Approved: March 18, 2010
Date

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on March 16, 2010, in Room 548-S of the Capitol.

All members were present.

Committee staff present:
Alan Conroy, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Dylan Dear, Kansas Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Scott Wells, Office of the Revisor of Statutes
Melinda Gaul, Chief of Staff
Shirley Jepson, Committee Assistant
James Fisher, Intern

Conferees appearing before the Committee:
Duane Goossen, Secretary, Department of Administration
Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS)
David Springe, Consumer Counsel, Citizens' Utility Ratepayer Board (CURB)
Ron Sommers, President, Jetz Service Co., Inc.
Gary Osborn, Owner, Milestone Management Services, Inc.
Kent Eckles, Vice President of Government Affairs, The Kansas Chamber

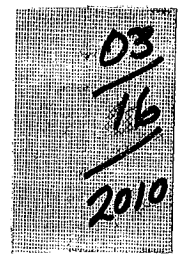
Others attending:
See attached list.

Introduction of proposed legislation

Senator Umbarger moved to introduce legislation concerning sunscreening on vehicle windows (9rs2041). The motion was seconded by Senator Taddiken. Motion carried on a voice vote.

Senator Umbarger moved to introduce legislation concerning transfer of the Dillon house to the Kansas Arts Commission (9rs2006). The motion was seconded by Senator Kelly. Motion carried on a voice vote.

Hearing on SB 568 - Moratorium on employer contributions for KPERS death and disabilities for fourth quarter of fiscal year 2010.



Daniel Yoza, Revisor, provided an explanation of the bill (Attachment 1).

Duane Goossen, Secretary, Department of Administration, presented testimony in support of **SB 568** (Attachment 2). Secretary Goossen stated that **SB 568** was introduced at the direction of the Governor, to address the anticipated budget shortfall for FY 2010. The Secretary noted, of the total savings of $16.4 million, there would be a savings of $10 million realized directly in the State General Fund (SGF) and a savings of $2 million in all other funds that could be transferred to the SGF, for a total of approximately $12 million. Local governments would also realize a savings of $3.5 million. A savings of $805,438 in federal funds could not be transferred to the SGF.

Responding to a question from the Committee, Mr. Goossen explained that the KPERS Death and Disability Fund is a separate fund from the KPERS fund used to pay retiree benefits. Mr. Goossen indicated that the state is not jeopardizing the KPERS Death and Disability Fund because there is a sufficient balance in the fund to make all necessary payments as anticipated and leave a sufficient balance in the fund; however, these actions will reduce the balance to approximately $5 million.

Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS), responded to questions and noted that the state rate was originally set at .6 percent and raised to 1 percent after changes in the plan drew down balance in the fund. Mr. Deck proposed that the rate could be reduced to .95 percent and still maintain cash flow and a balance in the fund. Mr. Deck also noted that authority could be given to the

Minutes of the Senate Ways and Means Committee at 10:30 a.m. on March 16, 2010, in Room 548-S of the Capitol.

KPERS Board to determine the rate annually so as not to build a balance in the fund.

The Committee suggested that a letter be addressed to Legislative Coordinating Council (LCC) to request a study of the KPERS Death and Disability Fund during the interim to determine an appropriate rate to avoid building up a balance in the fund and a procedure to be used to adjust the rate as necessary.

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

The hearing on SB 568 was closed.

Senator Teichman moved to recommend **SB 568** favorably for passage. The motion was seconded by Senator Kelly. Motion carried on a voice vote.

Presentation on creating funds in statute and appropriations bills

Jill Wolters, Office of the Revisor of Statutes, presented an overview of funds created in both general statute and appropriation bills (Attachment 3).

Continued Hearing on SB 476 - Imposition of sales tax on certain goods and services, elimination of certain sales tax exemptions and fund-raising sales.

The hearing on **SB 476** was continued from March 15, 2010.

David Springe, Citizens' Utility Ratepayer Board, presented testimony in opposition to **SB 476** (Attachment 4). Mr. Springe stated that removing the tax exemption status of utilities would place an additional 5.3 percent increase on residential electric and natural gas consumers.

The following additional opponents provided testimony on **SB 476**:
- Ron Sommers, President, Jetz Service Co., Inc. (Attachment 5).
- Gary Osborn, owner, Milestone Management Services, Inc. (Attachment 6).
- Kent Eckles, Vice President of Government Affairs, The Kansas Chamber (Attachment 7).

Additional written testimony in opposition to **SB 476** was received from the following:
- Stephanie Weiter, American Cancer Society (Attachment 8).
- Jane Metzger, on behalf of the Kansas Community Nutrition Services (Attachment 9).
- Ron Gaches, on behalf of Atmos Energy (Attachment 10).
- Chris Wilson, Executive Director, Kansas Building Industry Association (Attachment 11).
- Michael Schuttloffel, Executive Director, Kansas Catholic Conference (Attachment 12).

Senator Schmidt informed the Committee that Jane Metzger, representing Meals on Wheels, was unable to attend the continued hearing today on **SB 476**. For that reason, Senator Schmidt noted the following from Ms. Metzger's testimony:
- Ms. Metzger represented the 40,500 urban and rural frail elderly individuals in the state of Kansas who received federally and state funded home delivered and congregate meals from the state nutrition program.
- SGF cuts during 2009 stripped $1.14 million from senior nutrition programs. ARRA funds supplanted $878,930 of those cuts for 2010 but will not be available in 2011.
- Loss of the tax-exemption will impact the nutrition providers by $974,882. Put in human terms, that is 715 frail, elder Kansans losing their meals for one year.

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

The hearing on SB 476 was closed.

Adjournment
The next meeting is scheduled for March 17, 2010.
The meeting was adjourned at 11:35 a.m.

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST
DATE: __March 16, 2010___

NAME	REPRESENTING
Duane Goossen	DOB
Cindy Denton	"
Joe Aman	"
Michael Schuttloffel	Kansas Catholic Conference
Kelli Kirkwood	KLA
Sean Miller	Capitol Strategies
Nathan Eberline	LKM
Mark Eckles	KS Chamber of Commerce
Sammy Peck	Topeka 912
Rob Meaney	Kearney & Assoc.
Tom Krebs	KASB
Trudy Racine	KCSL
Jim Rea	KCSL
Andrew McCreary	American Heart Assn.
Berend Koops	Hein Law Firm
Sara Haworth	Intern - Sen. Vicki Schmidt
Ron Sommers	JETZ SERVICE CO INC
Gary Osborn	Milestone Management & KS Apt. Assoc
Tom Bruno	Bruno & Assocs
John Frabancik	Boeing
Lewi Henry	Cornerstone Group LLC
Chris Masoner	American Cancer Society
TERRY FORSYTH	KNEA

Office of Revisor of Statutes
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Topeka, Kansas 66612-1592
Telephone (785) 296-2416 FAX (785) 296-6668

MEMORANDUM

To: Senate Ways and Means
From: Daniel Yoza, Assistant Revisor
Date: March 16, 2010
Subject: SB 568

Senate Bill 568 suspends payment of KPERS participating employers to the group insurance reserve fund from April 1, 2010 until June 30, 2010. Current law requires KPERS participating employers to contribute 1.0% of the amount of compensation on which the members' contributions to the KPERS retirement system is based. The suspension of payment is accomplished on page 5 in lines 13 and 14. The language will read:

"Notwithstanding the provisions of this subsection, no participating employer shall appropriate and pay to the system any amount provided for by this subsection for deposit in the group insurance reserve fund for the period commencing on April 1, 2010, and ending on June 30, 2010."

This bill, if passed, would take effect upon publication in the Kansas register.

Kansas Public Employees Retirement System
Death and Disability Fund
Budgetary Effect of Moratorium - FY 2010
One Quarter Moratorium effective April 1, 2010

	State General Fund	Federal Funds	All Other Funds	All Funding Sources
State Group	$ 1,965,827	$ 805,438	$ 1,973,855	$ 4,745,120
School Group	8,100,000	--	--	8,100,000
Judges Group	8,500	--	--	8,500
Total State	$ 10,074,327	$ 805,438	$ 1,973,855	$ 12,853,620
Local Group	--	--	3,552,000	3,552,000
Grand Total	$ 10,074,327	$ 805,438	$ 5,525,855	$ 16,405,620

Senate Ways & Means Cmte
Date 3-16-2010
Attachment 2

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MEMORANDUM

To: Chairman Emler and members of the Senate Ways and Means Committee
From: Jim Wilson, First Assistant Revisor and Jill Ann Wolters, Senior Assistant Revisor
Date: March 15, 2010
Subject: Creating funds in statute and appropriations bills

Funds are created in both general statute and appropriation bills.

A fund created by statute usually authorizes an agency to collect fees for certain administrative functions. Because there is money being collected by the statute, a policy decision is made regarding how to account for the money. For example, when docket fees are authorized to be charged and collected, the fees are remitted to the state treasury and deposited and credited to statutorily created funds. See K.S.A. 20-362 and 20-367 as examples.

Another example would be a fee fund agency. The agency collects money for fees, charges and penalties and remits the funds to the state treasurer to be credited to the fee fund. See K.S.A. 1-204 as an example concerning the board of accountancy fee fund.

The state accounting system is established to provide a structure within which to account for and manage authorized budgets and appropriations and expenditures. Funds and accounts are basic elements of this structure.

Appropriation acts are not inferior to general statutes. The sections of appropriation acts are statutes of a limited nature in that they apply to a specific fiscal period or periods. They may include amendments to general statutes for the purpose of modifying for a specific fiscal year or years relating to the appropriation of moneys in the state treasury. The primary examples in these cases are the transfer of moneys between funds on a continuing basis to make modifications for specific fiscal years.

Funds and accounts are created in appropriation bills to receive moneys being transferred from the state general fund to be set aside for a particular purpose, to be maintained separate and apart from the state general fund. K.S.A. 75-3036 defines the State General Fund [SGF] and requires that all moneys deposited in the state treasury are to be credited to the SGF if not required by the constitution or by statute to be deposited in a special revenue fund.

Some special revenue funds are created to provide a fund mechanism to receive certain fees in lieu of crediting such fees to the SGF as prescribed by K.S.A. 75-3036.

Other moneys are received by state agencies from sources outside the state treasury in the form of donations or from other sources with special conditions or limitation. Examples include bequests for state facilities or for particular programs of state agencies. The proceeds of bonds issued by the Kansas Development Finance Authority for state agencies may be required by provisions in appropriation acts to be credited to a special revenue fund in the state treasury

which is created for this purpose. See the comprehensive armory construction and rehabilitation fund in section 23(b) of 2010 Senate Bill No. 555.

A fund is sometimes required to be created when any agency has applied for and received a federal grant. Many times, as a condition for receiving the grant, the federal government requires the money to be in a separate fund for accounting and auditing purposes. This has been the case of several special revenue funds recommended in the Governor's budget recommendations for FY 2010 and FY 2011. See section 90(b) of 2010 SB 556, relating to the Kansas Highway Patrol, where five separate special revenue funds have been created for separate fiscal years for federal homeland security moneys, e.g. Homeland security 2006 – federal fund; section 91(b) of 2010 SB 556, relating to the Kansas Bureau of Investigation, the 13 federal funds at the end of this subsection are new for FY 2011.

In addition to grant or other contractual requirements, accounting rules and principles require certain moneys to be segregated and some special revenue funds are created to receive and account for such moneys. One example is a fund that is created by the Director of Accounts and Reports during the period between regular sessions for the purpose of receiving unanticipated receipts to the state treasury that must be segregated. A savings clause in the appropriation acts is relied upon to appropriate the moneys in such a fund. The savings clause in the appropriation acts authorizes the expenditure of moneys in special revenue funds that are not specifically mentioned and appropriated by name in the appropriation act. This savings clause is intended primarily to appropriate the moneys in those funds which are inadvertently omitted from the appropriation bill.

While not exhaustive, our research has not identified any constitutional or statutory requirement that funds within the state treasury must be established by general acts and has not identified any constitutional or statutory provision that prohibits the establishing of funds in the state treasury by appropriation act.

Citizens' Utility Ratepayer Board

State of Kansas
Mark Parkinson, Governor

David Springe, Consumer Counsel
1500 S.W. Arrowhead Road
Topeka, Kansas 66604-4027
Phone: (785) 271-3200
Fax: (785) 271-3116
http://curb.kansas.gov

SENATE WAYS AND MEANS COMMITTEE
S.B. 476

Testimony on Behalf of the Citizens' Utility Ratepayer Board
By David Springe, Consumer Counsel
March 15, 2010

Chairman Emler and members of the committee, thank you for this opportunity to offer testimony on S.B. 476. My testimony relates to those provisions in the bill reinstating the state sales tax on residential electric and natural gas utility bills.

The Citizens' Utility Ratepayer Board (CURB) is the statutory advocate for the residential and small commercial customers of regulated Kansas electric and natural gas utilities. CURB represents residential and small commercial customers in cases before the Kansas Corporation Commission, the Kansas courts and before the legislature on issues affecting utility rates. CURB is opposed to this bill and recommends removal of those portions of the bill that would reinstate the state sales tax on residential and small commercial utility customers

Passage of S.B. 476 will mean an immediate 5.3% across the board increase in residential electric and natural gas utility bills. The utility companies in Kansas will simply pass this tax increase directly to customers. Kansans are already facing increasing utility rates and a challenging economy. Maintaining electricity and heat in a home is a lifeline for many residential customers and may be the difference between having a home and being homelessness.

Utility customers in Kansas have faced a continuing series of rate increases over the last several years. In some cases, utility rates will be more than 40% above rates charged only a few years ago. I have included a list of some of the recent and currently pending major rate increases for the regulated Kansas utilities. Unfortunately, this trend of increasing utility rates is likely to continue into the future.

There are many reasons utility bills are increasing. Customers demand much of our utility system and utilities have an obligation to meet these needs. Some of our electric and natural gas infrastructure has become dated and Kansas utilities have increased investment to modernize resources. Fuel costs, like coal and natural gas, have been increasingly volatile and are often passed directly to customers on monthly bills. And environmental regulations and policies, at both the state and federal level, now require additional investment in power generation upgrades to produce power with reduced emissions, increase the amount of energy we produce from renewable sources, increase the ability of our transmission system to move power long distances, and to move towards high tech smart grid and smart meter systems.

During this same period, the Kansas legislature has changed laws to encourage utility investment, added mandates the utility must meet and increased the speed at which utilities can recover investments from customers. The Kansas Corporation Commission has also reinstituted monthly energy costs adjustments to flow fuel cost more directly to customers, allowed natural gas utilities to move bad debts directly into the monthly energy cost adjustment and on the Westar system, allowed an annual rate increase to pay for environmental improvements.

Utility customers are hurting, and anger is increasing. At a public hearing in Baxter Springs, Kansas, several weeks ago, related to Empire District Electric Company's current rate case, more than 150 of Empire's customers spent the evening learning about a proposed 40% rate increase. Many testified to the Kansas Corporation Commission about how devastating the proposed rate increase will be on families and local business. There was a general feeling that the Kansas Corporation Commission and elected officials are not being responsive to customer needs and the realities of our current economy.

There is an interesting parallel between today and 1979, when Governor Carlin made increasing electric utility rates a campaign issue. Utility rates were increasing and like today, Kansans did not feel that they had a voice in the process. Once elected, one measure that Governor Carlin used to help alleviate the rate pressure on customer bills was to remove the state sales tax from residential and small commercial utility bills. It was a measure to provide aid to customers in an otherwise challenging environment for utility customers. In an equally challenging economic environment today, S.B. 476 seeks to reinstate the sales tax Governor Carlin removed. CURB urges the committee to leave this valuable consumer protection in place.

Need for State Wide Energy Efficiency and Energy Conservation Program

If the Committee does not agree with this testimony, and does pass S.B. 476, reinstating the state sales tax, CURB urges the Committee to take a portion of the tax revenues received and use the money to provide aid to Kansans that are struggling with increasing utility costs. Kansas should have a state wide energy efficiency and conservation program to help educate utility customers about using energy wisely and to help fund energy efficiency improvements to homes.

CURB has testified on numerous occasions that Kansas needs a state-wide energy efficiency and conservation program. CURB joined with AARP to sponsor legislation aimed at establishing this type of independent energy efficiency entity for the areas in Kansas that are serviced by regulated utilities. The bill (SB 284) is in the Senate Utilities Committee and was the subject of an interim hearing in the Joint Energy and Environment Committee.

After SB 284 was filed, Kansas received money under the federal stimulus bill with which the Kansas Corporation Commission established a state wide low interest loan program called Efficiency Kansas. Efficiency Kansas is intended to be available to all Kansas customers, in all areas of the state, but has a limited scope currently. This state-wide program should be expanded beyond just loans.

Energy affordability is becoming a crisis in Kansas. A state wide efficiency and conservation program should be incorporated into any increase in taxes.

Recent Rate Increases approved by the Kansas Corporation Commission.

(Does not include increase or decreases from changes in fuel costs, purchase power cost, wind generation contract costs, credits from capacity sales, off-system electric sales credits or other costs and credits which may be charged in the monthly Energy Cost Adjustment.)

Kansas City Power and Light

06-KCPE-828-RTS:
December 2006, $29 million increase (8.95% residential increase)

07-KCPE-905-RTS:
November 2007, $28 million increase. ECA adopted

09-KCPE-246-RTS
July 2009, $59 million increase (14.5% residential increase)

10-KCPE-415-RTS (currently pending)
Late 2010, $55.2 million increase requested (11.5% residential increase)

Westar Energy

08-WSEE-841-TAR
May 2008, ECRR Environmental, $27.1 million increase

08-WSEE-1041-RTS
January 2009, $130 million increase

09-WSEE-598-TAR
March 2009, TDC Transmission: $32 million increase

09-WSEE-737-TAR
May 2009, ECRR Environmental: $33.7 million increase

09-WSEE-925-RTS.
January 2010, $17.1 million increase

10-WSEE-507-TAR (currently pending)
March 2010, TDC Transmission, $6.4 million increase requested

Empire District Electric Company

04-EPDE-980-RTS
December 2005, $2.15 million increase, ECA adopted, 17% increase

10-EPDE-314-RTS (currently pending)
August 2010, $5.2 million increase requested (40% increase in base rates)

Mid Kansas Electric Company (Formerly WestPlains Electric)

09-MKEE-969-RTS
January 2010, $12.7 million retail increase, $6.5 million wholesale increase.

Kansas Electric Power Cooperative (No longer rate regulated)

08-KEPE-597-RTS
August 2008, $5.6 million increase

Kansas Gas Service Company

06-KGSG-1209-RTS

November 2006, $52 million increase. (28% residential base rate increase)

09-KGSG-199-TAR

December 2008, GSRS $2.97 million increase

10-KGSG-155-TAR

December 2009, GSRS $3.95 million increase

Atmos Energy

08-ATMG-280-RTS

May 2008, $2.1 million increase

10-ATMG-133-TAR

December 2009, $0.7 million

10-ATMG-495-RTS (currently pending)

September 2010, $6.01 million requested (16% residential increase)

Black Hills (Formerly Aquila Natural Gas, subject to post merger rate moratorium)

07-AQLG-431-RTS

May 2007, $5.1 million (7% residential increase)

09-BHCG-886-TAR

September 2009, GSRS $0.5 million increase

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Senator Emler and Committee Members

This letter is in opposition to Senate Bill 476. I am Ron Sommers, President of Jetz Service Co., Inc. Jetz has been in the business of providing laundry equipment and services to the apartment industry in Kansas for 44 years.

1. This tax is one of the most regressive taxes that could possibly be applied. It is a tax of discrimination because if collected, it unnecessarily burdens those who can least afford to pay; the low to middle income households. These consumers do not use Jetz' coin operated laundry equipment by choice as it is the only way they can do their laundry since they cannot afford to live in an apartment community that is equipped with their own in-unit washer and dryer connections nor do they have the necessary financial means to purchase single family homes. Furthermore, they may not be able to afford the cost associated with owning their own washer and dryer. And in addition, it also affects young people just starting out in the world.

2. This is not a sales tax, it is an income tax. Jetz' coin-laundries are not attended, and therefore, the tax cannot be collected from the end consumer. Additionally, it is not possible to increase the cost in an incremental amount equivalent to the sales tax rate. The current price is $1.50 per cycle and the existing tax rate for the Topeka area is .0795, which equates to a total tax of $0.12 per cycle combined. The coin drops on our machines can only accommodate increases of a quarter ($0.25) which would be charging $0.13 more than the tax rate and make it an overall increased rate of 16.6% to the end consumer. As a result, this forces a price increase on the consumer, which could possibly cause us to out price ourselves in the market place, which would result in an additional decline in revenues.

3. The Jetz Companies have experienced a reduction in revenues brought on by the recession. We have, thus far, been able to avert a reduction in jobs, however, this is subject to ongoing review. Jetz has two offices in Kansas and employs 25 people.

4. To place an additional financial burden on consumers or small businesses during these times of uncertainty would be counterproductive. We ask that the committee not approve this bill.

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Des Moines (515) 224-9754
India (317)
Louisville (502) 968-1305
Omaha (402) 339-2565
St. Louis (314) 385-JETZ (5389)
Tc (785)

Senate Ways & Means Cmte
Date 3-16-2010
Attachment 5

MILESTONE MANAGEMENT SERVICES, INC.

Property Management Specialists

PMB 367
6021 S.W. 29th Street, Suite A
Topeka, Kansas 66614-4269
(785) 862-7097
Fax: (785) 862-7099

03/12/10

Senator Emler and Committee Members,

Thank you for allowing me to speak today in opposition to Senate Bill 476. I am Gary Osborn, owner of Milestone Management Services, Inc., a property management company that manages property in many cities throughout Kansas. I am also on the Board of Directors of the Kansas Apartment Association and the local Apartment Council of Topeka.

This tax before us is one of substantial impact to the residents of my properties, owners of the properties my company manages, and suppliers of laundry equipment that is placed on my properties.

1)...A substantial portion of our residents live in our properties out of necessity. They cannot afford to purchase a home of their own and therefore rely on affordable rental property for housing. Most multi-family properties have coin operated laundry due to the age on construction. These older properties are much more affordable than the few new properties that have laundry provided in each unit. Therefore, this tax would mostly affect the residents that live in the lower rent properties, not the newer, luxury apartment communities. This tax is a tax on primarily the less privileged families only, excluding the population that can afford the higher rents of the newer properties as well as those of course that have the means to rent a home with laundry hook-ups or own a home and have their own laundry appliances.

2)...The tax would also have a significant impact on the owners of the properties who already pay substantial property tax and passive income tax. If this tax burden is not passed on to the tenants, the equipment supplier would be left with no choice but to retain a much larger portion of the laundry income in order to continue providing the service. This would have such an impact on the income from the laundry equipment that it would be tough to justify continuing to provide the service due to the cost of the utilities alone, which are taxed and continue to be increased each year. This could result in residents seeking out alternative housing where laundry service may not be a problem. The net result is likely to be reduced occupancy on the older properties sending them in to a depressed income state and turning them into sub-par housing for the lowest income population and reducing the overall quality of housing in our state.

With the current state of the economy, now is certainly not the time to have these adverse conditions placed on the struggling low and moderate income residents of Kansas, nor the property investors that are seeing all-time lows in their property market values and struggling to make ends meet due to the depressed occupancies. I ask you to seriously consider the position of low to moderate rental households and Kansas real estate investors and not pass this bill. Thank you for allowing me to address you today.

Written Testimony before the Senate Ways & Means Committee
SB 476 – Repeal of Certain Sales Tax Exemptions
Submitted by J. Kent Eckles, Vice President of Government Affairs

achieve more

Monday, March 15th, 2010

The Kansas Chamber of Commerce appreciates the opportunity to submit testimony in opposition to a portion of SB 476 **[79-3603 (q), p. 15, line 43, p. 16, lines 1-43)**, which would repeal sales tax exemptions on services to repair, service, alter or maintain tangible personal property built into facilities or buildings.

Adding a sales tax to said services, which are required of many businesses large and small throughout Kansas, will only serve to drive up the cost of doing business in the State – something Kansas employers cannot afford, especially in this economic climate. This provision covers more than just washing and waxing floors as described when the bill was introduced and is thus a major added cost to business inputs.

Manufacturers in the state spend millions of dollars a year to service machinery and equipment necessary to produce goods which are already taxed at the point of retail sale. While the machinery and equipment targeted by this legislative provision is not for ultimate sale, this provision adds another cost to the manufacturing process, which hurts both the consumer and producer alike via added costs and thus higher prices.

Additionally, giving the Kansas Department of Revenue rules and regs authority to decide what's taxed and what's not is a serious abdication of legislative authority **(p. 16, lines 29-33)**. That's what the Senate and House Tax Committees are for.

Finally, this provision of SB 476 is the proverbial "nose under the tent" on taxing professional services. Should this provision become law, some will ponder why we tax certain services and not others and thus is a dangerous road to go down because such taxes will mean thousands of lost jobs in Kansas.

We urge the committee to amend the aforementioned provisions out of SB 476.

The Kansas Chamber, with headquarters in Topeka, Kansas, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to live and work. The Chamber represents small, medium, and large employers all across Kansas. Please contact me directly if you have any questions regarding this testimony.

THE KANSAS CHAMBER

835 SW Topeka Blvd. Topeka, KS 66612 785.35

Senate Ways & Means Cmte
Date 3-16-2010
Attachment 7

American Cancer Society®

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TO: SENATE WAYS AND MEANS COMMITTEE
SENATOR JAY EMLER, CHAIR

FROM: STEPHANIE WEITER,
AMERICAN CANCER SOCIETY

DATE: MARCH 15, 2010

RE: SB 476 – ELIMINATION OF NON-PROFIT SALES TAX EXEMPTIONS

LEGISLATIVE TESTIMONY ON BEHALF OF THE
AMERICAN CANCER SOCIETY

Senator Emler, Members of the Committee, thank you for the opportunity to testify today. My name is Stephanie Weiter and I am the Regional Vice President for the American Cancer Society Kansas Region. I stand before you today to ask for your continued support of sales tax exemptions for the American Cancer Society and other non-profit organizations in the state.

It is the mission of the American Cancer Society to save lives by helping people get well, stay well, finding cures and fighting back. Every dollar is critical to our life saving work and removing our sales tax exemption will have a significant impact on our work. Approximately $87,000 in savings was realized last year for our organization on expenditures that were made in the state, dollars that were used to sustain life-changing work.

The recent economic downturn has impacted everyone and the American Cancer Society has not been spared. In the past six months, we have had to eliminate positions, ask our staff to take furlough days and dramatically cut back our budget. At the forefront of our mind, above everything else, was continuing to provide services to cancer patients, their family members. The $87,000 in sales tax we would pay would force us to cut other parts of our budget further, impacting those that are already facing a devastating cancer diagnosis.

It could mean that 870 cancer patients would not receive a gas card to help get them to and from their treatment; patients could be limited on the number of nights they can stay free of charge at our Hope Lodge; a researcher with an idea for a cure would not be funded; a woman with a breast cancer would go undiagnosed because she did not go in for her screening; a man could decide not to reschedule his colonoscopy and a polyp has a chance to turn into cancer; or kids

who have or have had cancer won't have an opportunity to attend our summer camp, Camp Hope.

To you, the $87,000 seems like a number and a means to an end. But to me and the thousands of cancer patients in Kansas, that number is life-altering. I ask that you keep that in mind as you discuss and deliberate this issue.

Thank you for your time.

8-2

Testimony of

Jane Metzger

On behalf of the

Kansas Community Nutrition Services

Before the

Senate Ways and Means Committee

February 15, 2010

Jane Metzger, President and CEO
Meals on Wheels of Shawnee and Jefferson Counties, Inc
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Members of the Committee, I am Jane Metzger, President and CEO of Meals on Wheels of Shawnee and Jefferson Counties, Inc. and Iimmediate Past Chairman of the Meals On Wheels Association of America. I am also a member of the Kansas Community Nutrition Services or KCNS for whom I am testifying today. KCNS is an organization of nutrition service providers from across Kansas. We provide nutritional support to help older persons stay independent in their own homes. Money spent now on good nutrition pays dividends in the future. As stated by Former Assistant Secretary of Health and Human Services Josephena Carbonell – "The cost of a one-year supply of home-delivered meals to a person equals about the cost of one day in the hospital."

I come to you on behalf of the more than 40,500 urban and rural frail elderly individuals in the state of Kansas who receive federally and state funded home delivered and congregate meals from state nutrition programs. Nutrition programs which address malnutrition in the elderly and homebound population of our state are facing a ***monumental crisis***. Let me be specific.

- State General Fund cuts during 2009 stripped $1,141,000 from senior nutrition programs. ARRA funds supplanted $878,930 of those cuts for 2010 but will not be available in 2011
- Loss of the tax-exemption will impact the nutrition providers by $974,882. Put in human terms, that is 715 frail, elder Kansans losing their meals for one year.

Why is it a crisis?

- Nutrition programs have never received a cost of living increase from state and federal funds
- Nutrition providers face a number of other challenges, many of which are directly tied to high fuel costs, which in turn affect the cost of food and supplies, the cost of gasoline, the cost of volunteers who deliver the meals, and the cost of utilities in the facilities where the meals are served.
- In FY 2009 the average cost of a meal was $5.41. Meals must be prepared in accordance with strict Federal guidelines including low sodium and low fat.
- Nutrition programs nationally are well known for leveraging government dollars and we are leveraged out. While other programs can build increases through their cost centers and pass those on to the consumer, nutrition programs are stymied by

regulation to only ask for contributions towards the cost of the meal. Let me reiterate, we cannot charge for the meal to the consumer, we can only ask them to contribute towards the cost of the meal. There is no means testing in this program. This is a regulation of the Older American's Act. Therefore any tax levied on meals cannot be passed on to the consumer and must be paid from program funds.

- In the past we have been extremely effective cutting our costs and running very lean programs. However, we are now malnourished and in need of your help.

What we need from the legislature.

- **Retention of the tax exempt status for senior nutrition programs initially passed in the early 1980s.**
- **Reinstatement of the state $1.141 million cut from nutrition services in FY2010**

KANSAS COMMUNITY NUTRITION SERVICES - PUBLIC POLICY GOALS 2010

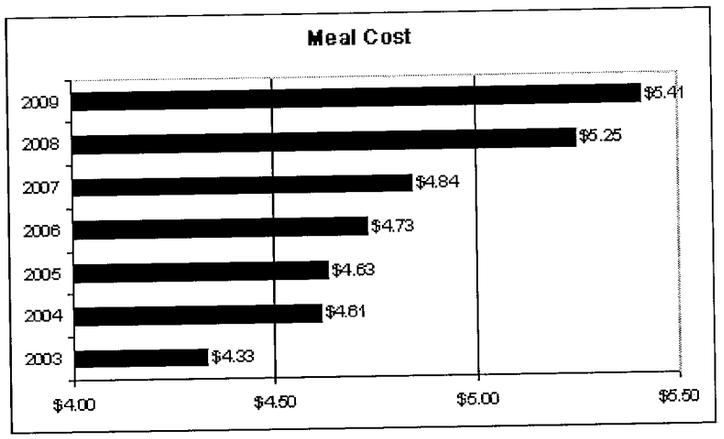
Kansas Community Nutrition Services (KCNS) is an organization of nutrition service providers from across Kansas. We provide nutritional support to help older persons stay independent in their own homes. Nutrition projects are wellness programs. Money spent now on good nutrition pays dividends in the future. A meal provided under the Older American's Act meets 1/3 of the Dietary Reference Intake (DRI) for the senior recipient of that meal.

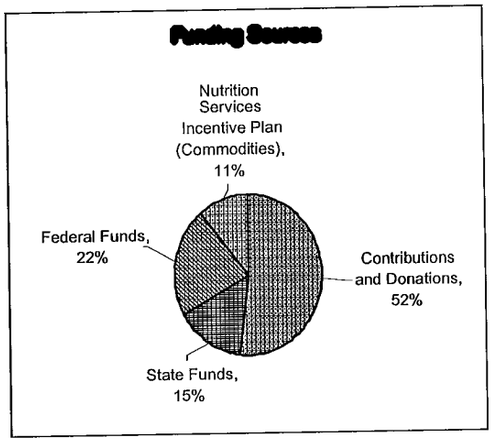
NEEDED LEGISLATIVE ACTION:

- Reinstatement of the $1,141,000 cut from nutrition services. ARRA funding will not be available to offset funding cuts.
- Continuation of Tax Exemption status for Nutrition Providers. The state tax will assess an additional $974,882 on providers. This translates to 715 people losing meals for one year. This total does not include the amount that local taxing entities will levy which will increase the number of people unserved.
- KCNS supports the K4A request for restoration of in-home services funding which includes: Senior Care Act, Medicaid and Base Funding for Case Management

STRENGTHS OF SENIOR NUTRITION PROGRAMS:

1. VOLUNTEERS: ~790,000 hours for $5,727,500.00 value = to 380 full time employees
2. IN-KIND SERVICES: Buildings, utilities, volunteers, local support
3. FISCALLY RESPONSIBLE: Federal, State, and County funds combined with donations provided more than 3,400,000 meals in 2009
4. ESSENTIAL TO LONG TERM HEALTH: Allows vulnerable seniors – low income over age of 75 - to remain in own homes and Kansas has a higher proportion of seniors than the national average.





CHALLENGES FACING SENIOR NUTRITION PROGRAMS:

1. **Revenue losses that include decreased client contributions, state funding and local donations have been exacerbated by increased food costs, operational costs and minimum wage increases.**
2. **Replacement of aging kitchen equipment and delivery vehicles**
3. **Nutrition programs have never received a cost of living increase from state and federal funds**

"The cost of a one-year supply of home-delivered meals equals about the cost of one day in the hospital."
- former Assistant Secretary of Health and Human Services Josephina Carbonell

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GACHES, BRADEN & ASSOCIATES
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Senate Ways & Means Committee
Hearing on SB 476, Sales Tax on Residential Utility Bills
Written Testimony on behalf of Atmos Energy
Submitted by Ron Gaches
Tuesday, March 16, 2010

Atmos Energy opposes the elimination of the sales tax exemption on residential customers' utility bills.

This proposal represents a very regressive tax increase on low and moderate income Kansans. Unlike many other products and services that are currently sales tax exempt, consumers have little choice in purchasing energy for their home. Lower income consumers often reside in older homes that are relatively energy inefficient, thus driving the cost of energy higher. The addition of a sales tax will only exacerbate their problem in paying their monthly energy bills. With our state facing near record unemployment the number of residential customers who would be adversely impacted by this proposal is significant, with little hope for new jobs in the near term.

Thank you for the opportunity to express our concerns and opposition to the section of SB 476 that would eliminate the sales tax exemption on the purchase of residential energy products.

Atmos Energy supplies gas service to 117,000 residential customers in 32 counties across Kansas.

KBIA
KANSAS BUILDING INDUSTRY ASSOCIATION, INC.

Statement of Kansas Building Industry Association

To the Senate Ways and Means Committee

Senator Jay Emler, Chair

Regarding S.B. 476

March15, 2010

Chairman Emler and members of the House Taxation Committee, thank you for the opportunity to comment on behalf of the Kansas Building Industry Association in opposition to the provisions of SB 476.

KBIA is the state trade and professional association of the residential construction industry in Kansas, with approximately 2300 members.

KBIA opposes the elimination the word "repair" in Section 3(p) on Page 15 of S.B. 476, which would impose a sales tax increase on the repair of residential property.

K.S.A. 79-3603(p) provides that no sales tax "shall be imposed upon the service of installing or applying tangible personal property in connection with the original construction of a building" or the "original construction, reconstruction, restoration, remodeling, renovation, repair or replacement of a residence." Homeowners are currently not required to pay a sales tax on the value of any labor or services provided by a contractor to repair a residence.

However, under the language in Section 3(p) in line 11 on page 15 of SB 476, the Kansas Department of Revenue has proposed to strike the term "repair" from the provisions of K.S.A. 79-3603(p) and impose a sales tax on the labor provided during the course of the repair of a residence. If passed, we believe the propo result in a substantial increase in the sales tax burden on Kansas fa

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Date 3-16-2010
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homeowners, that will negatively impact their ability to maintain and improve their homes.

An economic analysis was completed by our national economics staff in December which will be of interest to the Committee and accompanies this statement. This analysis was done in part for the Housing Affordability Task Force which we convened to discuss issues negatively impacting housing affordability in Kansas. Attached to this statement is a document from the analysis which shows the numbers of families in Kansas that are "priced out" when costs are increased by $1,000. There are numerous regulatory burdens and proposals currently, including this bill, which would "price out" many Kansas families from owning or maintaining a home.

When families are unable to purchase or maintain their homes, there is a dramatic negative impact not only on our industry, but on the Kansas economy and state and local government revenues. KBIA urges the Committee to not pass S.B. 476.

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State of Kansas
Priced-Out Analysis

Area	Mortgage Rate	House Price	Monthly Mortgage Payment	Taxes and Insurance	Minimum Income Needed	Households That Can Afford House
Kansas	5.0%	$95,000	$483	$163	$27,686	802,341
Kansas	5.0%	$96,000	$488	$165	$27,977	798,674
Difference		$1,000	$5	$2	$291	-3,667
Kansas	5.0%	$151,517	$770	$260	$44,156	597,611
Kansas	5.0%	$152,517	$775	$262	$44,448	594,288
Difference		$1,000	$5	$2	$291	-3,323
Kansas	5.0%	$253,473	$1,288	$435	$73,869	332,259
Kansas	5.0%	$254,473	$1,293	$437	$74,160	330,008
Difference		$1,000	$5	$2	$291	-2,251

Kansas Catholic Conference

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Michael Schuttloffel – Executive Director, Kansas Catholic Conference
Testimony in Opposition to Portions of SB 476
Senate Ways and Means Committee

Chairman Emler and members of the Committee, on behalf of the Kansas Catholic Conference, the public policy arm of the Catholic Church in Kansas, I am submitting testimony in opposition to language in SB 476 that would repeal the tax exemption enjoyed by religious organizations in Kansas.

The Kansas Catholic Conference fully understands and appreciates the gravity of the budgetary crisis that members of the Legislature, and in particular members of this committee, are charged with addressing. Painful decisions have been made and are going to continue to be made.

The Catholic Church does not claim any special competence over the intricacies of the complicated budget considerations you have to weigh, but we do seek to provide a moral framework to help guide your deliberations. With respect to the effort to balance the budget, our main concern is that it not be balanced on the backs of the poor. We believe that those programs that serve the most vulnerable should be given special consideration and protection.

Our opposition to this legislation derives in no small part from our concern over the effects it would have on the Catholic Church's, and other churches', many charitable efforts. Catholic Charities of Northeast Kansas alone serves more than 85,000 people annually. Yet like so many others in these difficult times, it is being challenged by shrinking funding pools. Its employees have not had a pay increase in two years. Some valuable, long-term programs have been sacrificed in order to focus more resources on meeting the swelling tide of basic human needs. If its tax exemption is lost, Catholic Charities' ability to offer assistance to some of Kansas' most vulnerable citizens will be severely compromised. SRS and other state agencies are in no position to take on the additional caseloads that would surely present themselves were Catholic Charities forced to dramatically scale back its services.

This is not the time to place new burdens on religious organizations that devote so much of their time, energy, and resources to the amelioration of the physical and spiritual needs of some of the

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state's most desperate citizens. Repeal of religious organizations' tax exemptions would be a harsh blow at precisely the time when unprecedented numbers of Kansans are in need of the kind of support that churches are uniquely equipped to provide.

Churches have long been recognized as having a special place in our society, and religious institutions are important partners with the state in meeting the needs of the people of Kansas. We respectfully ask that you preserve the tax exemption for churches and organizations like Catholic Charities, that their capacity to help people through these challenging times not be eroded.

Thank you for your consideration.

March 15, 2010