

Approved: 2-24-94
Date

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION AND ELECTIONS.

The meeting was called to order by Chairperson Marvin Smith at 9:00 a.m. on February 23, 1994 in Room 521-S of the Capitol.

All members were present except:

Committee staff present: Carolyn Rampey, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Arden Ensley, Revisor of Statutes
Nancy Kippes, Committee Secretary

Conferees appearing before the committee:

Representative Gary Hayzlett
Larry Fischer, DVM
David Yearout, Butler County Planner
Gene Foster, President, Foster Design Co. Inc.
Cyril Smith, State GIS Coordinator
Representative Gwen Welshimer
Jim Ludwig, Western Resources
David C. Cunningham, Director, Division of Property Valuation
Gerry Ray, Johnson County Board of Commissioners
Sara F. Ullmann, Johnson County Register of Deeds
Paul Flowers, Director of Research, Kansas Association of Counties
Representative Walker Hendrix
Robert D. Hayes, Kansas Insurance Department
Lori Callahan for Jerry Slaughter, Kansas Medical Society
Sally Thompson, State Treasurer

Others attending: See attached list

Hearing on:

HB 2913 - establishing an elected office of state director of property evaluation.

Representative Gary Hayzlett provided testimony in support of HB 2913 because property values should not be tied to politics, as they now are, and the director should be elected and have adequate qualifications, proven administrative skills and strong background in the appraisal field (Attachment 1).

Larry Fischer, DVM, in support of HB 2913, stated the whole theme of this is that of accountability, accountability to the electorate for the dialogue during the campaign and accountability through the concept petitioning for recall after the election (Attachment 2). Along with his testimony, Mr. Fischer included examples.

HB 2994 - land information board; land information program.

David L. Yearout, Butler County Planner, testified that almost every transaction in the county courthouse has a physical tie to a piece of land. The point being that virtually everything that occurs on a daily basis in county government has a relationship to some specific piece of land and most all the departments and agencies that provide these services each keep track of where this occurs individually and for their own use (Attachment 3). This bill would provide a true cooperative effort between state and county government in the form of the Land Information Policy Board which is charged with the establishment of standards and the identifying of laws that conflict with the purpose of the act.

Lee Gearhard, State Geologist, answered numerous questions as to the purpose and duties of the Geographic

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION AND ELECTIONS, Room 521-S Statehouse, at 9:00 a.m. on February 23, 1994.

Information Systems (GIS).

Gene Foster, President of Foster Design Co., Inc., stated his professional engineering firm has done extensive mapping for state and county agencies. He supports HB 2994 because he sees it as a means to develop and implement a coordinated effort to effectively manage land information within the state and to eliminate redundancy and duplication in the creation, maintenance and use of land information. There is a tremendous need and desire of the counties and incorporated cities to utilize GIS tools to meet their needs for additional data management, manipulation, and to analyze their existing data (Attachment 4).

Cyril Smith, State GIS Coordinator, read from the written testimony of Stephen A. Hurst, Director of Kansas Water Office, and Chairman of Geographic Information Systems Policy Board (Attachment 5). Mr. Hurst recommended three changes in the bill. One to specifically name the GIS Policy Board as the coordinating body, or note that the intent of the legislation is not to supplant the GIS Policy Board with the Kansas Land Information Board but to expand the membership. The second is to include some agencies in the Land Information Board not presently included but that have been included in the GIS Board, and in addition, not to limit the number of members on the board. His third concern regards the disposition of funds made available through this legislation so some would be targeted for coordination purposes. His final concern is that the full responsibilities of the existing GIS Policy Board be incorporated in the language of this bill.

Mr. Smith provided written testimony of his own in support of HB 2994 (Attachment 6). He stated this bill would provide the opportunity to greatly advance the cause of information sharing at the local level and between local governments, state agencies, public utilities, and the private sector.

Representative Welshimer gave testimony in favor of HB 2994 suggesting this would bring all governments together, such as counties and state. She stated there are federal grants that states can receive in order to accomplish this.

Jim Ludwig, Western Resources, appeared to show his support for HB 2994.

David Cunningham, Director of Division of Property Valuation, testified that he was opposed to HB 2994 because he believes this bill does little to improve the existing program and in many respects creates challenges that do not currently exist (Attachment 7). He believes the additional costs to state and local governments to provide these services should be considered. He expressed a concern that Soil Conservation Service and Agricultural Stabilization Conservation Service, which has information that PVD and counties use, are not included.

Gerry Ray, Johnson County Board of Commissioners, offered comments expressing concerns they have with HB 2994 (Attachment 8). The bill establishes a statewide mapping program funded by significant increases in mortgage registration fees. They believe each county should retain the ability to select the technology that best suits its individual needs. Also, the majority of funding would come from the four large counties, yet the "grants" the counties can receive are limited. The bill allows counties to impose reasonable fees for certain information and to enter into partnerships with public and private organizations, yet would obstruct the efforts to reach that goal.

Sara Ullmann, Johnson County Register of Deeds, provided written testimony in opposition to HB 2994 in that they oppose becoming a collection arm of the state as the fees collected in the register of deeds office are deposited directly into the general fund for the county. No provisions have been made to cover the additional administrative and accounting responsibility placed on the register of deeds office. The Register of Deeds Association Legislative Committee is concerned about the lack of inclusion of the register of deeds in the mapping arena (Attachment 9).

Paul Flowers, Director of Research, Kansas Association of Counties, provided written testimony only on concerns about HB 2994 (Attachment 10). There is no provision for initial funding of the county land information offices required in the act, no assurance is provided that the proposed limited funding sources would be adequate to fully cover continuing county program costs, and they fear it would further erode county home rule authority.

HB 2730 - health care stabilization fund, transfer administration to board of governors from insurance commissioner.

Representative Walker Hendrix testified that the reform in HB 2730 would change the Health Care Stabilization Fund by giving it more independence in selecting attorneys and conducting its affairs (Attachment 11).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON GOVERNMENTAL ORGANIZATION AND ELECTIONS, Room 521-S Statehouse, at 9:00 a.m. on February 23, 1994.

Robert Hayes, Kansas Insurance Department, opposes HB 2730 because the restructuring of the Board of Governor's administrative authority in place of current administrative responsibilities of the Commissioner of Insurance appears to be unsupported and without reason or cause (Attachment 12). It would be difficult to locate a sufficient number of prospective board members who would be willing or able to devote the necessary time to the administration and management of the fund and further, the practical implications of changing to a Fund Board of Governor management system with a continued relationship to the Insurance Department may not be feasible and would appear if implemented, this committee may wish to review the possibility of moving the Fund's administrative and operational activities to another agency. Another concern is the establishment of an investment management staff.

Lori Callahan read testimony from Jerry Slaughter, Kansas Medical Society, as he was unable to appear (Attachment 13). His testimony expressed concern that whatever is done, it should promote continued stability and prudent management from an insurance standpoint and maintain the fund's integrity and financial stability. He suggested a subcommittee to thoroughly evaluate all questions or refer this issue to the Health Care Stabilization Fund Oversight Committee.

Sally Thompson, State Treasurer, provided testimony in opposition to HB 2730 because Section 5, pages 18-20 infringes on the current authority of the Pooled Money Investment Board (P.M.I.B.), which already has the staff and experience in place to manage the fund. They also have electronic equipment to follow the movement of the market (Attachment 14).

The meeting was adjourned at 10:55 a.m. The next meeting is scheduled for February 24, 1994.

GUEST LIST

COMMITTEE: House Governmental Organization & Elections DATE: 2-23-94

[illegible]

GARY HAYZLETT
 REPRESENTATIVE, 122ND DISTRICT
 GREELEY, HAMILTON, KEARNY,
 SCOTT, & PARTS OF
 WICHITA & FINNEY COUNTIES
 P.O. BOX 66
 LAKIN, KANSAS 67860
 (316) 355-6297
 STATE HOUSE-ROOM 446-N
 TOPEKA, KANSAS 66612
 913-296-7686



TOPEKA
 HOUSE OF
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS
 CHAIR JOINT COMMITTEE ON COMPUTERS
 & TELECOMMUNICATIONS
 VICE CHAIR LOCAL GOVERNMENT
 MEMBER ENERGY & NATURAL RESOURCES
 LABOR & INDUSTRY

February 23, 1994

Mr. Chairman - Members of the Committee:

In the past 20 years I have worked in Government that has dealt with the Property Valuation Division. In this amount of time, I have seen an excess of 7 Directors come-and-go. With the exception of Senator Martin, none had any prior experience with the real property system. As a result of the continuing change of Directors, there is a total lack of continuity of policy. Consequently, very little, if any, improvement has accrued relative to uniform and equal. Here are some further reasons to elect a Director:

1. Even when the number of employees in P.V.D. was less than 35, it would take at least a year for a new Director to get acquainted with the players and to understand their various abilities or lack of ability. There are both kinds.
2. With the exception of Senator Martin, none of the Directors had any appraisal experience; therefore, in many cases, some employees were telling the Director what to do. Because of lack of experience in the appraisal field, the Director could not tell the difference between good and bad advice.
3. Property values should not be tied to politics and under the present system they are.
4. The Director should be elected and should have adequate qualifications.
5. A Director with proven administrative skills and a strong background in the appraisal field can accomplish far more than an attorney with none of the skills mentioned above.
6. If the Director needs an attorney, there is an attorney on P.V.D. staff and several others within the Department of Revenue.

*House Joint Org. + Elections
 February 23, 1994
 Attachment 1*

Testimony Concerning House Bill 2913

February 23, 1994

Honorable Chair and Members of the Governmental Organizations and Elections Committee,

I appear before you this morning in favor of HB 2913. Election of a person who holds the power over one of the three great and primary rights upon which this nation was founded, specifically, that of private property, is desirable because of accountability through recall or re-election.

I have been politically active as a citizen since reappraisal and classification were implemented. The reason I became active was the enormity of change in value and taxation that beset my property. For the record, taxes on my property went from \$2,700 to over \$16,000. During the ensuing years of involvement, and to the present time, I have found elected officials more interested in the citizens' plight than bureaucrats.

I will discuss four areas that I can document which illustrates how a bureaucrat, by doing nothing, preserves his\her position.

They include:

1. A list of grievances to the PVD Director concerning county the county appraiser to which the bureaucracy was unresponsive.
2. A lack of resolve to do statutory duties with regards to Shawnee County audit.
3. Disregard for the law with regards to the 45-day issue and KS79-1460
4. A total disregard for replacement of the flawed Kansas Computer Assisted Mass Appraisal system.

Concerning item one, whenever an official does not respond to a series of letters indicating problems, something is wrong. The enclosed document is a summary of the the body of letters sent to the PVD Director over a 6 week period between December 1991 and January of 1992. To my knowledge the issues presented on exhibit A were never investigated even though attorney general opinions were given in most if not all instances. I only wonder if an elected official would have responded in some manner to such a series of letters.

Concerning item 2, Shawnee County underwent a Compliance Audit by PVD. The report is dated July 16, 1992. Page 105 of that report, exhibit B, reads, in part, "These numbers indicate that values are not consistent and in compliance with KSA 79-503a." KS 79-503a is the law which governs the methodology of valuing property and from which taxes are generated. Non-compliance means the law is being violated! I find it very alarming that an official could glibly stand back and do nothing. Based on that statement in the Compliance Audit it must be inferred that taxes being paid on commercial properties were not accurate. They were either too high or too low. Additionally, the values being used to generate taxes were indefensible because "none of the valuation approaches <could> be justified." And it is a fact that the director did not proceed to ask for reappraisal. I find it difficult to believe an elected official would not have acted rapidly and decisively with the media focused on the issue as they were.

*House Gov't Org + Elections
February 23, 1994
Attachment 2*

Concerning item 3, a law suit was filed in the summer of 1993 concerning the law whereby BOTA must take action within 45 days or give up jurisdiction on property tax issues that they receive. We visited with the director on July 31 of that year asking him to file a Writ of Mandamus on the Shawnee County Clerk forcing her to do her duty. There ensued a conversation between myself and two other individuals and the PVD Director about the laws and whether or not the director would abide by the Attorney General's opinions. The director stated that he would follow them only if he agreed with them. The conversation then centered around the circular concept that develops if bureaucrats become a law unto themselves and do not give due deference to the Attorney General. I strongly feel that if the PVD Director were to become an elected office, and if that official did not follow the recommendations of the highest elected legal entity in this state, his\her career would be at risk. As it stands, there is no risk for a bureaucrat.

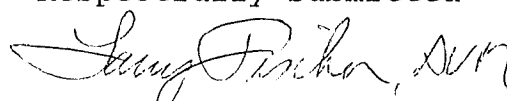
The aforementioned lack of respect for the system of laws that we have in this state continued into late 1993 when the director illegally raised the values of 36 properties in Shawnee County. Fourteen of those properties were thrown out because raising their values were ruled a violation of KS79-1460 by a district judge. The remainder were eventually lowered to the original values but not before tens of thousands of dollars were expended in legal fees. It should be noted that the judge questioned the quality of work that the director had done in initiating the issue <see exhibit C>. I leave you to draw you own conclusion on how an elected official would have proceeded.

With regard to the fourth item, the director stated on June 16, 1992, exhibit D, at the Shawnee County Commission meeting, that the KsCAMA system had a "litany of problems" and one of them was the "reliance upon it." Yet the director went against his own words and continued to encourage mass appraisal through pushing buttons on computer consoles. I submit that an elected official, responsive to the electorate, would have been much more intent on replacing the system.

The whole theme of this presentation is that of accountability. Accountability to the electorate for the dialogue during the campaign and accountability through the concept petitioning for recall after the election. As the situation now stands, the office of the PVD Director is nothing more than a political payoff. I contend that where people's properties, that is to say their livelihoods and domains, are at risk, a course of action must be available if, and when, the powers of the office are abused. I respectfully ask that you strongly consider passing HB 2913 out of committee.

Perhaps next year the same concept could be applied to the Board of Tax Appeals!

Respectfully submitted



Larry Fischer, DVM

SUMMARY OF LETTERS SENT TO DIRECTOR xxxxxxxxxxxx
throughout Dec. 91 and forepart of Jan. 92

To: xxxxxxxxxxxxxxxx, Director
Division of Property Valuation
526-S Docking State Office Bldg.
Topeka, KS 66612

From: Kansans For Fair Taxation, Inc.
1834 NW Topeka Blvd, Suite 200
Topeka, Kansas 66608

Exhibit A

Subject: Shawnee County Appraiser

Director xxxxxxxxxxxx,

We are cognizant that you have power and duty, pursuant to KSA 79-1404 tenth, to examine complaints of violation of laws for the assessment of property. It is our intention to register such a complaint.

① The Shawnee County Appraiser has repeatedly and willfully failed to follow the Director's directive of July 12, 1990 requiring due deference to 1989\1990 appeal results. The appraiser has continued to ignore the directive in spite of repeated demands by, or from, the Board of Equalization.

② The Shawnee county appraiser has repeatedly and systematically circumvented the hearing and appeals process. This violation of statute, guidelines and directives effectively denied appeal rights to property owners in Shawnee county.

③ The Shawnee County appraiser has willfully neglected to follow the statutes, guidelines and directives in regard to the appraisal of exempt property. This disregard for statutory and contractual requirements has negatively impacted the appraisals of other commercial property in shawnee county.

④ The Shawnee County appraiser has willfully neglected to perform the mandatory requirement of final review. This violation of POD Guidelines and Maintenance Specifications has resulted in faulty appraisals in Shawnee County.

⑤ The Shawnee county appraiser has willfully neglected to enforce the July 2, 1990 PVD Directive regarding reserves for replacement. This has resulted in the over valuation of all commercial property in Shawnee county that were valued by the income approach.

⑥ The Shawnee county appraiser has willfully and repeatedly refused to allow taxpayers access to public information. This violation of guidelines and requirements has denied the taxpayers of Shawnee county basic appeal rights.

⑦ The Shawnee county appraiser has willfully and repeatedly ignored guidelines, directives, course material, and generally accepted appraisal practice in his development of capitalization rates for Shawnee county commercial property.

⑧ The Shawnee county appraiser has willfully and repeatedly ignored the guideline for substantial and compelling reasons for raising values of property.

Because of his repeated failure to follow the directives guidelines and statutes, we believe the county appraiser has violated the provisions of KSA 79-1456. We ask that you immediately investigate this willful neglect and remove the appraiser from office under the provisions of KSA 79-1473, and KSA 79-2919.

Jack Bengel
Larry Fischer, DVM
Anita Metz

capitalization rate study and an income/expense study which is in actuality only a list with no conclusion as to how it was reconciled within an analysis to arrive at market value. Appraisal documentation and studies in Shawnee County are a conglomeration of opinions, model runs and parcel numbers with gross data and no cognitive deductions resulting in a lack of affirmation to substantiate conclusions.

The lack of documentation to substantiate commercial valuations is reflected in the values of 91 commercial sales that have occurred since 1988 in Shawnee County. These sales were compared to 1992 Shawnee County values with 66 of the properties undervalued indicating a ratio of 80% with the other 24 properties overvalued with a ratio of 148% (one property was valued at 100% of selling price), with an overall aggregate sales ratio of 89%. A warehouse property at the Forbes Field which is identical in condition and size was found to have a value that was double to similar properties in the same location. It was discovered that two identical office buildings in downtown Topeka were not within a credible value range. One of these buildings had double the value of the other until it was brought to the county's attention by the taxpayer. These numbers indicate that values are not consistent and in compliance with K.S.A. 79-503a.

The Shawnee County Appraiser's office is not allocating the resources necessary to follow the market. Interviews with local business and real estate leaders indicate that due to the large amount of appeals, the county is estimating value through the appeal process and not by accepted appraisal methods. These taxpayers stated they are now within a value range they consider reasonable after three years of appeals. The large amount of appeals dating to 1989 is a major cause of this predicament and these appeals show no abatement through tax year 1991.

Recommendations:

All appraisals, whether it be one fee appraisal or the mass appraisal of many properties, must start with a well documented comparable sales study. This is not for a sales ratio but to establish a market data base for use in the appraisal process. Without a data bank based upon market information, none of the valuation approaches can be substantiated or justified. Shawnee County must implement a sales data base immediately for information necessary to provide

Exhibit B

West Ridge, PVD director reach accord on tax value

By BILL BLANKENSHIP
The Capital-Journal

And then there was none. Attorneys for the West Ridge Mall and for David C. Cunningham, state Property Valuation Division director, have agreed to dismiss the mall from an appeal of Cunningham's Oct. 25 order on 36 commercial properties.

Since PVD reached earlier agreements on the 35 other properties, the stipulation filed Thursday could close the case that delayed 1993 property tax statements.

But lawyers convinced District Judge Charles E. Andrews Jr, there were enough questions about Cunningham's authority and the quality of his investigation. Andrews ordered the county to ignore Cunningham's order then told the property owners to appeal to BOTA.

Exhibit C

Kingman said Shawnee County had one of the most efficient systems for appraising automobiles according to state law, and when they had to convert after pleading with the state not to have that statewide, that created "tons" more work for the County. She said the County had a system that automatically put the address in, and assigned the tax units. The system they had to buy did not accomplish that and it was frustrating. Mr. DeWitt said there was an old saying that "if it isn't broke don't fix it."

Commissioner Rucker said that had brought up a point. He said Commissioner Kingman had, appropriately he thought, outlined the membership of the Task Force to come up with a plan by the appropriate date, and if all the recommendations were followed, and if all of the directives were complied with, that still would not affect CAMA, and the problems that CAMA has. Mr. Cunningham said CAMA still has the problems it has always had. He said they could go through a litany of problems and solutions related to CAMA, but certainly that was why he placed a good deal of reliance on the County Appraiser, so that he or she could make the final call. Commissioner Kingman said she truly believed the County's appraisers have relied too much on the CAMA system and the print-out. Commissioner Rucker said Mr. Cunningham has gone so far as to call CAMA fatally flawed. Mr. Cunningham said yes. He said it has its flaws and one of them was the reliance upon it, absent the appraiser's intervention to determine the final value on a property. Mr. Cunningham said that was one of the critical points. They have to make an appraisal judgement, rather than rely solely on the computer to generate a value. He said that was a critical flaw.

Commissioner Kingman thanked PVD for the audit. She said she was pleased to hear that all of the County's departments and staff had cooperated with

Board of County Commissioners
Minutes, Tuesday, June 16, 1992

Exhibit D

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TESTIMONY OF DAVID L. YEAROUT, AICP

BUTLER COUNTY PLANNER

Regarding House Bill 2994

February 23, 1994

Mister Chairman and members of the House Governmental Organization Committee, thank you for the opportunity to appear before you today regarding House Bill 2994. My name is David Yearout. I am the County Planner for Butler County, and a member of the Governor's Geographic Information System (GIS) Task Force representing the Kansas Association of Counties. I am speaking to you today wearing many "hats", but I am also speaking to you today as an individual who is a lifelong resident of Kansas; someone who has spent virtually all his adult life working for local government, both city and county levels; someone whose family's tradition's include service at a local government level for many generations, most recently in the form of my father serving as the Mayor of Mayfield, Kansas, a small 3rd class city of 110 people in Sumner County. To this end, almost my entire life has been spent either directly or indirectly involved in the workings of local government at both a city and county level.

*House Gov't Org & Elections
February 23, 1994
Attachment 3*

David Yearout Testimony

House Bill 2994 presents an opportunity for the State of Kansas and all of its local governments to truly begin addressing the need to alter the manner in which all levels of government, and especially state and county government, manage and utilize the land-based data that constitutes the vast majority of their day-to-day work. Almost every transaction in the county courthouse has a physical tie to a piece of land; from the recording of a deed, to the appraisal of property for tax purposes, to the 9-1-1 call for emergency assistance, to the permits for a septic system, to the issuance of a driver's license, to the placement of a street sign, to the purchase of a car tag, to the serving of subpoena's, to the spraying for noxious weeds, to the issuance of a building permit, to the request for a change in zoning, to the immunization of a child; the list goes on and on. My point is that virtually everything that occurs on a daily basis in county government has a relationship to some specific piece of land. And, of course, most all the departments and agencies that provide these services each keep track of where this occurs **INDIVIDUALLY** and for their own use.

Further, many state agencies also track permits and activities at a local level, tied to the same geographic locational base. Many of the state agencies are duplicating the same effort of county governments, and at considerable expense.

David Yearout Testimony

The sad part of this story is that little or no coordination exists in the performance of all these tasks. And to make matters worse, the amount of duplication of effort and redundancy that exists in all of this is expensive and terribly inefficient.

Why don't the counties just "fix" this problem if it is so obvious? Primarily because of existing state laws that "mandate" certain departments or officials to perform specific duties in a specific manner regardless of whether it is also being done elsewhere for a similar reason. I have asked county officials all over the state why we continue to function this way and the basic response has been, "Because we've always done it that way before."

I also have been told that, "If it ain't broke; don't fix it." I submit to you that the taxpayers of this state have been screaming for years that **"IT" is broke and "IT" does need fixed.**

You have before you the first step. House Bill 2994 provides a process for the state and county governments to begin using the highly affordable technology available today to start "moving" the land-based information into an electronic format that can lead to the elimination of the redundancy and inefficiency that is so entrenched at both the state and county levels of government.

David Yearout Testimony

And the most encouraging aspect of this bill...the approach taken in solving this problem. A true cooperative effort between state and county government in the form of the Land Information Policy Board which is charged in the purpose section with, in my opinion, two basic responsibilities: the establishment of standards and the identifying of laws that conflict with the purpose of the act. When you read Section 1 of the bill I find it difficult to believe anyone would oppose the purpose of the bill if they truly were interested in saving taxpayers money and getting more efficiency out of how the governments do business.

As for the existing structure of House Bill 2994, there are probably several changes to the "details" of this proposal that many people would want before it goes any further, and many of these may be not only appropriate but would strengthen the bill. Many other would probably just as soon the bill die right here. But I feel the vision behind what this bill is calling for...the vision to set a course and direction for state and county government to utilize the advancing technology to the benefit of the taxpayers of Kansas...the vision to not be afraid to change our ways and improve our ways of doing business, is something that should not "die" or be amended away.

David Yearout Testimony

Keep the question alive. Keep this bill alive. If you feel this needs greater discussion; broader focus; or just more thought, then push for it to be studied between sessions. But please do not let this matter die. It is too important of an issue...and too much of a true opportunity for positive change...to simply die here today. Thank you for your time.

House Bill No. 2994

Foster Design was incorporated in this State in 1967. A licensed professional engineering firm conducting business in approximately 26 states, with one of our divisions specializing in Geographic Information Systems (GIS). We are recognized in our field for our accomplishments relating to GIS and are one of a handful of strategic developers for Environmental Systems Research Institute (ESRI - ArcINFO, ArcCAD, ArcVIEW). Prior mapping experience includes most all of Kansas' Wildlife and Park maps, county transportation maps used for 9-1-1 services, and special use maps. Foster Design has mapped approximately 90% of Oklahoma down to a parcel base including Oklahoma City, Tulsa, and most all other incorporated cities within Oklahoma with the exception being Bartlesville and the panhandle areas. This is just a partial listing of projects completed.

I see House Bill 2994 as a means to develop and implement a coordinated effort to effectively manage land information within this State and to eliminate redundancy and duplication in the creation, maintenance and use of land information. By creating a land information board, I know that it will restructure state and the local government in their responsibilities. As a tax payer, it would appear this bill is just creating more government, but in reality, my county already has people that are doing ownership mapping, parcel mapping, and centerline mapping. In that context, it would appear as a citizen and business owner, that I could go to one entity and acquire the information necessary instead of having to deal with three entities (i.e., the appraisers, office, the clerk's office, and the engineering office). So in that respect, I do not see any extra dollars, I see a better trained organization that would meet the needs of the end-user, the constituent of that county, better.

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In the State of Kansas, there is a tremendous need and desire of the counties and incorporated cities to utilize GIS tools to meet their needs for additional data management, manipulation, and to analyze their existing data. They also realize the information age is here and that we need the rules and regulations adopted and approved by all state agencies for all who are contributing to the creation of the base map product comprising of the ownership maps, plat maps and centerline maps. Presently, we have cities and counties in this state who have gone into this technology without state developed standards. I ask myself, how would this State of Kansas with all of its bureaucracy and politics, ever come together and devise a means of developing policies and procedures, without it being mandated. The bottom line is, it won't happen, it hasn't happened, or it would have already happened.

I am sure today you will hear testimony from people who have the best intentions like myself, to do the best for this state. I have heard that this bill is already dead and that this is an exercise of futility. I am told this is because it requires a restructuring of government. Our present structure of government was devised some 80 years ago and had no comprehension of the technology and requirements of society that exists today. I don't know of any business that is 80 years old that hasn't had any restructuring in that time frame. My employees don't like change either, but as management, I have to set the direction of the future that best serves my company, I hope you legislators feel the same way in the role you play in the business you conduct here in Topeka. I sincerely appreciate your commitment and time while serving our state. Thank you for giving me the opportunity to speak to you on behalf of this bill.

Gene Foster, President
Foster Design Co., Inc.

Testimony of
Stephen A. Hurst, Director
Kansas Water Office
Chairman, Geographic Information Systems
Policy Board

Before the
Governmental Organization and Elections Committee of the
Kansas House of Representatives

February 23, 1994

Re: House Bill No. 2994

Thank you Mr. Chairman, I am Stephen A. Hurst, Director of the Kansas Water Office and Chairman of the Geographic Information Systems Policy Board.

The Kansas Geographic Information Systems Policy Board was formed in 1989 by a Gubernatorial Executive Order. The primary objective of this Board is to prevent the redundant development of geographic information and geographic information system (GIS) technology through the coordination of GIS database development and system acquisition. Nineteen State agencies, two Federal agencies, and a local government representative participate on the GIS Policy Board.

Eighty-five to ninety percent of all information collected and processed by government agencies in Kansas is geographic information. As a result, the GIS Policy Board is involved and interested in a broad range of data processing activities taking place within government agencies.

The GIS Policy Board is in the process of developing a core database of geographic information that is of broad interest to multiple State, Federal, and local agencies. This shared data is archived at the Data Access and Support Center within the Kansas Geological Survey in Lawrence, Kansas. The core database is, and will be, shared by all government agencies in Kansas.

The core database consists of two types of information: graphic information, in the form of automated maps; and tabular information, in the form of relational databases, that is directly linked to the maps and contains information about geographic locations depicted on the maps. The core database has been located at the Data Access and Support Center

*House Gov't Org + Elections
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Attachment 5*

because the expertise exists within the Kansas Geological Survey to archive, process, and distribute such geographic information.

I support the intent of this legislation, which I interpret to be the establishment of a coordination and funding mechanism for development of geographic information and GIS at all levels of government in Kansas. I would, however, like to express some concern with portions of the bill as it might relate to the GIS Policy Board's role in such coordination.

The current language of the bill does not specifically mention the GIS Policy Board as the coordinating body, although many of the responsibilities of the coordinating body outlined in the bill are currently the responsibilities of the GIS Policy Board. I believe the goal of coordination would best be served if the GIS Policy Board were named specifically in the bill as the coordinating body. An alternative might be to specifically note that the intent of the legislation is not to supplant the GIS Policy Board with the Kansas Land Information Board, but to expand the membership of the existing Policy Board by including more representatives from local government and the private sector in the coordination process.

With regard to the makeup of the Land Information Board, it has been the experience of the GIS Policy Board that coordination is best achieved through a policy of inclusion, rather than exclusion. There are several omissions from the membership of the proposed Land Information Board, as compared to the membership of the GIS Policy Board. For example, the Department of Transportation has been a regular participant on the GIS Policy Board and currently uses GIS technology in daily operations, but is omitted from the Land Information Board. In addition, Federal agencies, such as the United States Geological Survey and the Soil Conservation Service, have been regular participants on the GIS Policy Board and currently use GIS technology in daily operations, but have been omitted from the Land Information Board.

It is apparent that the intent of the legislation is to establish a balance in membership on the Land Information Board between the various levels of government, and to include representation from public utilities and the private sector. I support this balancing concept, but believe that there is no reason to limit the total number of participants on the Land Information Board. I would support language that would permit addition of interested State agencies, with a corresponding increase in the number of local government and public

utility representatives. I would also like to propose at least one representative from among the various Federal agencies that operate in Kansas. The Federal representation could perhaps rotate on a regular basis from one agency to another.

I have an additional concern regarding the disposition of funds made available through this legislation. Coordination of development of geographic information technology would itself require some funding for administrative purposes. A small percentage of the funds made available through this legislation should be targeted for coordination purposes.

Finally, I believe it is imperative that the full responsibilities of the existing GIS Policy Board be incorporated in the language of this bill. In this way, the taxpayers of Kansas can be assured that the best possible use is being made of their tax dollars with regard to geographic information technology, regardless of the funding mechanism from which those dollars are generated.

In conclusion, I would reiterate that I support the concept embodied in this legislation. However, I do not believe it is necessary to 'reinvent the wheel' to accomplish the intent of the bill. I believe coordination of the development of geographic information and GIS technology is essential if Kansas taxpayers are to receive the highest possible benefit from this very promising approach to solving problems and making decisions. The GIS Policy Board, or an expanded version of the GIS Policy Board, stands ready to fill this coordination role.

The proposed legislation would enable local governments to develop geographic information and geographic information systems in a way that would permit the sharing of information easily and efficiently between local government agencies and between levels of government. I would be pleased to visit with the members of the GIS Policy Board to solicit appropriate amendatory language from those who use land information technology in day to day operations to facilitate the concepts set forth in this bill.

**Testimony of
Cyril R. Smith
State GIS Coordinator
for the
Geographic Information Systems Policy Board**

**Before the
Governmental Organization and Elections Committee of the
Kansas House of Representatives**

February 23, 1994

Re: House Bill No. 2994

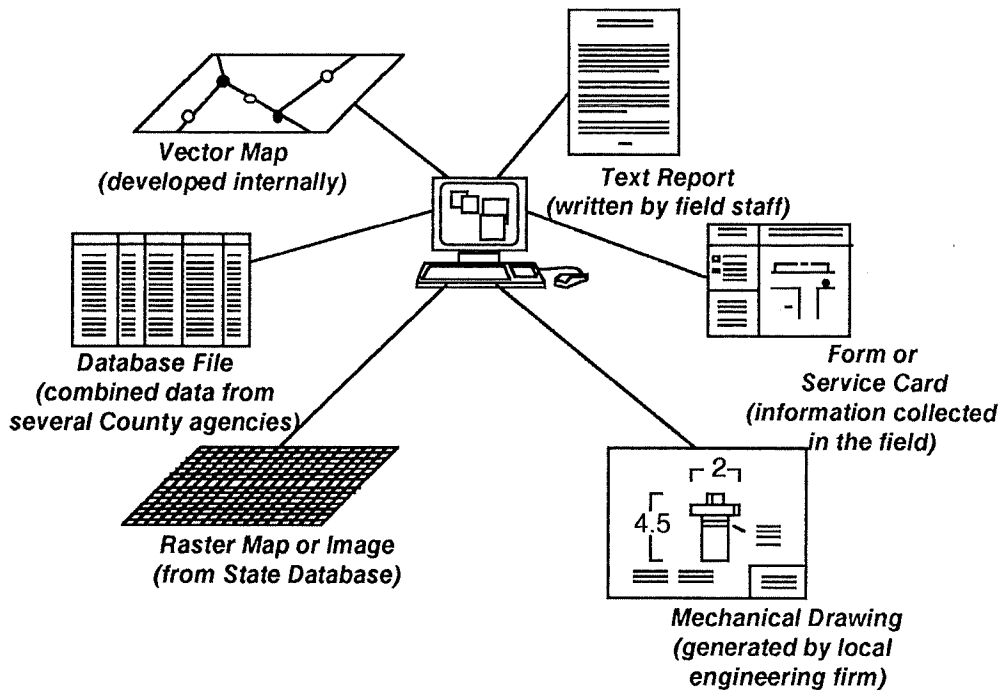
Thank you Mr. Chairman, I am Cyril R. (Cy) Smith, State Geographic Information Systems Coordinator for the Geographic Information Systems (GIS) Policy Board.

I concur with all of the comments made by Mr. Stephen Hurst, Chairman of the GIS Policy Board, in his testimony before this Committee with regard to the House Bill No. 2994. In addition, I have a few brief comments in support of this legislation that are intended to provide some further justification for the necessity of the bill.

I began in my current position in November 1992. Prior to that, I worked for four years for a GIS consulting firm, during which I assisted the Kansas GIS Policy Board in developing its Strategic Management Plan in 1990. In this Strategic Management Plan, the organizational structure and the coordination goals and objectives of the Policy Board were clearly defined. I have worked with many other state and local governments all over the country on similar tasks. In addition, I currently serve on a national committee of Federal, state, and local representatives that has been tasked by President Clinton with designing a framework of geographic information that will serve as the data 'building blocks' for the information highway he and Vice President Gore have envisioned. The concept embodied in H.B. 2994 is one that has worked well in many other jurisdictions and is one that is urgently needed in Kansas.

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Many State agencies and local government agencies are currently in the process of implementing GIS technology and developing geographic information databases to be used with GIS technology in an effort to improve their decision-making process. The true benefits of land information systems technology are gained when the user is able to combine information easily and efficiently from many different sources.



This is the same process that must take place manually in most local governments and many State agencies today in order to solve problems and make good decisions. The current process is a very labor-intensive one and, in light of technological advances, a very inefficient use of tax dollars in the long term.

The proposed legislation you are considering today will provide the opportunity to greatly advance the cause of information sharing at the local level and between local governments, State agencies, public utilities, and the private sector. One of the critical components of the process that would be established by this bill is standards development. Standards are simply an agreed upon way of doing things that ultimately results in cost savings. Information technology requires standards for the development of an infrastructure that provides for easy and efficient exchange of information from one system to another while allowing individual systems to be designed to meet the specific needs of users. Different problems usually require different information and often require differing

methods of portraying that information. Standards form the link that permits a user to make sense of information from multiple sources in an environment that would otherwise be chaotic.

Standards are best developed in a group with plenty of input and informed consent from the people that will be most affected by those standards. The proposed land information board would be such a group. The existing GIS Policy Board has operated as a standards development group for State agencies for the past four years. In 1986, I was a cartographer for the Kansas Department of Revenue's Division of Property Valuation. As such, I made no decisions but I was able to watch the process from the beginning. One of the lessons I learned from that experience was that standards developed in a command and control environment with little or no informed consent or consensus are difficult, at best, to implement. The result of that effort was a system that, on the surface, appears to be homogeneous with information that is easily shared between levels of government. In reality, there are inconsistencies from county to county that inhibit information sharing, and no means devised over time that would allow individuals to take advantage of technological advances that might now permit sharing of information more easily and efficiently. We must develop a land information system, including but certainly not limited to land ownership, that is infinitely more flexible allowing us to solve problems we have yet to encounter. This bill will provide that flexibility.

Coordination involves much more than promulgation of standards. Information systems are part of a very complex technology that is currently enabling and reshaping large segments of our economy, from manufacturing and electronic commerce to health care. There are innumerable aspects of information systems development that require careful consideration on a regular basis if one hopes to keep up with this rapidly changing technology. The necessity for careful planning to avoid unnecessary expense is brought about by the lengthy periods involved in database and system implementation. The plans required by the proposed legislation are critical elements in the wise use of the funds to be set aside for this purpose.

The public servants who work so diligently in the local governments of Kansas are good and reasonable people. Many of them are my friends from my days with the reappraisal effort. I do not view the proposed legislation as a means of establishing State control, nor as a means of forcing automation on those who may not yet require it. The proposed legislation will instead enable local governments to take advantage of automation

when the time is right for them. Meanwhile, this bill would also provide the means for improving land information at the local level in many other ways that do not necessarily involve automation. Just as it was necessary to improve land ownership information in each county before that information could be used effectively, there are many other types of land information at the local level that require improvement before they can be put to good use.

Coordination, particularly to enable information sharing between levels of government, requires a coordinating body composed of representatives from all the affected parties. Left to coordinate on their own, with no structure to promote such coordination, no agency is going to spend much time determining how they can do things to better serve some other agency. There is simply no sufficient motivation to do so. This lesson was learned several years ago with regard to GIS development at the State level and the GIS Policy Board was formed as a result. The proposed land information board would be balanced by equal numbers of representatives from local and State government, with additional representation from public utilities and the private sector.

The President's vision for a National Information Infrastructure relies on the development of efficient information sharing capabilities at the local and State levels of government. We have the information everyone seeks already within our grasp but we can't use it effectively to solve our problems. I want to see Kansas take its place as part of the National Information Infrastructure. It is to our immense economic advantage to do so. The level of coordination embodied in the proposed legislation will permit us to do so. This is not 'Star Wars' technology. We are already using it in many ways for many purposes. Now we must face the task of coordinating our efforts as a group to make the best possible use of the limited resources we have available.

STATE OF KANSAS

David C. Cunningham, Director
Robert B. Docking State Office Building
915 S.W. Harrison St.
Topeka, Kansas 66612-1585



(913) 296-2365
FAX (913) 296-2320

Department of Revenue
Division of Property Valuation

MEMORANDUM

To: Representative Marvin Smith,
Chairman, Governmental Organizations and Elections

From: David C. Cunningham, Director, *DC*
Division of Property Valuation

Date: February 23, 1994

Subject: House Bill No. 2994

Thank you for the opportunity to appear today on House Bill No. 2994.
I appear today in opposition to this bill.

I am certainly in favor of improving the existing land records management system. Any program, no matter how well it operates, can be improved. Unfortunately, I believe this bill does little to improve the existing program and in many respects, creates challenges that do not currently exist. Furthermore, the issue of additional costs to state and local governments to provide these services should also be considered.

I do not believe the mapping program is in such dis-repair that this type of bill is necessary, even though I would agree there is room for improvement. The type of maps used and whether GIS (Geographic Information System) is employed are local decisions. The Division of Property Valuation mandates certain standards for the local appraisal office regarding their mapping activities and routinely monitors the local offices to ensure compliance. Nearly every county met the substantial compliance requirements for mapping. Only two counties did not receive credit for their mapping program and those counties

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have submitted acceptable plans to remedy the problems. Kansas taxpayers have not wasted millions of dollars on the mapping program.

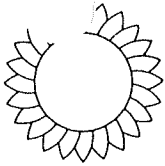
There are some specific concerns I would like to address today. Of particular concern is the exclusion Soil Conservation Service and Agricultural Stabilization Conservation Service. These are two examples of federal agencies that have information used by PVD and the counties that have not been included. I am currently participating in an information sharing project with these agencies and Osage County that will save all of us money because each of us will not be required to maintain three databases, rather, we will each maintain one database and share the information. For example, these federal agencies maintain the soil survey and crop boundaries while the county maintains the ownership boundary.

This bill also attempts to require the development of guidelines and standards to coordinate modernization of land records and land information systems. The Osage County project will provide the information necessary to begin the development of guidelines under current statutes. In addition counties are now required to meet National Mapping Accuracy Standards and PVD monitors to ensure compliance.

The revenue structure also presents problems in that additional administrative cost would be incurred to collect and maintain the distribution of collected dollars. More importantly, revenue would not be constant and thus alternative sources would be necessary for those times when there is a shortfall. Obtaining dollars through grants could also be problematic.

I hesitated simply pointing out problems; however, I do not believe these points should be ignored. I believe the state and the counties should continue to improve the mapping program, but a complete overhaul, such as this bill contemplates, is not necessary. I will be happy to assist in identifying problems with the current system and working to implement cost effective solutions that are in the best interest of the taxpayers.

If there are any questions, please let me know.



Johnson County
Kansas

FEBRUARY 23, 1994

HOUSE GOVERNMENTAL ORGANIZATIONS AND ELECTIONS COMMITTEE

HEARING ON HOUSE BILL 2994

TESTIMONY OF GERRY RAY, INTERGOVERNMENTAL COORDINATOR
JOHNSON COUNTY BOARD OF COMMISSIONERS

Mr. Chairman, members of the Committee, my name is Gerry Ray, representing the Johnson County Board of Commissioners. Our Commissioners have some serious concerns about House Bill 2994 and would like to offer a few comments to the Committee.

The purpose of the bill is to establish a statewide mapping program that is funded by significant increases in mortgage registration fees.

Since 1986 Johnson County has been building a land information system, with a local taxpayer investment of many millions of dollars. We now have a system that is at the forefront of new technology. We support the efforts of other counties to create their own mapping systems but resist efforts by the State to prescribe the methods or standards to which counties must adhere. Johnson County is certainly supportive of working with the state to develop cooperative measures, however we believe each county should retain the ability to select the technology that best suits its individual needs.

Another concern on HB 2994 is the method of funding through increases in mortgage registration fees. Johnson County is a very active real estate market, generating a major portion of the statewide revenues in mortgage and deed registrations. This is also true to a certain extent of the other three large Kansas Counties. In effect, the vast majority of the funding for this state mapping program would come from those four counties, yet HB 2994 sets a limit on the "grants" the counties can receive. In addition to this inequity, the taxpayers of the large counties have already spent substantial tax dollars to build the computerized mapping systems. This bill would then compel them to pay for the systems in the counties that have not taken action to establish their own systems.

A number of counties and cities have been working for almost two years to get a bill passed to allow them to move into the next level of the mapping systems. The bill would allow counties to impose reasonable fees for certain information and to enter into partnerships with public and private organizations. HB 2994 would obstruct the efforts to reach that goal.

The Committee is urged to carefully consider all the various components of the bill and the long term effects they can have on the future of information management in Kansas.

*House Govt Org & Elections
February 23, 1994*

KANSAS

REGISTER OF DEEDS

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VICE-PRESIDENT Jacque Webb

Sharlene Wright
Sue Neustifter

SECRETARY
TREASURER

TO: House Committee -- Governmental Organization and Elections

FROM: Sara F. Ullmann, Johnson County and Linda Fincham, Marshall County
Co-Chairs, Register of Deeds Association Legislative Committee

RE: House Bill 2994

DATE: February 22, 1994

Thank you very much for the opportunity to testify. The Register of Deeds Association is here today to speak in opposition to the passage of H.B. 2994.

In preparation for this legislative session, the Register of Deeds Association surveyed our members on several issues. One issue covered in the survey was the possibility of introducing legislation to increase the recording fees in our offices -- the overwhelming response was "no." Although we clearly acknowledge that increased fees would boost the revenues collected in the register of deeds office, the appropriate cost analysis studies have not been preformed to justify that increased recording fees are appropriate at this time.

On page 6, beginning on line 34 and continuing on page 7, this bill outlines increased recording fees. The register of deeds association opposes becoming a collection arm of the state. It may be that the increased fees listed were intended to offset the increased labor and responsibilities placed in the Register of Deeds office, but the revenues collected in the register of deeds office are deposited directly into the general fund for the county. No provisions have been made to cover the additional administrative and accounting responsibility placed on the register of deeds office.

In closing, we would like to add our concern for the lack of inclusion of the register of deeds in the mapping arena. The process starts in our office and the knowledge held in the register of deeds offices across this state should not be underestimated. We are involved daily with legal description and proper indexing of all land transfers and transactions in this state. We cannot offer our support of this bill.

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Attachment 9*



"Service to County Government"

215 S.E. 8th
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(913) 233-2271
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(913) 832-6275

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(316) 356-4678

Frank Hempen
Douglas County Director of
Public Works
1242 Massachusetts
Lawrence, KS 66044
(913) 832-5293

Mary Ann Holsapple
Nemaha County Register of Deeds
607 Nemaha
Seneca, KS 66538
(913) 336-2120

Eldon Hoyle
Geary County Commissioner
106 Bunker Hill Road
Junction City, KS 66441
(913) 762-4748

NACo Representative

Marjory Scheufler
Edwards County Commissioner
312 Massachusetts
Kinsley, KS 67547
(316) 995-3973

Darrell Wilson
Saline County Sheriff
300 W. Ash
Salina, KS 67401
(913) 826-6500

Executive Director

John T. Torbert, CAE

**To: House Governmental Organization and
Elections Committee**

From: Paul Flowers, Director of Research

Date: February 23, 1994

Re: HB 2994

The Kansas Association of Counties recognizes a growing need for the creation and development of workable standards for land information systems in Kansas. However, we have several concerns with this proposed legislation.

HB 2994 makes no provision for initial funding of the county land information offices required in the act. The bill also provides no assurance that the proposed limited funding sources would be adequate to fully cover continuing county program costs. This legislation appears to be an unfunded or underfunded mandate.

We are also concerned that HB 2994 would further erode county home rule authority. Each county commission in Kansas is uniquely situated to best determine when and if a computer-based county land information system is in the best interest for the residents of such county.

KAC suggests that participation in the land information program be made **voluntary** on a county-option basis. Only when a county **chooses** to create new computer-based land information systems should it be required to comply with any standards that are developed. Any **requirement** that counties participate in land information programs should be fully funded by the state.

The Kansas Association of Counties has accepted an invitation by the Governor's GIS Policy Board to co-sponsor a "GIS summit". This meeting will bring together state and local officials for the purpose of discussing proposed policies and standards for development and maintenance of land management systems. The summit is planned to be held in early summer. Any legislation relating to this issue should be developed jointly by state and local officials based upon the needs expressed during that summit.

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February 23, 1994
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KAC recommends that the land information issue be referred for interim study by the legislature in order achieve guidelines which will best serve the citizens of Kansas.

WALKER HENDRIX
REPRESENTATIVE, 10TH DISTRICT
FRANKLIN AND DOUGLAS COUNTIES
121 W. 3RD
P.O. BOX 787
OTTAWA, KANSAS 66067
(913) 242-8568



TOPEKA

HOUSE OF
REPRESENTATIVES

Governmental Organization Committee
February 23, 1994

COMMITTEE ASSIGNMENTS

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VICE CHAIRMAN: ENERGY AND NATURAL RESOURCES
MEMBER: TRANSPORTATION
GOVERNMENT ORGANIZATION AND ELECTIONS
JOINT COMMITTEE ON LEGISLATIVE
POST AUDIT

PUT AN END TO PATRONAGE!
HB 2730

HB 2730 is legislative reform to eliminate the connection between political contributions and attorney work assigned by the Insurance Commissioner. I am sure all of you have read various accounts about how the Insurance Commissioner raises money from insurance companies and lawyers to run his campaign. The Workers' Compensation Fund paid \$12.12 million in attorneys fees from July 1, 1988 to November 30, 1992. From December 1989 to December 1992, Ron Todd received \$244,317 in political contributions. Mr. Todd gets approximately 40% of his contributions from attorneys.

This reform legislation changes the Health Care Stabilization Fund by giving it more independence in selecting attorneys and conducting its affairs. The Health Care Stabilization Fund is a state operated pool that consists of contributions made by Health Care Providers to cover themselves against malpractice claims that are made above private coverage under certain options chosen by the provider. When a provider is sued, the Fund currently retains legal counsel selected by the Insurance Commissioner to provide a defense. The Fund has enabled the medical profession to limit the cost of liability insurance and has been very successful.

The reform legislation to change the HCSF would give the Board of Governors more authority in managing the fund. Board members would be placed in nomination by the professional organizations that contribute to the fund. The Board would be

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able to hire its own staff, with the staff reporting to it rather than the Insurance Commissioner.

With staggered terms, the Insurance Commissioner would have less influence over the Board, making it less likely that a political contribution would lead to retention in a particular case. The Fund would be allowed to make its own investments and could provide reinsurance for large claims.

House Governmental Organization and Elections Committee
February 23, 1994

Testimony on House Bill No. 2730

by

Robert D. Hayes

Kansas Insurance Department

The Kansas Insurance Department, which administers the Health Care Stabilization Fund, is also appearing on the behalf of the Fund's Board of Governors. Copies of this bill have been distributed to the individual members of the Fund's Board of Governors. The board members have reviewed the amendments proposed by this bill and they have determined that such changes are not in the best interest of Kansas health care providers. The Insurance Department has both a fiscal and operational interest in the amendments being proposed by House Bill 2730. The purpose of my testimony is to bring the major concerns of the Fund's Board of Governors and the Insurance Department to your attention.

First, the restructuring of the Board of Governor's administrative authority in place of the current administrative responsibilities of the Commissioner of Insurance appears to be unsupported and without reason or cause. Under the existing provisions of the law, Fund administrative matters and procedures are the responsibility of the Commissioner of Insurance but are subject to the direct review of the Fund's governing board, the legislative oversight committee and the legislature of the State of Kansas. We are not aware of administrative or operational problems which could not be resolved within this current operating structure of the Fund.

The second concern is the transfer of the Fund responsibilities currently assigned to the Commissioner of Insurance to a newly constituted Fund Board of Governors. Our present members of the Fund's governing board believe that it would be difficult to locate a sufficient number of prospective board members who would be willing or able to devote the necessary time to the administration and management of the Fund. Furthermore, from the standpoint of the Insurance Commissioner, the practical implications of changing to a Fund

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Board of Governors management system with a continued relationship to the Insurance Department may not be feasible and it would appear, if this change is desired, that your committee may wish to review the possibility of moving the Fund's administrative and operational activities to another agency.

The next major revision proposed by House Bill 2730 relates to the investment of the Fund's balance. Presently Fund monies are invested through the state's pooled money investment board. This existing procedure results in reasonable investment income without any investment fees and with the lowest potential investment risk possible. These investment activities are coordinated by existing department personnel which also minimizes administrative investment expenses to the Fund. The proposed amendments to K.S.A. 40-3406 would require the Fund's monies to be invested utilizing a similar but slightly different method and would appear to require the establishment of an investment management staff. We are also unsure, at this date, if the proposed amendments would subject the Fund's invested balance to any element of investment risk.

In closing, both the Fund's Board of Governors and the Commissioner's office are not in support of the amendments proposed by this house bill. I will be happy to answer any questions the committee may wish to ask regarding this testimony or the current administration of the Health Care Stabilization Fund laws.

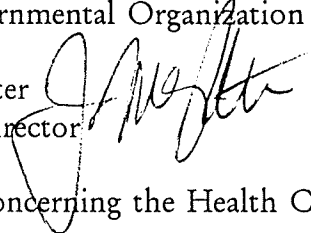


KANSAS MEDICAL SOCIETY

623 SW 10th Ave. • Topeka, Kansas 66612 • (913) 235-2383
WATS 800-332-0156 FAX 913-235-5114

February 23, 1994

TO: House Governmental Organization and Elections Committee

FROM: Jerry Slaughter
Executive Director 

SUBJECT: HB 2730; Concerning the Health Care Stabilization Fund

The Kansas Medical Society appreciates the opportunity to appear on HB 2730, which would transfer the responsibility for operation of the Health Care Stabilization Fund from the Commissioner of Insurance to the Board of Governors which oversees the Fund currently. We appear neither as a proponent nor an opponent of this bill, but as a group that is vitally interested in the proper funding and operation of the Fund.

While we provided some of this information earlier this session in relation to your hearings on HB 2682, we thought it might be helpful to provide a little background information about the Health Care Stabilization Fund.

The Health Care Provider Insurance Availability Act, K.S.A. 40-3401 *et seq.*, is the lengthy statute which governs the operation of the Health Care Stabilization Fund. The Health Care Stabilization Fund is the state administered fund established in 1976 to provide higher limits of medical malpractice insurance coverage to physicians, hospitals, and other health care providers. The Fund was created because the "excess" insurance market had dried up, making insurance coverage unavailable to health care providers during the prolonged medical malpractice insurance crisis in the mid-70's.

Kansas was one of about seven or eight states which established patient compensation funds such as our HCSF. These funds served the dual purpose of providing insurance to health care providers, and assuring payment of meritorious claims to injured plaintiffs. While there have been rocky times during our Fund's 18 year existence, it has basically operated as it was intended. Today it is actuarially sound, with assets which exceed \$180 million. It continues to provide insurance and pay claims, and it has, indeed, provided stability to the medical malpractice insurance system.

We should note that since the Fund's inception almost 18 years ago, the office of the Insurance Commissioner, and its staff, have done a good job of administering the Health Care Stabilization Fund. It has been well managed, and the provider community feels like it has, through the Board of Governors, an opportunity for input and education, which has been most helpful. However, if the Legislature decides that the operation of the Fund should be more independent of the Insurance Commissioner's office, such as that envisioned in HB 2730,

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we will live with that decision. You must understand that we are vitally interested in maintaining the Fund's integrity and financial stability. Almost 3/4 of the dollars in the Fund came from physicians, and those dollars represent the only protection physicians have for "excess" losses in medical malpractice claims. Because of that, we want to make sure that whatever direction the Legislature takes on operation of the Fund, whether continuing with the Insurance Commissioner, or empowering the Board of Governors to manage the Fund on a day-to-day basis, that it promote continued stability and prudent management from an insurance standpoint.

We would suggest that if the Committee is serious about working this bill, that a subcommittee be appointed to thoroughly evaluate all of the questions which may arise over this issue. As an alternative, the Committee may want to refer this issue to the Health Care Stabilization Fund Oversight Committee, and ask for a detailed report back with specific recommendations on whether or not to proceed.

We appreciate the opportunity to appear, and would be happy to respond to any questions.

JS/cb

SALLY THOMPSON
STATE TREASURER



OFFICE OF THE STATE TREASURER
900 SW JACKSON, SUITE 201
TOPEKA, KANSAS 66612-1235
(913) 296-3171 FACSIMILE: (913) 296-7950

Office of the State Treasurer

Testimony: HB 2730-Committee on Governmental Organization and Elections
Sally Thompson, State Treasurer

Mr. Chairman and members of the Committee, it is a pleasure to come before you this morning to discuss HB 2730.

First, let me say that I do not object to the bill in its entirety. In fact, I am not here to comment on the policy change proposed in this measure. My objection is only to Section 5, pages 18-20. I object wholeheartedly to this section because it infringes on the current authority of the Pooled Money Investment Board (P.M.I.B.).

Under this proposed legislation a newly created Board of Governors would take over the investment responsibility of the Health Care Stabilization fund. HB 2730 aims to remove the management of Health Care Stabilization Fund, which totals \$127 million, from the P.M.I.B. As State Treasurer, I serve as Chair of the P.M.I.B. Today we are responsible for the investment of more than \$4 billion in state idle and special funds on a daily basis. P.M.I.B. already has the staff and experience in place to manage the Health Care Stabilization fund. Additionally, we have electronic equipment that allows us to follow the movement of the market on a moment by moment basis.

I object to that shift in responsibility for several reasons: 1) The P.M.I.B. staff has the investment expertise to manage the \$127 million fund, 2) it is not good management to spread the investment powers over several entities, 3) and it is not good policy for the state to take on the liability of allowing a special interest group--one that is not required to have any investment expertise--to invest millions of dollars, 4) the sophisticated equipment, that I mentioned before, would be expensive to duplicate for the proposed Board of Governors.

I realize HB 2730 gives P.M.I.B. a supervisory role in the investment policy set by the proposed Board of Governors. However, I argue that adding another level (you'll note the allowable investments remain the same) to the current mix, i.e., a new board to take on a function already being successfully managed by the existing P.M.I.B., only adds a new layer of government bureaucracy. This year alone our investment expertise has increased the state's interest income by more than \$22 million. Additionally, we manage \$1.4 billion for members of our local government pool and have returned more than \$25 million in interest payments to cities, counties, school boards and other Pool participants.

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February 23, 1994
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