy to minimal increases for several years by cutting department budgets, limiting or eliminating raises, changing health insurance programs, cutting services
- 3) Cultivating departmental awareness of the cost of even the small things.
- 4) Using email instead of printing or mailing documents where possible. An example-The Clerk's office certifies valuations and levies to different entities each year. I asked for permission from the entities to certify by email instead of mailing a document. I scan the signed certification and attach it to an email. That saves the cost of the paper, toner, envelope, staff time and postage.
- 5) Calculate the cost of staff time to provide service (in our case .41 per minute for a clerical worker) and look for ways to provide that service via the County website to reduce the cost.
- 6) Began providing employee pay stubs via a secure website, (saves the cost of staff time, paper, envelopes and postage)
- 7) Eliminated hiring summer help in the maintenance department and used existing part time staff where possible.

From Labette County

Hiring Temporary Help

It's not the best situation, but after review of the costs added to employment via the extension of benefits, (Health Insurance, Life Insurance, Holidays, Vacation days, Sick days, Bereavement leave, KPERS, etc.) I have hired all new help as "Temporary" for up to the 1st 6 months of employment, with NO BENEFITS. If they work out, then the benefit package is extended to them, but only after I feel they will work in satisfactory fashion.

III. Best Practices Survey (continued)

From the City of Manhattan

Replacing Vehicles

Here at Manhattan, we have a long-standing commitment to look for better ways to reduce costs and promote efficiency across our City government. One mechanism that has worked extremely well for us is our Vehicle Replacement Index (VRI) that was developed in-house and initiated several years ago.

The replacement of City fleet—for any community—is a costly process which sometimes gets caught up with local politics. We have mitigated that to a large extent by following this device known as the VRI. In brief, it takes objective criteria along with month-to-month vehicle expenses from the City's fleet management system to determine when a vehicle should be replaced.

Too many cities/counties/USDs rely solely on the age of a vehicle as the best determinant as to when it should be replaced. The VRI has changed that mentality for Manhattan's decision makers and it has now become a required part of the City's annual Capital Improvement Program. An example from our 2010 CIP:

SW017E – Public Works -- Replace vehicle #49 (VRI 33.13), 91,674. 1998 Chevrolet S-10 with 92,000 miles. Vehicle is currently experiencing drive shaft issues. Replacement part is over \$1,000.

The VRI model is a simple Excel spreadsheet that is easy to use and requires little expertise. We have been pleased with the number of municipalities, both in and out of state, who have inquired about this model and its effectiveness. We are happy to share it with anyone.

From The Kansas Collaborative

The Kansas Collaborative is a joint effort between the State of Kansas, the Kansas Association of Counties and the League of Kansas Municipalities to foster collaboration and improve government efficiency. The Collaborative was founded by and is managed by TeamTech, Inc., a Kansas-based consulting firm. This report includes a few summaries of its successful collaborations. For more information on the undertakings of The Kansas Collaborative, please visit their website: <http://www.thekansascollaborative.com/index.html>

The Kansas Pharmaceutical Collaborative

The Kansas Pharmaceutical Collaborative was formed to cut drug costs in jails and health care programs in 105 counties. The program has saved \$7 million in drug costs in state and local governments. An article written in The Topeka Capital Journal in 2006 states that by pulling resources together, the group removed excess spending to pharmaceutical purchases for jail inmates and juvenile offenders. Members of The Kansas Collaborative identified and solved the program of high drug costs by getting stakeholders involved, gathering data, creating options for governments and getting support from key leaders.

III. Best Practices Survey (continued)

The Kansas Collaborative Health Care Costs for Inmates

The Kansas Collaborative Health Care Costs for Inmates is a project in partnership with the Kansas Sheriff's Association. In 2006, local governments were eligible to benefit from discounted savings on hospital bills and physician services for inmates in county and city detention facilities. The discounts were achieved by reimbursing the health care vendors providing services to those in their custody at a Medicaid rate.

A Collaborative update given in November 2010 reports that between June 2006 and September 2010, there were 16,912 claims with a total of \$23.9 million charges billed. The Medicaid amount totaled \$6.5 million, calculating a \$17.5 million in savings.

The Kansas Collaborative Community Capacity Building in Harvey County

This Breakthrough Team was launched as a demonstration of comprehensive county-level planning and implementation for health and human services needs. Integral to this effort was the linkage created with the Harvey County Council of Governments (representing the county and all the cities in Harvey County).

The Council started with research and information and then moved to approve a statement of what constitutes comprehensive health and human services in Harvey County. In addition, the Council agreed on key action steps and enlisted a steering team from the Council. This Steering Team made a presentation to the state's Health and Human Services Cabinet Team and received a strong affirmation and pledges of support.

The Council of Governments in Harvey County surveyed key leaders/representatives of health and human services and selected to work in the arena of Health Lifestyles with three specific efforts: 1) Work with employers in Harvey County to promote health and wellness in the workplace; 2) Assess each community using the criteria of "Active Living," a way of life that integrates physical activity into daily routines. The Healthy Kansas Communities Assessment and Planning Tool was utilized to conduct the assessment; 3) Develop a smoke-free ordinance with the county and all the communities in the county and seek community involvement in supporting the ordinance. All three efforts were completed and received national recognition.

The Kansas Collaborative Construction Project Notification and Sharing

This Breakthrough Team was launched under the sponsorship of Transportation Secretary Deb Miller to increase state-county collaboration and achieve savings in three arenas:

The purchase of products and services either via joint contracts or at least as information sharing in local contract negotiation; early communication of KDOT 1R overlay projects so local governments could coordinate and budget for possible county road and city street work or buy hot mix or other materials from the contractor that was in their area; and create a Local Road Engineer position within the Kansas Association of Counties to formalize the coordination work with local government.

The work of this Breakthrough Team resulted in permanent and successful coordinated efforts and stories of savings on 1R overlay projects. A Local Road Engineer position at the

III. Best Practices Survey (continued)

Kansas Association of Counties was created and is jointly funded by local governments and the Kansas Department of Transportation to coordinate purchasing activities and overlay projects as well as provide a consistent point of coordination between state and local transportation activities. This success led to a request by Secretary Miller that The Kansas Collaborative assist with the regional approach to rural transit – a current Kansas Collaborative effort.

Other Sources Describing Practices and Innovations that may be Useful to Officials in Resolving the Fiscal Stress of City and County Governments in Kansas

In addition to the techniques identified by city and county officials in KACIR’s “Local Government Finance Survey,” this section of KACIR’s 2010 Annual Report provides the officials with other sources that describe practices and innovations that may resolve the fiscal stress confronting city and county governments in Kansas. Some may also be useful to other local governments. Officials can choose from among the practices and innovations in the following list of sources.

Alliance for Innovation. This is an international network of governments and partners committed to transforming local government. It promotes excellence in local government and builds practices in local government innovations. Located at <http://transformgov.org> and click on “Store.” The partners are the International City/County Management Association and the School of Public Affairs at Arizona State University. The contact for the Central Region of the Alliance, located in Kansas City, Missouri, is Regan Gerit, Regional Director, phone 866-778-8067 and e-mail rgerit@transformgov.org. [Note: Garden City, Gardner, Manhattan, Olathe and Wichita are members of the Alliance on November 30, 2010.]

Ash Center for Democratic Governance and Innovations, John F. Kennedy School of Government, Harvard University, “Government Innovator’s Network.” The network contains news, documents, descriptions of award-winning innovation programs and events, and online communities of practice. Located at <http://www.innovations.harvard.edu>.

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International City/County Management Association, “Doing More with Less InfoPak,” 2004. This is a compilation of informative articles on how local government practices can cope, and are coping with the effects of an economic recession. The compilation contains five parts: finance and budgeting during difficult times; identifying new revenue sources and funding

KACIR Activities

III. Best Practices Survey (continued)

mechanisms; short-term measures to create long-term savings; improving productivity and increasing efficiency; and leveraging resources through partnerships. The InfoPak can be obtained from ICMA Press. It is item 43080 and the price is \$40, plus postage. Ordering and payment methods are located at http://bookstore.icma.org/customer_service_W2.cfm#payment.

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National Association of Counties, "Model County Programs." The website includes a "Model County Program Database." NACO highlights a number of model programs through its annual achievement awards program that recognizes innovative and creative solutions to the problems that confront local governments. Located at <http://www.naco.org/research/solutions/Pages/ModelCountyPrograms.aspx>.

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Osborne, David, "Doing More with Less," presentation to the Versaterm Future Directions Advisory Committee, February 22, 2005, Scottsdale, AZ. Osborne discusses five ways of dealing with shrinking budgets. Located at <http://www.versaterm.com/news/articles/osborne.pdf>.

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KACIR Legislation

Senate Bill 75, was the 2009 consolidation and reorganization bill. The Senate Federal and State Committee passed the bill and it was referred to House Local Government where it resided during the remainder of the 2009 legislative session. The bill would authorize the creation of consolidation study commissions to adopt a plan for city and county consolidation anywhere in the state. The bill also would authorize the consolidation of other political and taxing subdivisions. During the 2010 biennium legislative session, the KACIR met with the Chair of the House Local Government Committee and discussed a balloon amendment that changed a number of elements in the bill. The House Local Government Committee had one hearing on the bill. The Committee deleted the contents of the bill and substituted the contents of HB 2713 dealing with cemetery corporations, which passed.

Senate Bill 472 and **House Bill 2621** were introduced in their respective taxation committees. The bills would prohibit transferability of income tax credits and repeal certain income tax credits. Senate Bill 472 had one hearing; however, no further action was taken. House Bill 2621 was heard and passed with amendments. It would repeal five income tax credits and would require that angel investor tax credits be filed electronically. The bill died in Senate Assessment and Taxation committee.

Senate Bill 476 and **House Bill 2549** were introduced in their respective taxation committees. The bills would repeal numerous sales tax exemptions. The bills would clarify the original construction labor exemption by removing “repair” and taxing separately specifically listed repairs to personal property in residences. They also would make clear that janitorial cleaning services for commercial property are taxable maintenance services. Both bills had numerous conferees at the hearings. Senate Bill 476 had two days of hearings. It died in Committee. House Bill 2549 had 4 days of hearings. The bill was reduced to repealing just the exemption for coin-operated laundry services. It died on General Orders.

Senate Concurrent Resolution 1624 and **House Concurrent Resolution 5028** were introduced in their respective taxation committees. Both bills established a 3-year moratorium on the granting of new tax exemptions, tax credits or economic development incentive programs involving employer withholding taxes. SCR 1624 received no action and died in Committee. HCR 5028 had one hearing but died in Committee.

KACIR Policy Recommendations

I. City-County Consolidation.

KACIR does not support a legislatively mandated consolidation. However, KACIR believes there is still a need for a bill authorizing local governments to consolidate a city with a county without legislative involvement, but with a locally developed and approved solution. In prior years, the Legislature removed other statutory barriers to consolidation. However, the last remaining barrier, city –county consolidation, requires legislative approval. Senate Bill 75 provided a framework for a city and a county to undertake consolidation with a local vote. The bill passed the Senate in 2008, only to languish in the House Local Government committee.

KACIR will continue to pursue a consolidation bill, similar to SB 75, and work with Farm Bureau and other interested parties on compromise language around the dual majority issue that has stalled its adoption in the past. KACIR urges the Governor and Legislature to adopt such a measure.

II. New Revenue Sources to Finance Local Governments

Local government officials responding to the survey and at public forums supplied evidence that there is no general consensus for new revenue sources or for increased taxing authority, despite the fact many of them are cutting expenses and are experiencing declining revenues. However, there is interest in finding ways to become more efficient through collaboration and cooperation - and even consolidation.

KACIR, in conjunction with the Kansas Association of Counties and the League of Kansas Municipalities should maintain a repository of Best Practices for local governments.

III. Shrinking Tax Bases

A. KACIR continues to be concerned about legislative actions that shrink the tax base for both the state and for local governments. One proposal surfaced at the public forums in response to granting economic development property tax exemptions in recent years.

KACIR recommends the Legislature consider allowing a county to opt out of a property tax exemption (prospective only). For example, if an exemption for wind farms was granted statewide, then a board of county commissioners would be able to pass a resolution to say that exemption wouldn't be in effect in that particular county

B. A Policy Evaluation Guide, published in 2009, continues to provide guidance on policy choices when enacting exemptions and credits. KACIR will distribute the guide to all legislators and staff in the 2011 legislative session.

C. Knowing that the state budget resources are limited and there is no legislative appetite for tax increases, the KACIR continues to recommend the following strategies to address the erosion of the tax base and the imbalance in the state's three major funding sources.

KACIR Policy Recommendations

1. Property Tax Recommendations

- a.** The legislature should not enact any new property tax exemptions for the years 2011 and 2012. After that time, any new exemption that is granted should automatically sunset in 3 years to ensure a review of its effectiveness.
- b.** Property Valuation Division should examine the cap rate for use value determinations and consider recommending a change, if warranted.

2. Sales Tax Recommendations

- a.** KACIR notes that 2010 was the first year in many years that no sales tax exemptions were granted. Local governments are very dependent on the sales tax to supplement the property taxes as a source of revenue, but they have little say in exemptions that are granted.
- b.** KACIR encourages the Legislature to continue the moratorium on any new sales tax exemption granted for the years 2011 and 2012. Any new exemption that is granted should automatically sunset in 3 years.
- c.** KACIR urges continued study of existing sales tax exemptions and recommends broadening the sales tax base in order to lower the sales tax rate.

Some policy choices to consider include:

- (1)** Repeal all exemptions granted “by name” to a specific organization. Either replace it with an exemption for all organizations similarly situated, or revoke the exemption.
- (2)** Tax all admissions to recreation activities or events, whether operated by a non-profit organization, city, county or private organization. Determination of taxability should not be based on who operates the service, but rather whether the service should be taxable or exempt.
- (3)** Reestablish the policy that was set by the Hodge Commission that all non-profit and religious organizations pay sales tax on their purchases. Alternatively, exempt all non-profits. The current situation is that there is no consistency in the awarding of exemptions. Some pay; some don't.
- (4)** Clarify the original construction statute to remove “repair” and tax separately the “repair” of personal property. (Currently these services are taxed if they include the alteration or repair of tangible personal property.) The result is that washing a floor is not taxed, but waxing a floor (applying tangible personal property) is taxed. There are also problems with distinguishing labor services in the repair area from original construction. Rewrite those statutes for clarity and ensure that all the household labor services are appropriately taxed, with or without the application of tangible personal property.
- (5)** Consider imposing a sales tax on household or personal services more broadly. These include items such as tanning beds, beauty and

KACIR Policy Recommendations

barber, etc. A specific imposition statute would be required. The KACIR recommendation does NOT include business inputs or health services such as medical, dental, legal, advertising, etc. The fiscal note for personal services is approximately \$5.9 million in FY2011.

(6) Develop and adopt a comprehensive policy for exempting fund-raising events of non-profit organizations and require all existing exemptions to come into compliance with this policy by 2012. It is estimated a fund-raising exemption, limited to certain types of activities, would reduce state sales tax revenues by \$10 million in fiscal year 2012.

3. Income Tax Recommendations.

Tax credits have continued to proliferate, as do the requests from business to retain the withholding tax as an incentive to development in addition to other tax incentives. Major changes were made in the 2010 session to several tax credit/wage withholding incentive programs. Income taxes are still the most elastic tax source (grow as the economy grows) but without some protection, this most important of tax sources will soon erode significantly in the same manner as the property and sales taxes.

The following recommendations protect the income tax base (corporate, individual and privilege):

- a. The PEAK program should not be expanded for at least two years until the program can be evaluated for its effectiveness.
- b. New income tax credits should not be granted by the legislature for the years 2011 and 2012. Any new credit that is granted should automatically sunset in 5 years so that it may be evaluated.
- c. There are numerous credits that are no longer used which should be repealed for two reasons: the space on the tax form is limited, and with the move to electronic filing, the vendors do not want to program for a credit that is not used.
- d. Those credits that were only minimally used, under \$100,000 should be reviewed by the legislature in 2011.

¹The Joint Committee on the State Tax Structure, otherwise know as the Hodge Commission, was created in 1968 “to make studies, and provide reports with recommendations thereon to the legislature, concerning the various taxes of the state and their relationship to each other and to the economy and public interest.”